



BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR
THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021 AND
2020

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

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AND 2020

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S/ = Sol

US\$ = American Dollar



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Stockholders of Banco de Crédito del Perú S.A. and its subsidiaries

November 25, 2021

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Banco de Crédito del Perú S.A. and subsidiaries** as of September 30, 2021 and the related interim condensed consolidated statement of income, comprehensive income, changes in net equity and cash flows for the nine-month period ended September 30, 2021 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions.

GAVEGLIO APARICIO Y ASOCIADOS

Countersigned by

-----(partner)

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BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**

(Amounts expressed in thousands of soles)

	<u>Note</u>	<u>2021</u> <u>S/000</u>	<u>2020</u> <u>S/000</u>		<u>Note</u>	<u>2021</u> <u>S/000</u>	<u>2020</u> <u>S/000</u>
Assets				Liabilities and shareholders' equity			
Cash and due from banks:	4			Deposits and obligations	8	133,667,337	126,971,955
Cash and clearing		5,725,271	4,619,875	Payables from repurchase agreements	5(k)	21,308,690	26,267,587
Deposits in Peruvian Central Bank		28,591,029	26,003,477	Due to banks, correspondents and other entities	9	6,973,909	5,843,676
Deposits in local and foreign banks		5,609,737	2,403,346	Bonds and subordinated notes issued	10	14,838,736	13,811,673
Restricted funds		1,176,774	1,336,958	Other liabilities	7	<u>4,990,580</u>	<u>3,354,378</u>
Accrued interest		<u>792</u>	<u>1,351</u>	Total liabilities		<u>181,779,252</u>	<u>176,249,269</u>
		<u>41,103,603</u>	<u>34,365,007</u>				
Interbank funds		-	28,968				
Investments:				Shareholders' equity	12		
At fair value through profit or loss	5(a)	1,406,424	2,168,500	Attributable to Banco de Crédito del Perú equity holders:			
Available-for-sale	5(a)	18,163,788	29,591,086	Capital stock		11,317,387	11,067,387
Held-to-maturity	5(j)	<u>7,598,569</u>	<u>4,934,031</u>	Legal reserve		3,970,773	3,887,157
		<u>27,168,781</u>	<u>36,693,617</u>	Other reserves		2,469,352	2,279,513
				Unrealized results		(591,123)	691,094
				Retained earnings		<u>2,061,249</u>	<u>893,270</u>
						<u>19,227,638</u>	<u>18,818,421</u>
Loans, net	6	124,524,859	117,381,370				
Investments in associates		24,455	13,771	Non-controlling interest		<u>115,475</u>	<u>124,948</u>
Property, furniture and equipment, net		1,116,829	1,211,698				
Goodwill	7	276,321	276,321				
Other assets, net	7	<u>6,907,517</u>	<u>5,221,886</u>	Total shareholders' equity		<u>19,343,113</u>	<u>18,943,369</u>
Total assets		<u>201,122,365</u>	<u>195,192,638</u>	Total liabilities and shareholders' equity		<u>201,122,365</u>	<u>195,192,638</u>
Off-Balance Sheet accounts	14	<u>102,181,394</u>	<u>90,336,447</u>	Off-Balance Sheet accounts	14	<u>102,181,394</u>	<u>90,336,447</u>

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

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 2021 AND 2020**
(Amounts expressed in thousands of soles)

	<u>Note</u>	<u>2021</u> <u>S/000</u>	<u>2020</u> <u>S/000</u>
Financial income and expenses			
Financial income	15	7,182,969	7,866,747
Financial expenses	15	<u>(1,418,493)</u>	<u>(1,930,671)</u>
Gross financial margin		5,764,476	5,936,076
Provision for credit losses on loan portfolio		(2,007,753)	(3,664,214)
Recovery of written-offs loans		<u>227,790</u>	<u>100,263</u>
Provision for loan losses, net of recoveries	6(d)	<u>(1,779,963)</u>	<u>(3,563,951)</u>
Net financial margin		3,984,513	2,372,125
Non-financial income			
Commissions for banking services, net	16	1,969,115	1,554,562
Net gains on trading derivatives		44,634	46,908
Net (loss) gains on securities	17	(120,486)	119,475
Net gains on foreign exchange transactions		652,504	476,083
Other non-financial income	18	<u>126,765</u>	<u>150,510</u>
		<u>2,672,532</u>	<u>2,347,538</u>
Operating expenses			
Salaries and employees benefits		(1,868,413)	(1,812,764)
General and administrative expenses		(1,545,946)	(1,238,810)
Depreciation and amortization		(301,595)	(299,078)
Provision for payment-in-kind and seized assets		(10,227)	(16,158)
Taxes and contributions		(151,016)	(127,386)
Other operating expenses	18	<u>(151,416)</u>	<u>(291,207)</u>
		<u>(4,028,613)</u>	<u>(3,785,403)</u>
Net gains from exchange differences		122,880	30,297
Income before income tax		2,751,312	964,557
Income tax	11	<u>(746,184)</u>	<u>(185,988)</u>
Net income		<u>2,005,128</u>	<u>778,569</u>
Attributable to:			
Shareholders' equity of Banco de Crédito del Perú		1,999,621	775,848
Non-controlling Interest		<u>5,507</u>	<u>2,721</u>
		<u>2,005,128</u>	<u>778,569</u>
Basic and diluted earnings per share (in soles)		<u>0.1772</u>	<u>0.0688</u>
Weighted average number of ordinary shares for basic earnings (in thousand of units)		<u>11,317,387</u>	<u>11,317,387</u>

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

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 2021 AND 2020**

(Amounts expressed in thousands of soles)

	<u>Note</u>	<u>2021</u> <u>S/000</u>	<u>2020</u> <u>S/000</u>
Net profit for the year		2,005,128	778,569
Other comprehensive income			
Net (loss) gain on available-for-sale investments	12(e)	(1,375,071)	41,169
Net movement of cash flow hedges	12(e)	85,197	(18,391)
Exchange differences on translation of foreign operations	12(e)	2,032	915
Income tax	12(e)	4,942	5,009
Other comprehensive (loss) income for the year, net of income tax		<u>(1,282,900)</u>	<u>28,702</u>
Total comprehensive income for the year, net of income tax		<u>722,228</u>	<u>807,271</u>
Attributable to:			
Shareholders' equity of Banco de Crédito del Perú		717,404	804,352
Non-controlling interest		4,824	2,919
		<u>722,228</u>	<u>807,271</u>

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

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 2021 AND 2020
(Amounts expressed in thousands of soles)

	Attributable to shareholders' equity of Banco de Crédito del Perú										
	Number of outstanding shares (in thousand of units)	Capital stock S/000	Legal reserve S/000	Other reserves S/000	Available-for- sale investment reserve S/000	Cash flow hedges reserve S/000	Foreing currency translation reserve S/000	Retained earnings S/000	Total S/000	Non- controlling interest S/000	Total S/000
Balances of January 1, 2020	10,217,387	10,217,387	3,586,304	1,108,814	328,302	(30,770)	580	3,706,594	18,917,211	108,189	19,025,400
Changes in Shareholders' equity for the Nine month period ended September 30, 2020											
Net income	-	-	-	-	-	-	-	775,848	775,848	2,721	778,569
Other comprehensive income	-	-	-	-	40,899	(13,315)	920	-	28,504	198	28,702
Total comprehensive income	-	-	-	-	40,899	(13,315)	920	775,848	804,352	2,919	807,271
Capitalization of income, Note 12(a)	850,000	850,000	-	-	-	-	-	(850,000)	-	-	-
Transfer to legal reserve, Note 12(b)	-	-	298,349	1,170,699	-	-	-	(1,469,048)	-	-	-
Cash dividends, Note 12(f)	-	-	-	-	-	-	-	(1,303,739)	(1,303,739)	-	(1,303,739)
Others	-	-	9	-	-	-	-	(10,456)	(10,456)	(552)	(11,008)
Balances as of September 30, 2020	11,067,387	11,067,387	3,884,662	2,279,513	369,201	(44,085)	1,500	849,199	18,407,368	110,556	18,517,924
Balances of January 1, 2021	11,067,387	11,067,387	3,887,157	2,279,513	731,040	(41,768)	1,822	893,270	18,818,421	124,948	18,943,369
Changes in Shareholders' equity for the Nine month period ended September 30, 2021											
Net income	-	-	-	-	-	-	-	1,999,621	1,999,621	5,507	2,005,128
Other comprehensive income	-	-	-	-	(1,344,407)	60,164	2,026	-	(1,282,217)	(683)	(1,282,900)
Total comprehensive income	-	-	-	-	(1,344,407)	60,164	2,026	1,999,621	717,404	4,824	722,228
Capitalization of income, Note 12(a)	250,000	250,000	-	-	-	-	-	(250,000)	-	-	-
Transfer to Legal Reserve, Note 12(b)	-	-	83,289	457,544	-	-	-	(540,833)	-	-	-
Dividend distribution, Note 12(f)	-	-	-	-	-	-	-	(42,056)	(42,056)	-	(42,056)
Mibanco capital reduction, Note 3 (c)	-	-	-	(267,705)	-	-	-	(267,705)	(267,705)	(14,295)	(282,000)
Other	-	-	327	-	-	-	-	1,247	1,574	(2)	1,572
Balances as of September 30, 2021	11,317,387	11,317,387	3,970,773	2,469,352	(613,367)	18,396	3,848	2,061,249	19,227,638	115,475	19,343,113

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

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 2021 AND 2020**

	Note	For the nine-month period ended September 30,	
		2021 S/000	2020 S/000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit of the period		2,005,128	778,569
Adjustments to reconcile net profit to net cash provided by operating activities:			
Provision for credit losses on loan portfolio		1,779,964	3,664,214
Depreciation and amortization		301,595	299,078
Deferred income tax	11	(66,517)	(621,548)
Net loss (gain) on securities		120,486	(119,475)
Net (gain) on trading derivatives instruments		(44,634)	(17,159)
Expense for share-based compensation plan		40,791	36,250
Provision for seized assets		10,227	16,158
Provision for uncollectable receivables	18	2,633	6,361
Net expense from sale of seized and recovered assets	18	311	70
Provisions for litigation, lawsuits and other contingencies	18	10,585	10,251
Net income for sales of property, furniture and equipment	18	(2,343)	(9,804)
Variation in bonds fair value		5,836	19,596
Amortization of bond issuance expenses		41,180	(77,767)
Net gain from sale of written off portfolio	18	(15,726)	(33,564)
Net (increase) decrease in assets			
Loans		(4,632,273)	(17,876,020)
Investment at fair value through profit or loss		1,033,591	(1,812,658)
Investment available-for-sale		10,242,406	(12,900,092)
Investments held-to-maturity		(194,116)	(148,626)
Other assets, net		(1,444,600)	1,175,773
Sale of written off portfolio		22,117	34,649
Net increase (decrease) of liabilities			
Deposits and obligations		(51,124)	19,513,477
Payables for repurchase agreements		(4,958,897)	20,066,339
Due to banks, correspondent and financial institutions and interbank funds		900,148	(2,760,858)
Bonds and notes issued		(2,383,274)	(4,062,141)
Other liabilities		2,237,968	1,416,932
Income tax paid		(712,821)	(787,492)
Net cash flows from (used in) operating activities		<u>4,248,641</u>	<u>5,810,513</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, furniture and equipment		(27,335)	(35,802)
Revenue from sale of property, furniture and equipment		9,340	22,781
Purchase of intangibles		(237,093)	(280,008)
Revenue from sales and reimbursement of investments held-to-maturity		324,810	1,091,568
Purchase of investments held-to-maturity		(2,784,228)	(1,730,990)
Net cash flows from (used in) investing activities		<u>(2,714,506)</u>	<u>(932,451)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Bonds and subordinated notes issued		1,928,521	3,004,601
Dividends paid		(42,056)	(1,303,739)
Net cash flows from (used in) financing activities		<u>1,886,465</u>	<u>1,700,862</u>
Net (decrease) increase in cash and cash equivalents before the effect of variations in exchange rate		3,420,600	6,578,924
Effect of changes in exchange rate of cash and cash equivalents		3,478,180	1,751,149
Cash and cash equivalents at the beginning of period		<u>33,028,049</u>	<u>23,640,957</u>
Cash and cash equivalents at the end of period		<u><u>39,926,829</u></u>	<u><u>31,971,030</u></u>
Additional information regarding cash flow			
Interest received		7,382,508	8,082,292
Interest paid		(1,376,335)	(2,094,381)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
 RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES
 FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 2021 AND 2020

For the nine-month period ended September 30, 2021	As of January 1, 2021	Changes that generate cash flows		Changes that do not generate cash flows			As of September 30, 2021
		New issues	Amortization of principal	Exchange difference	Changes in fair value	Others	
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Subordinated bonds:							
Amortized cost	4,835,159	2,028,521	(1,898,605)	688,786	-	14,654	5,668,515
	<u>4,835,159</u>	<u>2,028,521</u>	<u>(1,898,605)</u>	<u>688,786</u>	<u>-</u>	<u>14,654</u>	<u>5,668,515</u>
For the nine-month period ended September 30, 2020	As of January 1, 2020	Changes that generate cash flows		Changes that do not generate cash flows			As of September 30, 2020
		New issues	Amortization of principal	Exchange difference	Changes in fair value	Others	
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Subordinated bonds:							
Amortized cost	4,088,371	3,004,601	-	336,370	(2,538,420)	(93,487)	4,797,435
	<u>4,088,371</u>	<u>3,004,601</u>	<u>-</u>	<u>336,370</u>	<u>(2,538,420)</u>	<u>(93,487)</u>	<u>4,797,435</u>

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

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

1 GENERAL INFORMATION

Banco de Crédito del Perú (hereinafter “the Bank” or “BCP”) was incorporated in 1889 and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which as of September 30, 2021 owns directly and indirectly 97.74 percent of its capital stock (As of December 31, 2020 owns 97.71 percent).

The Bank’s registered office is at Calle Centenario N°156, La Molina, Lima, Perú and whose operations are governed by the “Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP” (General Law of the Financial and Insurance Systems and Organic of the SBS - Law 26702), hereinafter the “Banking Law”, is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian Banking and Insurance Authority, hereinafter “SBS” for its Spanish acronym) to operate as a universal bank, in accordance with prevailing Peruvian legislation. BCP and its subsidiaries are principally focused on commercial and consumer loans, credit facilities, deposits, current accounts and credit cards. The majority of the banking business is carried out through BCP and Mibanco in Peru.

In a Credicorp’s Board meeting on December 19, 2019, the Corporate Policy for the Prevention of Corruption and Bribery was approved. This document specifies that Credicorp nor any of its subsidiaries may make contributions or deliver any benefit to political organizations or their members, under any modality, directly or indirectly. Being a Credicorp’s subsidiary, BCP must comply with this policy. Management confirms that for the period between January 1 and September 30, 2021, none of these contributions have been made.

The accompanying interim condensed consolidated financial statements include the interim financial statements of BCP and Subsidiaries in which it has control. The main information of the Bank and of Subsidiaries, which are included in the interim condensed consolidated financial statements as of September 30, 2021 and in the consolidated financial statements as of December 31, 2020, and for the nine-month period ended September 30, 2021 and 2020, before eliminations for consolidation purposes, are as follows:

Entity	Activity and country	Percentage of participation		Assets		Liabilities		Equity		Net profit (loss)	
		September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	September 30, 2020
		%	%	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Banco de Crédito del Perú	Banking, Peru	-	-	188,933,260	182,440,048	169,759,657	163,681,966	19,173,603	18,758,082	2,005,926	785,692
Mibanco, Banco de la Microempresa S.A. Solucion Empresa Administradora	Micro-credits, Peru	94.93	94.93	15,768,949	15,615,626	13,612,480	13,282,334	2,156,469	2,333,292	118,682	73,928
Hipotecaria S.A. BCP Emisiones	Mortgage loans, Peru	100.00	100.00	120,053	142,287	87,778	89,471	32,275	52,816	2,158	1,339
LATAM 1 S.A.	Investments, Chile	50.39	50.39	13	13	102	102	(89)	(89)	-	(76)

The consolidated financial statements as of December 31, 2020 and for the year then ended were approved by the General Shareholders' Meeting held on March 31, 2021. The interim condensed consolidated financial statements as of September 30, 2021 and for the nine-month period ended September 30, 2021 have been approved by Management and the Board of Directors on October 27, 2021, except the note on subsequent events, which has been approved by Management on the date of issuance of the financial statements.

These interim condensed consolidated financial statements have been reviewed, not audited.

2 THE BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

- a) These interim condensed consolidated financial statements for the nine-month period ended September 30, 2021 have been prepared in accordance with the regulations established by the Superintendencia de Banca, Seguros y AFP (hereinafter "SBS" for its Spanish acronym) in force in Peru. The SBS regulation regarding the notes to the interim condensed financial statements follows IAS 34 "Interim Financial Reporting". It should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared with the regulations established by the SBS.

The accounting policies adopted are consistent with those of the previous financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

- b) Bank's Management has used certain estimates and assumptions for the preparation of the interim condensed consolidated financial statements, such as the computation of the allowance for loan losses, the valuation of investments, the estimated useful life and recoverable amount of property, furniture and equipment and intangible assets, the provision for seized assets, the valuation of the brand name, goodwill and client relationship, the valuation of derivative financial instruments and share-based payments; therefore, the final results could differ from the amounts recorded by the Bank and Subsidiaries.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

Accounting practices applied by the Bank that conform to generally accepted accounting principles in Peru for financial institutions, may differ in certain respects to generally accepted accounting principles in other countries.

- c) International Financial Reporting Standards (IFRS) -
- IFRS 9, "Financial Instruments": The complete version of IFRS 9 was issued in July 2014. It replaces the guide of IAS 39 which dealt with the classification and measurement of financial instruments. This standard is effective for annual periods beginning on or after January 1, 2018. Among other differences with respect to the accounting regulations established by the SBS IFRS 9, it is important to mention that IFRS 9 considers an "expected losses" approach for estimating the allowance for credit losses, while the SBS regulations considers an "incurred losses" approach. The allowance for loan losses is determined following guidelines established by SBS Resolutions N°11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement for provisions".
 - IFRS 15, "Revenue from Contracts with Customers": This replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the corresponding interpretations. This new standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a client, so that the notion of control replaces the existing notion of risks and benefits. According to Resolution N°005-2017-EF/30, IFRS 15 was become effective as from January 1, 2019. This standard is not adopted by SBS.
 - IFRS 16, "Leases": This replaces IAS 17 "Leases" and IFRIC 4, "Determining whether an arrangement contains a lease" and other related interpretations. IFRS 16, "Leases" will have substantial impact on lessees, since it will result in the recognition of almost all of their leases in the statement of financial position. This standard was become effective for annual periods beginning on or after January 1, 2019. This standard is not adopted by SBS.

The IFRS detailed above only apply in a supplementary manner to the accounting regulations established by the SBS, unless the SBS adopts them or takes action in future through the amendment of the Accounting Manual for entities of the financial system in Peru or the issue of specific norms.

The Peruvian Regulatory Accounting Council, through Resolution N°003-2019-EF/30 issued on September 19, 2019, made official the application of IFRIC 23 “Uncertainty over Income Tax Treatments”, effective for annual periods which began on January 1, 2019.

This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding income tax treatments. In this circumstance, an entity will recognize and measure its deferred or current tax assets or liabilities by applying the requirements of IAS 12 on the basis of tax gain (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation.

In this regard, the Company, through the corresponding areas, is making improvements in its processes in order to comply with this interpretation of the standard in fiscal year 2021.

3 SIGNIFICANT TRANSACTIONS UNTIL THE THIRD QUARTER

a) The outbreak of the new coronavirus (hereinafter “COVID-19”).

The COVID-19 outbreak, which began in the country during the second quarter of 2020, forced the government to take measures that consisted of emergency declarations, mobilization restrictions, quarantines and border closures that have been changed to quarantines selective. During the second semester of 2020, the country began the reopening process in phases, but due to the increase in cases that have occurred at the end of 2020, restrictive measures have been re-imposed by risk areas that extend to the date of the issuance of this report.

i) Government measures to counteract negative effects of the pandemic -

2020

In response to the major sanitary and economic shock from COVID-19, the Ministry of Finance, the Central Bank and Congress implemented an ample package of measures to mitigate and stimulate the economy for the equivalent of around 20.0 percent of GDP, with resources coming from prudent macroeconomic policies implemented for decades.

The measures enacted include grace periods and rescheduling of credits to individuals and legal entities, tax relief, public spending, access to private savings (pension fund accounts and severance indemnity deposits), and government-backed liquidity programs.

In particular, the government supported the business sector through two government-backed programs:

- (i) “Reactiva Perú”, a liquidity program aimed to give a quick and effective response to liquidity needs that companies faced due to the impact of COVID-19, ensuring the credit chain, and granting access to working capital loans guarantees to micro, small, medium and large companies. This program reached S/60 billion equivalents to 8.0 percent of GDP.

The amount of the credit in soles disbursed and the guarantee depended on the sales volume of each company, with a maximum of three months average of monthly sales in 2019. For microenterprises, an alternative to the sales level was the amount equivalent to two months average debt of the year 2019. The guaranteed coverage of the Government for these loans was 98.0 percent for loans up to S/90 thousand, and between 95.0 to 80.0 percent for loans greater than S/90 thousand and up to S/10 million.

The loans disbursed had maximum terms of up to thirty-six months, with a grace period of up to twelve months.

Likewise, financial entities undertook to offer these credits at record low rates, since the Central Reserve Bank granted funds through repurchase credit agreement with the Guarantee of the Government represented in securities, which were assigned through auctions or direct operations, with an effective annual rate of 0.5 percent and a grace period of twelve months without payment of interest or principal.

- (ii) The Enterprise Support Fund (FAE, by its acronym in Spanish) program enables banks and microfinance entities to provide Small and Micro businesses loans for up to S/4.0 billion with government guarantee coverage levels between 90.0 percent and 98.0 percent. This amount represents about 9.0 percent of the loan portfolio for SMEs (Pymes, by its Spanish initials) systemwide. Other Funds which have also been created are FAE funds for Agriculture and Tourism for S/2.0 billion and S/1.5 billion, respectively. These funds follow similar structures to the original FAE but are focused on specific sectors.

By the end of September 2021, the liquidated repurchase agreement operations with state guarantee from the Central Bank stood at S/43,770 million (S/50,729 million by ended period 2020).

2021

During 2021 the Government announced additional economic measures amid a second wave of COVID-19 and a new focalized lockdown scheme was implemented. Regarding monetary transfers, the Government implemented a new monetary transfer program: S/600 for vulnerable households for a total of S/2,434 million, and S/350 for people living in poverty, extreme poverty or users of social programs.

In addition, by Emergency Decree N°026-2021, the government enabled the rescheduling of Reactiva Perú program loans for up to S/19,500 million until September 30th, 2021, which included a new grace period of up to 12 months, with an eligibility criterion depending on the size loans and the sales contraction registered during the fourth quarter of 2020, respectively. Subsequently the government extended the deadline to reschedule until December 31st, 2021.

Likewise, by Emergency Decree N°029 -2021 the government enabled the rescheduling of FAE MYPE loans to qualify until July 15, 2021, which included a new grace period of up to 12 months. In this new grace period, said beneficiaries only pay the corresponding interest and commissions.

In parallel, Congress approved a number of measures so far, among which we highlight: (i) a new private pension fund withdrawal for both contributors and non-contributors of up to S/17,600 from their individual accounts, and (ii) the withdrawal of 100.0 percent of CTS accounts until December 2021, among others.

- ii) Effects of the pandemic on the economy -

2020

Economic activity in 2020 the GDP contracted 11.1 percent as a result of the pandemic shock and the lockdown of the economy. During this time the Government issued global treasury bonds at historically low rates for a total of US\$7,000.0 million in the year, to finance the significant fiscal deficit incurred during 2020.

Despite the good intentions of the government, the higher fiscal expenditure and the issuing of new US dollar denominated debt marked a move away from the fiscal discipline of the last 20 years of fiscal.

Consequently, in June 2020 Fitch Ratings downgraded Peru's long-term local currency debt from A- to BBB+, but kept the BBB+ rating for long term foreign currency debt, both with stable outlook. Later, in December 2020, Fitch revised the outlook of both ratings to negative.

2021

At the same time of the implementation of a focalized lockdown scheme since February 2021, the economy started to register a notable recovery at a fast rate since March 2021 (20 percent y/y), resulting in a first quarter of 2021 growth of 4.5 percent y/y and a strong rebound of 41.5 percent y/y in the second quarter. For the growth period of July-August 2021 the economy advanced 12.4 percent y/y with respect to the same period of 2020.

In August 2021, the economy grew 11.8% y/y and was 1.6% above its level in August 2019. For the period January-August an increase of 0.2 percent was registered compared to same period 2019. All these amid higher copper prices, expansionary monetary and fiscal policies, and improved sanitary conditions with a vaccination rate of around 75 percent of the population 18 and over with at least one dose.

The Central Bank (BCRP) hiked the reference rate in August 2021 from 0.25% to 0.50%. Then, in September 2021 BCRP increased the rate in 50 bps to 1.00%, in response to an August inflation of 5 percent y/y and inflation expectations above the BCRP's target range of 1%-3%. The BCRP stressed that the monetary policy continues to be expansive with a historically low reference rate and the decision does not necessarily entail a cycle of successive hikes. In October 2021, the Central Bank increased again in 50 bps its policy rate to 1.50% after an inflation of 5.2% in September.

The Executive ratified the economist Julio Velarde as president of the Central Bank (BCRP), while announcing the choice of other three directors out of the six that would join Velarde: economists Roxana Barrantes, José Távora and Germán Alarco. Recall that the Board of the Central Bank is composed of 7 members: 1 president of the board and 6 directors. The executive power appoints the president of the board and three directors, while Congress still must designate the other three directors.

According to the Central Bank (BCRP), the annualized fiscal deficit as of Sep-21 continued to decrease for nine consecutive months to 4.8% of GDP (8.9% as of Dec-20). General government revenues increased to 20.2% of GDP (17.8% as of Dec-20), while non-financial expenditures fell to 23.5% of GDP (24.7% as of Dec-20). Among the items with bigger growth in Sep-21 were business income tax (+75% y/y, + 32% compared to same month 2019) and imports sales tax (+76% y/y, +47% compared to same month 2019).

In 2021 the Ministry of Economy and Finance issued bonds in the international capital markets as follows: (i) March: USD 4 billion in bonds with maturity 2031, 2041 and 2051 and €825 million in Euro-Denominated Bond with maturity 2033; October: USD 4 billion in bonds maturing in 2034, 2051, and 2072. The 2034 and 2072 bonds were the first sustainable bonds issued by the Peruvian government.

The notes to the interim consolidated financial statements that show some impact due to COVID 19 are as follows: Note 5, Note 6, Note 8, Note 13 (e), Note 18 (c) and Note 20.

b) Political situation of Peru –

Political instability intensified after Pedro Castillo, from extreme left-wing party Peru Libre, won the presidential runoff election with 50.1 percent of the valid votes, followed by Keiko Fujimori, from right wing party Fuerza Popular, with 49.9 percent of the valid votes.

Several financial indicators deteriorated as official appointments (such as Prime Minister Guido Bellido) and policy announcements triggered concerns around higher levels of state intervention and attempts to modify the Constitution. In particular, the exchange rate reached a historical high of S/ 4.13 in September 2021 and depreciated 14.2 percent YTD despite active central bank intervention in the FX

market via multiple instruments (January - September 2021 spot sales sum US\$ 9,246 million). Likewise, yields of local currency sovereign bonds exceeded even the pandemic peak levels registered in 2020.

In September 2021, the rating agency Moody's lowered Peru's credit rating for long term debt in foreign currency from A3 (negative) to Baa1 (stable), given Moody's view that an increasingly polarized political environment would undermine the effectiveness of the country's policymaking.

In October 2021, Fitch Rating lowered Peru's credit rating for long term debt in foreign currency from BBB+ (negative) to BBB (stable) and indicates that Peruvian government debt is substantially higher today (37% of GDP) than when it rose the rating to BBB+ in 2013 (19% of GDP). For its part, the rating agency Standard & Poor's (S&P) changed Peru's outlook from stable to negative due to political instability. S&P maintained Peru's rating at BBB+ for long term debt in foreign currency and A- for domestic currency.

In October 2021 President Castillo reshuffled its cabinet and appointed Mirtha Vásquez as new Prime Minister, replacing Guido Bellido due to the pressure coming from several sectors. Prime Minister Vásquez was president of Congress during the Francisco Sagasti's period (2020-2021). On November 4, 2021, the cabinet received – narrowly - the “vote of confidence” from Congress, with 73 votes in favor, 56 against and 1 abstention.

Despite the political uncertainty, macro fundamentals remain solid and Peru continues to outperform its Latin American peers in several dimensions. Net international reserves currently represent 35 percent of GDP, inflation stands at 5.25 percent, among the lowest in the region and public debt balance amounts to 37 percent of GDP (among the lowest in the region). Additionally, our banking system maintains high liquidity compared to historic levels and holds adequate capital levels.

Regarding the financial sector, concerns revolve around the possibility of increased direct competition by government-owned public companies, new packages of national loan rescheduling facilities, more restrictive interest rate caps, increased regulation of private health and insurance systems and a structural reform of the private pension system. However, control of Congress by the opposition as well as the lack of popular and institutional support for Pedro Castillo constitute obstacles to the implementation of radical reforms.

The interim condensed consolidated financial statements reasonable reflect the best available information at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the main notes to the interim condensed consolidated financial statements. Those accounting estimates, in the opinion of Management, are reasonable in the circumstances.

c) Constitution of voluntary provision for doubtful accounts -

The subsidiary Mibanco, Banco de la Microempresa S.A. agreed, at its General Shareholders' Meeting held on February 4, 2021, to reduce the Capital Stock and Additional Capital by a total of S/400.0 million (See note 6 (d)), to constitute voluntary provisions for doubtful accounts in accordance with the provisions of the Multiple Official Letter SBS No. 42138-2020 issued by SBS in December 2020, net of deferred income tax by a total of S/ 282.0 million and also approved the commitment to capitalize at least 80% of the profit for the year 2021. This reduction was approved by the SBS through Resolution No. 00868-2021-SBS dated March 24, 2021, as a result of the recognition of this transaction in subsidiary Mibanco. Through Official Letter SBS No N° 12863-2021-SBS, BCP reduces its equity in proportionally to its participation equivalent to S/ 267.7 million and it is included in the caption “Other Reserves” of the Interim condensed consolidated statement of changes in net equity. This voluntary provisions made against the capital stock may not be reversed, but only reassigned to cover new credit risk requirements.

4 CASH AND DUE FROM BANKS

Cash and due from banks can be described as follows:

Cash and cash equivalents -

The cash and cash equivalents presents in the interim condensed consolidated statements of cash flows correspond to “cash and due from banks” of the interim condensed consolidated statements of financial position, which includes deposits with less than three-month maturity from the date of acquisition, including cash in hand, BCRP time deposits, funds in central banks and overnights deposits, excluding restricted funds.

	As of September 30, 2021	As of December 31, 2020
	S/000	S/000
Cash and clearing (a)	5,725,271	4,619,875
Deposits with Central Reserve Bank of Perú (a)	28,591,029	26,003,477
Deposits in local and foreign banks (b)	5,609,737	2,403,346
Accrued interest	<u>792</u>	<u>1,351</u>
Total cash and cash equivalent	39,926,829	33,028,049
Restricted funds (c)	<u>1,176,774</u>	<u>1,336,958</u>
Total cash and due from banks	<u><u>41,103,603</u></u>	<u><u>34,365,007</u></u>

(a) Cash and clearing and Deposits with Central Reserve Bank of Perú -

Those accounts include mandatory reserve that the Bank and Subsidiaries must maintain for their obligations with the public and are within the limits established by prevailing legislation.

The table below presents the composition of these reserves:

	As of September 30, 2021	As of December 31, 2020
	S/000	S/000
Mandatory reserve:		
Deposits with Central Reserve Bank of Perú	15,042,959	16,904,003
Cash in the vaults of the Bank and Subsidiaries	<u>5,568,421</u>	<u>4,529,683</u>
Subtotal related to mandatory reserve	<u><u>20,611,380</u></u>	<u><u>21,433,686</u></u>
Non mandatory reserve:		
Overnight deposits	8,182,353	2,972,744
Time deposits with Central Reserve Bank of Perú	5,312,300	5,988,900
Other Deposits BCRP	53,417	137,830
Cash in vaults of banks and others	<u>156,850</u>	<u>90,192</u>
Subtotal related to non-mandatory reserve	<u><u>13,704,920</u></u>	<u><u>9,189,666</u></u>
Total	<u><u>34,316,300</u></u>	<u><u>30,623,352</u></u>

As of September 30, 2021, cash and due from banks subject to mandatory reserve in Peruvian currency and foreign currency are affected at an implicit rate of 4.01 percent and 32.97 percent, respectively, of the total obligations subject to reserve, as required by the BCRP (4.00 percent and 34.51 percent, respectively, as of December 31, 2020).

The reserve funds, which represent the minimum mandatory, do not earn interest; however, the mandatory reserve deposited in BCRP in excess of minimum mandatory, earns interests at a nominal rate established by BCRP.

As of September 30, 2021, the available funds include “overnight” operations with the BCRP for US\$1,741.7 million, equivalent to S/7,200.4 million, at a nominal annual rate of 0.05 percent and S/982.0 million at a nominal annual rate of 0.85 percent, with maturity at 1 day (US\$3,562.6 million, equivalent to S/12,899.9 million, in “overnight” operations with the BCRP at a nominal rate of 0.0060 percent with maturity at 1 days, as of December 31, 2020).

As of September 30, 2021, available funds include seven time deposits with the BCRP for S/5,312.3 million at a nominal rate of 1.00 percent and maturing between October 1 and 6, 2021. (As of December 31, 2020, available funds include sixteen time deposits with the BCRP for S/5,988.9 million bearing interest at a nominal rate of 0.25 percent and maturing between January 4 and 7, 2021).

(b) Deposits in local and foreign banks -

Deposits in local and foreign banks correspond principally to balances in soles and U.S. dollars. All deposits are unrestricted and earn interest at market rates. As of September 30, 2021, and December 31, 2020, the Bank and Subsidiaries do not have significant deposits in any specific financial institution.

(c) Restricted funds -

The Bank and Subsidiaries maintain restricted funds related to:

	As of September 30, 2021	As of December 31, 20120
	S/000	S/000
Repurchase agreements with BCRP (i)	340,476	1,104,686
Repurchase agreements with other entities	22,692	10,182
Derivative financial instruments (ii)	803,116	212,813
Other	<u>10,490</u>	<u>9,277</u>
Total	<u><u>1,176,774</u></u>	<u><u>1,336,958</u></u>

(i) Corresponds to deposits in dollars maintained in the BCRP which guarantee repurchase agreements amounting to S/285.0 million as of September 30, 2021 (S/1,055.0 million as of December 31, 2020), see note 5(k).

(ii) The increase is due to the country's political instability, added to the variation of the exchange rate, which has increased considerably during the year, resulting in an increase in derivatives.

5 INVESTMENTS

(a) Investments at fair value through profit or loss and available-for-sale investments are made up as follows:

	<u>As of September 30, 2021</u>				<u>As of December 31, 2020</u>			
	<u>Amortized cost</u>	<u>Unrealized gross amount</u>		<u>Estimated fair value</u>	<u>Amortized cost</u>	<u>Unrealized gross amount</u>		<u>Estimated fair value</u>
	<u>S/000</u>	<u>Gains</u>	<u>Losses</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
Investments at fair value through profit or loss (trading) - (b)	-	-	-	1,402,811	-	-	-	2,163,871
Accrued interest	-	-	-	3,613	-	-	-	4,629
Balance of investments at fair value through profit or loss				<u>1,406,424</u>				<u>2,168,500</u>
Investments available-for-sale -								
BCRP Certificate of deposits (c)	7,373,878	1,502	(12,598)	7,362,782	15,343,852	20,432	-	15,364,284
Corporate bonds (d)	5,332,610	59,694	(56,592)	5,335,712	4,197,911	121,707	(1,806)	4,317,812
Sovereign bonds - Republic of Peru (e)	5,532,807	-	(606,373)	4,926,434	8,297,827	611,633	-	8,909,460
Foreign government bonds (f)	177,998	3,072	(796)	180,274	175,554	7,689	-	183,243
Negotiable certificate of deposits (g)	104,565	2,344	-	106,909	399,597	12,387	-	411,984
Listed equity securities - Credicorp Ltd.	76,030	-	-	76,030	97,617	-	-	97,617
Securitization instruments	43,688	2,447	(3,052)	43,083	44,635	3,373	(604)	47,404
Peruvian Treasury bonds	28,048	-	(353)	27,695	25,434	235	-	25,669
Non-listed equity securities	5,072	4,317	-	9,389	5,057	1,786	(364)	6,479
Investment funds	36	-	(36)	-	36	-	(36)	-
	<u>18,674,732</u>	<u>73,376</u>	<u>(679,800)</u>	<u>18,068,308</u>	<u>28,587,520</u>	<u>779,242</u>	<u>(2,810)</u>	<u>29,363,952</u>
Accrued interest				95,480				227,134
Balance of available-for-sale investments (*)				<u>18,163,788</u>				<u>29,591,086</u>

- (b) As of September 30, 2021, the balance includes BCRP certificates of deposits amounting to S/879.4 million, foreign government bonds for S/224.5 million, Sovereign bonds - Republic of Peru amounting to S/210.6 million and corporate bonds for S/88.3 million (BCRP certificates of deposit amounting to S/1,872.9 million, Sovereign bonds - Republic of Peru amounting to S/158.6 million, foreign government bonds amounting to S/66.2 million, corporate bonds amounting to S/37.6 million and Peruvian Treasury bonds amounting to S/28.6 million, as of December 31, 2020).
- (c) As of September 30, 2021, the Bank and subsidiaries maintain 73,878 BCRP certificates of deposits, which are instruments issued at a discount through a public auction of the BCRP, traded in the Peruvian secondary market and settled in soles (153,760 BCRP certificates of deposit as of December 31, 2020). The decrease in the balance is mainly due to the maturity of these instruments.
- (d) As of September 30, 2021, the corporate bonds mainly include bonds issued by United States, Peruvian, Colombian and other countries entities accounting for 38.9 percent, 37.4 percent, 8.7 percent and 15.0 percent of the total, respectively (bonds issued by Peruvian, United States, Colombian and others countries entities accounting for 40.4 percent, 33.4 percent, 9.7 percent, and 16.5 percent of the total, respectively, as of December 31, 2020).
- (e) As of September 30, 2021, Sovereign bonds are issued by the Republic of Peru in soles amounting to S/4,926.4 million (S/8,909.5 million, as of December 31, 2020). The variation in the balance corresponds to sales of instruments and to the decrease in the fair value. The largest unrealized loss compared to the balance in 2020 is due to the political uncertainty of the country. See Note 3.
- (f) As of September 30, 2021, foreign government bonds correspond to US\$21.3 million, equivalent to S/88.1 million issued by the Government of Chile, US\$22.3 million, equivalent to S/92.2 million issued by the Government of Colombia (foreign Government Bonds for US \$ 28.1 million, equivalent to S/101.7 million, and US\$22.5 million, equivalent to S/81.5 million, corresponding to bonds issued by the Government of Colombia and Chile, respectively, as of December 31, 2020).
- (g) As of September 30, 2021, the negotiable certificates of deposits for COP 98,352.2 million, equivalent to S/106.9 million, corresponding to certificates issued by the Colombian financial system (negotiable certificates of deposits for COP 386,839.6 million, equivalent to S/412.0 million, as of December 31, 2020).
- (*) As of September 30, 2021, the Bank maintained interest rate swaps (IRS), which were designated as fair value hedges of certain bonds issued at fixed rate in U.S. Dollars by corporate entities for a notional amount of S/676.4 million (corporate companies for a nominal amount of S/628.7 million, as of December 31, 2020), see note 7. Through said IRS, these bonds were economically converted at a variable rate.

As of September 30, 2021 the Bank keeps currency swaps (“Cross Currency Swap” or “CCS”), which were designated as hedges of certain corporate bonds and negotiable certificate of deposits for a nominal value of S/192.0 million (corporate bonds and negotiable certificate of deposits for S/487.0 million that were hedged Cross Currency Swaps (CCS) as of December 31, 2020), with a similar principal and maturity, see note 7, through said CCS, the bonds were economically converted to new soles at a fixed rate.

(h) As of September 30, 2021, and December 31, 2020, the maturities and the annual market rates of the investments available-for-sale are as follows:

	<u>Maturity</u>		<u>Annual market rates</u>											
	<u>As of September 30, 2021</u>	<u>As of December 31, 2020</u>	<u>As of September 30, 2021</u>						<u>As of December 31, 2020</u>					
			<u>S/</u>		<u>US\$</u>		<u>Other currency</u>		<u>S/</u>		<u>US\$</u>		<u>Other currency</u>	
			<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>
%	%	%	%	%	%	%	%	%	%	%	%	%		
BCRP certificates of deposit	Oct-21/Mar-23	Jan-21/Mar-23	1.02	1.83	-	-	-	-	0.25	0.73	-	-	-	-
Corporate bonds	Nov-21/Apr-36	May-21/Apr-36	1.61	10.00	0.26	6.25	6.31	7.61	0.61	7.55	0.40	8.82	5.82	6.25
Sovereign bonds - Republic of Peru	Sep-23/Aug-40	Sep-23/Aug-40	3.41	7.41	-	-	-	-	0.74	5.01	-	-	-	-
Foreign government bonds	Mar-23/Feb-28	Jul-21/Feb-28	-	-	1.47	2.71	-	-	-	-	0.12	1.35	-	-
Negotiable certificate of deposits	Oct-21/Jan-23	Jan-21/Jan-23	-	-	-	-	1.87	4.47	-	-	-	-	1.46	3.21
Peruvian treasury bonds	Jul-25	Jul-25	-	-	1.64	1.64	-	-	-	-	1.03	1.03	-	-
Securitized instruments	Nov-29/Sep-34	Nov-29/Sep-34	7.32	12.10	1.95	1.95	-	-	3.97	10.64	1.51	1.51	-	-

- (i) As of September 30, 2021 and December 31, 2020, Management has estimated the fair value of investments at fair value through profit or loss (trading) and available-for-sale using market price quotations available in the market or valuation techniques with inputs of active markets that are observable, either directly or indirectly, if the price was not available, by discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument, see Note 20.9(a).

Management has determined that the unrealized losses of available-for-sale investments as of September 30, 2021 and December 2020 are of temporary nature. The Bank and its Subsidiaries have decided and have the ability to maintain each of these available-for-sale investments for a period of time sufficient to allow for an anticipated recovery in fair value, which can occur at their maturity in the case of debt instruments.

- (j) Held-to-maturity investments

This item is made up as follows:

	As of September 30, 2021	As of December 31, 2020
	<u>S/000</u>	<u>S/000</u>
Peruvian sovereign bonds (i)	7,458,123	4,740,274
Certificates of payment on work in progress (ii)	<u>83,470</u>	<u>89,095</u>
	7,541,593	4,829,369
Accrued interest	<u>56,976</u>	<u>104,662</u>
Total	<u><u>7,598,569</u></u>	<u><u>4,934,031</u></u>

- (i) As of September 30, 2021, the fair value of held-to-maturity investments amounts to S/6,841.4 million and has maturities between September 2023 and February 2042 (S/5,438.9 million with maturities between September 2023 and February 2042 as of December 31, 2020). These investments bear interest at an annual effective interest rate between 3.41 and 7.49 percent for bonds issued in soles (0.74 and 5.06 percent for bonds issued in soles as of December 31, 2020).
- (ii) As of September 30, 2021, a total of 97 certificates of payment on work in progress ("Reconocimiento Anual de Pago por Adelanto de Obra - CRPAO") were issued by the Government of Peru to finance projects and concessions, this issuance is a mechanism set forth in the concession agreement signed by the Peruvian Government and the Concessionaire that allows the latter to obtain financing to continue with the committed work. Investment in CRPAOs amounted to S/83.5 million with maturities from October 2021 to April 2026, bearing interest at an annual effective rate ranging from 2.62 to 4.17 percent (121 CRPAOs, with a total investment of S/89.1 million with maturities between January 2021 and April 2026, bearing interest at annual effective rates between 2.42 and 3.47 percent at December 31, 2020).

As of September 30, 2021, Management has determined that unrealized loss on certain held-to-maturity investments are of temporary nature. Accordingly, at said dates, the Bank and its Subsidiaries have recognized no impairment loss on their held-to-maturity investments.

- (k) As of September 30, 2021 and December 31, 2020, includes repurchase agreements in which the Bank and Subsidiaries has pledged cash as collateral, see Note 4, available-for-sale investments, see Note 5(a), and held-to-maturity investments. This item is made up as follows:

	<u>As of September 30, 2021</u>			<u>As of December 31, 2020</u>		
	<u>Maturity</u>	<u>Carrying amount</u> <u>S/000</u>	<u>Guarantee</u>	<u>Maturity</u>	<u>Carrying amount</u> <u>S/000</u>	<u>Guarantee</u>
Peruvian Central Bank (BCRP), Reactiva (i)	May-23/Oct-25	17,838,553	Credits with National Government Guarantee represented in titles and securities	May-23/Dec-23	20,916,438	Credits with National Government Guarantee represented in titles and securities
Peruvian Central Bank (BCRP)	Jan-22/Aug-25	1,806,013	Available-for-sale investments and held -to-maturity investments	Mar-21/Jul-24	2,903,266	Available-for-sale investments and held -to-maturity investments
Peruvian Central Bank (BCRP) Reactiva Especial (i)	Jun-23/Dec-23	754,931	Credits with National Government Guarantee represented in titles and securities	Jun-23/Dec-23	756,387	Credits with National Government Guarantee represented in titles and securities
Peruvian Central Bank (BCRP), see note 4	Mar-22/Mar-23	285,000	Cash	Feb-21/Mar-23	1,055,000	Cash
Natixis	Aug-28	270,000	Held-to-maturity investments	Aug-28	270,000	Held-to-maturity investments
Citigroup Global Markets Limited (ii)	Aug-26	186,030	Available-for-sale investments	Aug-26	162,945	Available-for-sale investments
Natixis (iii)	Aug-26	103,350	Available-for-sale investments	Aug-26	90,525	Available-for-sale investments
		21,243,877			26,154,561	
Yields		64,813			113,026	
		<u>21,308,690</u>			<u>26,267,587</u>	

As of September 30, 2021, the Bank and its subsidiaries had repurchase agreements for approximately S/ 21,243.9 million cash guaranteed for approximately S/ 340.5 million (see note 4), for Reactiva program credits S/ 20,278.2 million and securities BCRP certificates of deposits, corporate bonds, financial institution bonds, sovereign bonds and global bonds, classified as investments available for sale and to maturity for an approximate value of US \$ 569.1 million, equivalent to S/ 2,352.5 million (repurchase agreements amounting to S/ 26,154.5 million guaranteed with cash of approximately S/ 1,104.6 million, for Reactiva program credits S/ 23,935.9 million and securities classified as investments available for sale and to maturity for an approximate value of US \$ 1,136.8 million, equivalent to S/ 4,116.4 million, as of December 31, 2020).

These repurchase agreements accrued an interest at fixed rate between 0.5 and 6.7 percent and between Libor 6M + 1.68 percent and Libor 6M + 1.90 percent as of September 30, 2021 and December 31, 2020.

- (i) Through Reporting Operations, the Bank sells securities representing credits guaranteed by the National Government to the Peruvian Central Bank (BCRP), receives soles and is obliged to buy them back at a later date. The Credits with National Government Guarantee and securities can have the form of portfolio of representative titles of credits or of Certificates of Participation in trust of portfolio of credits with National Government guarantee. The BCRP will charge monthly for the Operation a fixed interest rate in soles of 0.5 percent per annum and the Operation will include a grace period of twelve months without payment of interest or principal.

Certain repurchase agreements were hedged through interest rate swaps (IRS) and cross currency swaps (CCS), as detailed below:

- (ii) As of September 30, 2021, the Bank and its subsidiaries maintain a CCS which was designated as a cash flow hedge of certain repurchase agreements in US dollars at a variable rate for a nominal amount of US\$45 million, equivalent to S/186.0 million (US\$45 million, equivalent to S/162.9 million, as of December 31, 2020). Through the CCS, these repurchase agreements were economically converted to soles at a fixed rate, see note 7(b).
- (iii) As of September 30, 2021, the Bank and its subsidiaries maintain a CCS which was designated as a cash flow hedge of certain repurchase agreements in US dollars at a variable rate for a nominal amount of US\$25 million, equivalent to S/103.4 million (US\$25 million, equivalent to S/90.5 million, as of December 31, 2020). Through the CCS, these repurchase agreements were economically converted to fixed rate soles, see note 7(b).

6 LOANS, NET

- a) This item is made up as follows:

	<u>As of September 30, 2021</u> S/000	<u>As of December 31, 2020</u> S/000
Direct loans		
Loans	109,289,602	104,189,517
Leasing receivable	6,242,669	5,775,917
Credit cards	4,740,330	5,506,988
Discounted notes	2,381,634	1,481,695
Factoring receivables	3,013,941	2,153,689
Advances and overdrafts in current accounts	95,232	41,979
Refinanced and Restructured loans	<u>1,754,093</u>	<u>1,624,381</u>
Total loans to fall due	127,517,501	120,774,166
Past due loans and under court collection	<u>5,291,284</u>	<u>4,546,737</u>
Total gross loans	<u>132,808,785</u>	<u>125,320,903</u>
Add (less)		
Accrued interest from current loans	732,476	773,505
Deferred interest on discounted notes	(196,125)	(218,530)
Allowance for loan losses (d)	<u>(8,820,277)</u>	<u>(8,494,508)</u>
Total direct loans	<u>124,524,859</u>	<u>117,381,370</u>
Indirect loans, Note 14(a)	<u>21,538,780</u>	<u>19,932,472</u>

- b) As of September 30, 2021, and December 31, 2020, the distribution of the loan portfolio by segments, according to Resolutions SBS No.11356-2008, is as follows:

	<u>As of September 30, 2021</u> S/000	<u>As of December 31, 2020</u> S/000
Non-retail loans		
Corporate	29,523,408	25,038,310
Large-business	23,452,053	21,313,092
Medium-business	<u>29,926,319</u>	<u>28,237,599</u>
Sub total	82,901,780	74,589,001
Retail loans		
Mortgage	18,575,991	17,856,020
Revolving and non-revolving consumer loans	13,237,800	13,521,735
Small-business	14,293,611	14,779,098
Micro-business	<u>3,799,603</u>	<u>4,575,049</u>
Sub total	<u>49,907,005</u>	<u>50,731,902</u>
Total	<u>132,808,785</u>	<u>125,320,903</u>

- c) As of September 30, 2021 and December 31 2020, financial entities in Peru must constitute their allowance for loan losses based on the risk classification and using the percentages indicated in Resolution SBS N°11356-2008, as follows:

- (i) For loans classified as “Normal”:

<u>Loan type</u>	<u>Fixed rate</u> %	<u>Pro-cyclical components (*)</u> %
Corporate	0.70	0.40
Large-business	0.70	0.45
Mortgage	0.70	0.40
Medium-business	1.00	0.30
Small-business	1.00	0.50
Revolving consumer	1.00	1.50
Non-revolving consumer	1.00	1.00
Micro-business	1.00	0.50

(*) In case the credit granted has preferred self-liquidating guarantees (CGPA), the pro-cyclical component was 0, 0.25 percent or 0.30 percent depending on the type of credit. With effect from November 2014, the pro-cyclical provision was deactivated by the SBS.

- (ii) For loans classified as “Potential problems”, “Substandard”, “Doubtful” and “Loss”; depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) or Loans With Readily Preferred Guarantees (LWRPG) or Credit With Highly Liquid Preferred Guarantees (CGPA):

<u>Risk category</u>	<u>LWG</u> %	<u>LWPG</u> %	<u>LWRPG</u> %	<u>LWHLPG</u> %
Potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

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

Due to the national State of Emergency, the SBS allowed exceptionally to apply zero-rate credit risk provisions for the loan's portion guaranteed by Reactiva Perú program. Nevertheless, for the non-guaranteed portion, the original credit risk provision must be used according to the debtor's credit rating, see Note 3.

d) The movement of the allowance for loan losses (direct loans) is shown below:

	<u>September 2021</u> <u>S/000</u>	<u>September 2020</u> <u>S/000</u>
Balance as of January 1	<u>8,932,488</u>	<u>4,847,449</u>
Provision, net of recoveries (i)	1,779,963	3,563,951
Recoveries of written-off loans	227,778	100,263
Loan portfolio written-off (ii)	(2,145,156)	(601,210)
Portfolio sale of court collection loans (iii)	(40,587)	(30,362)
Exchange difference	182,751	87,389
Condonations and other (iv)	<u>316,995</u>	<u>(20,199)</u>
Balance as of September 30 (v)	<u><u>9,254,232</u></u>	<u><u>7,947,281</u></u>
Balance as of December 31, 2020		<u><u>8,932,488</u></u>

- (i) During 2021, the expense includes additional provisions to those established by the SBS for S/329.3 million to incorporate the expected losses due to the economic deterioration and the increase in the probability of default of all segments of the loan portfolio, such as consequence of the effects of the COVID-19 pandemic (S/2,140.1 million as of December 31, 2020).
- (ii) During the years 2020 and 2021, we have maintained our policy of credit write-offs in a uniform manner, ensuring in all cases that we have the necessary evidence to conclude the confirmation of irrecoverable loans. It's based on this, important write-offs of credits were made during the second and third quarters of 2021.
- (iii) During 2021, a portion of the judicial collection portfolio sold for S/22.1 million, with a value of S/318.4 million. Total income is included in the Consolidated Income Statement under "Other non-financial income" for S/15.7 million, see Note 18.
- (iv) SBS Resolution No. 00868-2021-SBS dated March 24, 2021 authorized Mibanco to reduce the equity account to increase the voluntary provision for S/400 million, see Note 3 (c).
- (v) As of September 30, 2021, the allowance for loan losses includes indirect loans allowance for approximately S/433.9 million (approximately S/391.9 million as of September 30, 2020).

The allowance for indirect loan losses is presented in the "Allowance for loan losses" caption of the interim condensed consolidated statements of financial position, Note 6(a).

In Management's opinion, the allowance for loan losses recorded as of September 2021 and September 2020 has been established in accordance with SBS regulations in force as of those dates.

- e) A portion of the loan portfolio is secured by guarantees received from clients, which are principally conformed by mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.

- f) Interest accrued on the loan portfolio is freely agreed considering the current interest rates prevailing in the markets where the Bank and its Subsidiaries operate.

Interest, commissions and expenses on loans or installments which are past due, refinanced, under legal collection, or classified in the “Doubtful” or “Loss” categories, are recorded in the consolidated statement of income when they are effectively collected. The amounts not recognized as accumulated income for this concept amounted to S/2,393.0 million and S/2,471.6 million as of September 30, 2021 and December 31, 2020, respectively.

- g) As of August 31, 2021, the Bank matured a currency swap (CCS) for a nominal amount of ¥5,000.0 million equivalent to S/185.7 million (JPY5,000 million equivalent to S/175.3 million, as of December 31, 2020), which has been broken down by risk variables into two cross currency swaps (CCS) in order to be designated as cash flow hedge of a bond issued in yen at a fixed rate; Through said cross currency swap (CCS), this bond was converted into soles at a fixed rate and as cash flow coverage of credits for US\$46.0 million equivalent to S/187.9 million (US\$46.0 million equivalent to S/166.5 million, as of December 31, 2020); Through said cross currency swap (CCS), these credits have been converted into soles.
- h) The following table presents the gross direct loan portfolio as of September 30, 2021 and December 31, 2020 by maturity based on the remaining period to the payment due date:

	As of September 2021 S/000	As of December 2020 S/000
Outstanding loans -		
Up to 1 year	57,481,450	53,835,946
From 1 to 3 years	36,486,654	33,431,934
From 3 to 5 years	9,430,434	11,868,270
More than 5 years	<u>24,118,962</u>	<u>21,638,017</u>
Internal overdue loans and under legal collection loans	<u>5,291,285</u>	<u>4,546,737</u>
Total	<u><u>132,808,785</u></u>	<u><u>125,320,903</u></u>

- i) In relation to the diverse areas of the country declared in a state of emergency as a result of rainfall and flooding, due to the natural disaster “Fenómeno el Niño”, which have caused economic losses and difficulties for the debtors of these areas to comply with the timely payment of the credits they maintain in the financial system.

The SBS, through the Multiple Official Letter No.10250-2017 dated March 16, 2017, reported to enable the companies of the financial system to modify the contractual conditions of the various types of credit of retail debtors, without the modification constituting a refinancing, to the extent that the total term does not extend for more than 6 months. In that sense, the Bank and Subsidiaries present as of September 30, 2021, the total of S/252.0 million of credits reprogrammed within the current credits category (S/341.2 million as of December 31, 2020).

- j) Due COVID-19 Pandemic effects, BCP and subsidiaries have offered its clients the opportunity to reschedule their loans for 30 or 90 days without incurring in overdue fees and interest on capital. As of September 2021, the rescheduled portfolio amounts to a total of S/15,823.1 million. As of December 2020, the rescheduled portfolio amounts to a total of S/24,813.2 million.

In the loan portfolio, the most vulnerable segments are: Mibanco and within BCP stand-alone SME-Pyme and individuals, where debt reprogramming rates reached 20.7%, 38.4% and 15.2% respectively at the end of September, see Note 3.

As of September 30, 2021, the distribution of the reschedule loan portfolio by segments, due COVID-19 Pandemic effects, is as follows:

	<u>BCP</u> S/000	<u>MIBANCO</u> S/000	<u>SEAH</u> S/000	<u>Total</u> S/000
Reschedule loans				
Non-retail loans				
Corporate	1,249,796	-	-	1,249,796
Large-business	2,926,707	-	-	2,926,707
Medium-business	<u>8,271,467</u>	<u>117,602</u>	-	<u>8,389,069</u>
Total non-retail loans	<u>12,447,970</u>	<u>117,602</u>	-	<u>12,565,572</u>
Retail loans				
Mortgage	4,880,007	79,984	53,464	5,013,455
Revolving and non-revolving consumer loans	1,925,895	51,197	-	1,977,092
Small-business	1,897,287	1,379,188	-	3,276,475
Micro-business	<u>24,449</u>	<u>133,503</u>	-	<u>157,952</u>
Total retail loans	<u>8,727,638</u>	<u>1,643,872</u>	<u>53,464</u>	<u>10,424,974</u>
Total reschedule loans	<u>21,175,608</u>	<u>1,761,474</u>	<u>53,464</u>	<u>22,990,546</u>

As of December 31, 2020, the distribution of the reschedule loan portfolio by segments, due COVID-19 Pandemic effects, is as follows:

	<u>BCP</u> S/000	<u>MIBANCO</u> S/000	<u>SEAH</u> S/000	<u>Total</u> S/000
Reschedule loans				
Non-retail loans				
Corporate	478,217	-	-	478,217
Large-business	1,868,184	-	-	1,868,184
Medium-business	<u>5,380,254</u>	<u>225,216</u>	-	<u>5,605,470</u>
Total non-retail loans	<u>7,726,655</u>	<u>225,216</u>	-	<u>7,951,871</u>
Retail loans				
Mortgage	6,504,586	196,203	37,817	6,738,606
Revolving and non-revolving consumer loans	4,346,006	238,699	-	4,584,705
Small-business	1,390,600	3,513,769	-	4,904,369
Micro-business	<u>10,297</u>	<u>623,324</u>	-	<u>633,621</u>
Total retail loans	<u>12,251,489</u>	<u>4,571,995</u>	<u>37,817</u>	<u>16,861,301</u>
Total reschedule loans	<u>19,978,144</u>	<u>4,797,211</u>	<u>37,817</u>	<u>24,813,172</u>

- k) The credits granted as part of the Reactiva Perú program are guaranteed by the Peruvian Government. The total granted through this program as of September 2021 is S/20,733.2 million. (S/24,286 million as of December 31, 2020). As September 30, 2021, includes the rescheduled Reactiva program for an amount of S/7,167.4 million.

As of September 30, 2021, the credits of the FAE-MYPE program amount to S/23.1 million and S/240.6 million for FAE-MYPE 1 and FAE-MYPE 2, respectively (S/79.9 million and S/273.6 million respectively as of December 31, 2020). As of September 30, 2021, no rescheduled credits were reported for this program.

7 GOODWILL, OTHER ASSETS AND OTHER LIABILITIES

These items are made up as follows:

	As of September 30, 2021	As of December 31, 2020
	S/000	S/000
Goodwill		
Mibanco / Edyficar	276,321	276,321
Other assets, net		
Financial instruments		
Accounts receivable, net (a)	1,389,177	800,885
Derivatives receivable (b)	1,975,648	897,792
Operations in process	70,896	62,243
	<u>3,435,721</u>	<u>1,760,920</u>
Non-financial instruments		
Finite live intangible assets, net (c)	1,297,925	1,269,595
Deferred income tax (d)	1,262,269	1,072,809
Deferred expenses (e)	761,017	790,983
Advance income tax payment, net	100,975	259,498
Realizable, received in payment and seized assets, net	39,110	57,583
Other	10,500	10,498
	<u>3,471,796</u>	<u>3,460,966</u>
Total other assets	<u>6,907,517</u>	<u>5,221,886</u>
Other liabilities		
Financial instruments		
Derivatives payable (b)	1,763,717	881,504
Other accounts payable (f)	1,179,483	585,150
Allowance for indirect loan losses, Note 6(c)	433,954	437,980
Suppliers account payable	315,533	236,043
Salaries payable	271,610	155,796
Employee's additional participations	165,171	86,924
Employee's legal participations	145,847	150,757
Share based payments	119,419	62,677
Operations in process (g)	69,790	72,586
	<u>4,345,105</u>	<u>2,669,417</u>
Non-financial instruments		
Provision for sundry risks	307,209	301,959
Other (h)	236,687	198,731
Taxes payable	46,186	134,325
Deposit insurance fund	55,393	49,946
	<u>645,475</u>	<u>684,961</u>
Total other liabilities	<u>4,990,580</u>	<u>3,354,378</u>

(a) As of September 30, 2021, the balance mainly comprises accounts receivable for reverse repurchase agreements and securities lending, sale of securities, and sale of goods and services amounting to S/664.6 million, S/130.6 million and S/69.6 million, respectively (reverse repurchase agreements and securities lending, and sale of goods and services, amounting to S/231.1 million and S/62.8 million, respectively, as of December 31, 2020).

- (b) The risk in derivatives contracts arises from the possibility that the counterparty does not fulfill the terms and conditions agreed and that the reference rates, in which the transaction was made, changes.

The table below presents the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in fair value are measured.

Nota	As of September 30, 2021				As of December 31, 2020				2021 and 2020
	Assets S/000	Liabilities S/000	Notional amount S/000	Maturity	Assets S/000	Liabilities S/000	Notional amount S/000	Maturity	Hedged instrument
Derivatives held for trading (i) -									
Forward exchange contracts	206,329	635,949	22,657,912	Between October 2021 and November 2022	74,503	81,414	15,594,378	Between January 2021 and April 2022	-
Interest rate swaps	331,598	312,795	17,993,537	Between October 2021 and December 2031	478,815	480,700	14,800,915	Between January 2021 and December 2031	-
Currency swaps	1,325,758	776,884	14,380,029	Between July 2021 and January 2033	315,202	171,367	8,194,803	Between January 2021 and January 2033	-
Foreign currency options	5,084	6,359	962,822	Between July 2021 and February 2022	1,176	2,050	310,975	Between January 2021 and June 2021	-
	<u>1,868,769</u>	<u>1,731,987</u>	<u>55,994,300</u>		<u>869,696</u>	<u>735,531</u>	<u>38,901,071</u>		
Derivatives designated as cash flow hedging (ii) -									
Interest rate swaps (IRS)	10(a)(xi)	-	-	-	-	1,473	253,470	March 2021	Bonds issued
Interest rate swaps (IRS)	10(a)(ix)	-	909	124,020	March 2022	-	2,525	108,630	March 2022
Interest rate swaps (IRS)	9(b)(ii)	-	-	-	-	315	362,100	March 2021	Due to banks
Interest rate swaps (IRS)	9(b)(iv)	-	-	-	-	72	181,050	March 2021	Due to banks
Interest rate swaps (IRS)	9(b)(iii)	-	-	-	-	60	181,050	March 2021	Due to banks
Cross currency swaps (CCS)	5(*)	12,367	4,586	86,017	Between January 2023 and September 2024	18,224	550	81,813	Between January 2023 and September 2024
Cross currency swaps (CCS)	5(*)	-	5,857	73,916	Between October 2021 and January 2023	-	56,133	298,200	Between January 2021 and January 2023
Cross currency swaps (CCS)	5(*)	-	2,214	32,067	Between October 2021 and February 2022	-	17,994	107,033	Between February 2021 and February 2022
Cross currency swaps (CCS)	5(k)(iii)	18,593	-	103,350	August 2026	-	11,797	90,525	August 2026
Cross currency swaps (CCS)	5(k)(ii)	27,367	-	186,030	August 2026	-	29,001	162,945	August 2026
Cross currency swaps (CCS)	10(a)(v)	48,552	-	206,700	January 2025	5,090	-	181,050	January 2025
Cross currency swaps (CCS)	10(a)(viii)/6(g)	-	-	-	-	4,782	-	175,345	August 2021
									Bonds issued/loans
Fair value hedge -									
Interest rate swaps (IRS)	5(*)	-	18,164	676,405	Between March 2022 and May 2023	-	26,053	628,677	Between March 2022 and May 2023
		106,879	31,730	1,488,505		28,096	145,973	2,811,888	Available for sale investments
		<u>1,975,648</u>	<u>1,763,717</u>	<u>57,482,805</u>		<u>897,792</u>	<u>881,504</u>	<u>41,712,959</u>	

The increase in the nominal value of forward exchange contracts as of September 30, 2021 respect to December 31, 2020 is mainly due to new operations with Bank of America and with Banco Santander from New York.

The increase in the notional amount of currency swaps as of September 30, 2021 respect to December 31, 2020 is mainly due to new operations with the BCRP.

- (i) Derivatives held for trading are mainly negotiated to satisfy clients' needs. The Bank and Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices and rates. Also included under this caption are any derivatives which do not meet SBS hedging requirements.
- (ii) The Bank and Subsidiaries are exposed to movements in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Bank and its subsidiaries use derivative financial instruments as cash flow hedges to cover these risks.

The accumulated balance of the net unrealized loss due to cash flow hedges, which is presented in the Statement of Changes in Equity as "Equity Adjustments-Cash flow hedges", results from the current hedges (as of December 30, September 2021 and December 31, 2020, unrealized gain of approximately S/19.1 million and the unrealized loss of S/41.1 million, respectively and of the revoked coverage (as of September 30, 2021 and December 31, 2020, loss unrealized for approximately S/0.7 million and S/0.7 million, respectively) that has been transferred to the income statement during the remaining term of the underlying financial instrument.

- (c) As of September 30, 2021, and December 31, 2020 it is mainly composed of intangible in progress, software and developments, brand name and client relationships.
- (d) Deferred income tax is mainly generated by allowance for loan losses, unrealized loss on bonds, depreciation of buildings, unrealized gains on investments and the difference in exchange in assets and liabilities, see Note 11.
- (e) As of September 30, 2021, the balances corresponds mainly to the payment in favor of Latam Airlines Group S.A. Sucursal Perú for US\$129.8 million, equivalent in soles to S/536.4 million (US\$165.1 million, equivalent in soles to S/597.9 million, as of December 31, 2020). This advance granted is applied to the mileage awards granted to our customers when they pay with Latam Pass credit cards and then they can use those miles directly with Latam to redeem tickets, goods and services offered by Latam. Management considers that this asset will be fully recovered.
- (f) As of September 30, 2021, and December 31, 2020 it is mainly composed of accounts payable for the purchase of financial investments negotiated during the last days of the month, which were settled during the first days of the following month.
- (g) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final interim condensed consolidated statements financial position accounts until the first days of the following month. The regularization of these transactions may not affect the Bank and Subsidiaries' consolidated net income.
- (h) As of September 30, 2021, and December 31, 2020 it is mainly composed of deferred commission's loans and deferred income from indirect loans.

8 DEPOSITS AND OBLIGATIONS

a) This item is made up as follows:

	<u>As of September 30, 2021</u>	<u>As of December 31, 2020</u>
	S/000	S/000
Demand deposits (i)	55,902,483	50,602,304
Saving deposits	51,252,140	47,406,102
Time deposits	20,462,613	19,891,446
Severance indemnities deposits	4,681,224	7,736,747
Negotiable certificates	<u>1,298,073</u>	<u>1,202,996</u>
	133,596,533	126,839,595
Interest payable	<u>70,804</u>	<u>132,360</u>
Total	<u><u>133,667,337</u></u>	<u><u>126,971,955</u></u>

(i) Growth in demand deposits was attributable to Government programs loans (Reactiva Peru and FAE), which are held in clients' accounts, see Note 3.

- b) The Bank and Subsidiaries have established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.
- c) Interest rates applied to the different deposits and obligations accounts are determined by the Bank and Subsidiaries considering current interest rates in the markets where they develop their operations.

As of September 30, 2021, and December 31, 2020, of the total balance of deposits and obligations, approximately S/50,636.2 million and S/45,448.1 million, respectively, are secured by the Peruvian "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At said dates, maximum amount of coverage per depositor recognized by "Fondo de Seguro de Depósitos" totaled S/112,853 and S/101,522, respectively.

9 DUE TO BANKS, CORRESPONDENTS AND OTHER ENTITIES

a) This item is made up as follows:

	<u>As of September 30, 2021</u>	<u>As of December 31, 2020</u>
	S/000	S/000
By type -		
Due to banks, correspondents and financial institutions (b)	3,455,378	2,396,626
Promotional credit lines (e)	3,389,815	3,203,263
Due to related parties (d)	<u>124,290</u>	<u>233,610</u>
	6,969,483	5,833,499
Interest payable	<u>4,426</u>	<u>10,177</u>
Total	<u><u>6,973,909</u></u>	<u><u>5,843,676</u></u>
By term -		
Short-term debt	3,014,679	1,699,567
Long-term debt	<u>3,959,230</u>	<u>4,144,109</u>
Total	<u><u>6,973,909</u></u>	<u><u>5,843,676</u></u>

- b) As of September 30, 2021, and December 31, 2020 it includes debts to banks and correspondents and financial institutions borrowings to finance foreign trade operations and for working capital. This item is made up as follow:

	As of September 30, 2021	As of December 31, 2020
	S/000	S/000
Bank of America, N.A.	950,820	-
Wells Fargo Bank (i)	702,780	181,050
Corporación Financiera de Desarrollo (COFIDE)	445,077	624,480
Citibank N.A. (ii)	413,400	362,100
Sumitomo Mitsui Banking Corporation (iii)	413,400	181,050
Banco de la Nación	185,000	260,000
Banco BBVA Perú	119,900	107,900
Scotiabank Perú S.A.A.	100,000	100,000
Banco Internacional del Perú S.A.A. (Interbank)	75,000	-
Toronto Dominion Bank	-	271,575
Bankinter	-	72,420
Bank of New York (iv)	-	181,051
Others	50,001	55,000
	<u>3,455,378</u>	<u>2,396,626</u>

The debtors that had coverage were the following:

- (i) As of September 30, 2021, the loan amounting to US\$10.0 million matured, which was hedged by an interest rate swap (IRS) for a nominal amount equal to the principal and the same maturity, said loan was converted financially to a fixed rate.
 - (ii) As of September 30, 2021, the loan amounting to US\$100.0 million were due (US\$100.0 million equivalent to S/362.1 million, as of December 31, 2020) was hedged by an interest rate swap (IRS) for the same nominal amount. At the principal and equal maturity, note 7, said loan was economically converted to a fixed rate.
 - (iii) As of September 30, 2021, the loan amounting to US\$50.0 million were due (US\$50.0 million equivalent to S/181.1 million, as of December 31, 2020) was hedged by an interest rate swap (IRS) for equal nominal amounts to the principal and equal maturities, note 7, said loans were economically converted at a fixed rate.
 - (iv) As of September 30, 2021, the loan amounting to US\$50.0 million were due (US\$50.0 million equivalent to S/181.1 million, as of December 31, 2020) was hedged by an interest rate swap (IRS) for the same nominal amount. At the principal and equal maturity, note 7, said loan was economically converted to a fixed rate.
- c) As of September 30, 2021, due to banks and correspondents comprise mainly loans to finance foreign trade operations and for working capital granted by 10 entities (12 as of December 31, 2020); of which 2 represent approximately 47.86 percent of the balance (3 represent approximately 52.50 percent of the balance as of December 31, 2020).

As of September 30, 2021, due to bank and correspondents accrued annual interest at rates that ranged between 1.15 and 7.53 percent in soles and between 0.42 percent and 6.30 percent in dollars (between 0.92 and 4.30 percent as of December 31, 2020).

- d) As of September 30, 2021, due to related parties includes loans at variable interest rates maintained between BCP and CCR Inc. amounting to US\$30.1 million, equivalent to a S/124.3 million (the loans at variable interest rates between BCP and CCR Inc. and Atlantic Security Bank (ASB) amounting to US\$63.8 million, equivalent to a S/231.1 million and US\$0.7 million, equivalent to S/2.5 million, respectively, as of December 31, 2020), see Note 21(a).
- e) Promotional credit lines represent loans received mainly from Corporación Financiera de Desarrollo (COFIDE) and Fondo de Cooperación para el Desarrollo (FONCODES) to promote the development of Perú. As of September 30, 2021, their annual interest rates ranged between 6.00 percent and 7.57 percent in soles, and the interest rate in dollars is 7.75 percent (3.98 percent and 7.25 percent in soles, and the interest rate in dollars is 6.40 percent in December 31, 2020). These liabilities are secured by a loan portfolio for up to the amount of the credit line used.
- f) As of September 30, 2021, and December 2020, the balance of this caption, classified by maturity, is as follows, without considering the interest payable:

	As of September 30, 2021	As of December 31, 2020
	S/000	S/000
Up to 3 months	720,660	1,246,348
From 3 months to 1 year	2,712,650	725,619
From 1 year to 3 years	877,563	1,352,080
From 3 to 5 years	573,205	541,666
More than 5 years	<u>2,085,405</u>	<u>1,967,786</u>
	<u><u>6,969,483</u></u>	<u><u>5,833,499</u></u>

10 BONDS AND SUBORDINATED NOTES ISSUED

a) As of September 30, 2021, and December 31, 2020 this item comprises:

	<u>Annual interest rate</u> %	<u>Interest payment</u>	<u>Maturity</u>	<u>Issued amount (000)</u>	<u>2021 S/000</u>	<u>2020 S/000</u>
Local issuance						
Corporate bonds						
Fourth program						
Tenth issuance (Series A) - BCP	7.25	Semi-annual	December 2021	S/150,000	149,994	149,978
Tenth issuance (Series B and C) - BCP	Between 5.31 and 5.50	Semi-annual	Between October and November 2022	S/400,000	399,901	399,838
Fifth program						
Third issuance (Series A, B, C and D) - BCP	Between 3.88 and 4.88	Semi-annual	Between July 2021 and August 2022	S/264,940	<u>193,863</u>	<u>264,344</u>
					<u>743,758</u>	<u>814,160</u>
Subordinated bonds						
First program						
First issuance (Series A) - BCP	6.22	Semi-annual	May 2027	S/15,000	15,000	15,000
Second program						
First issuance (Series A) – Mibanco (*) (xiii)	8.50	Semi-annual	May 2026	S/100,000	-	100,000
First issuance (Series B) - Mibanco	7.22	Semi-annual	June 2027	S/30,000	30,000	30,000
Fourth program						
First issuance (Series A) – Mibanco (xiii)	5.84	Semi-annual	March 2031	S/155,000	<u>155,000</u>	<u>-</u>
					<u>200,000</u>	<u>145,000</u>
Trading certificates of deposit						
Third program						
Trading certificates of deposit - Mibanco	Between 1.7 y 5.8	Annual	Between July 2021 and July 2024	S/1,309	<u>939</u>	<u>1,385</u>
					<u>939</u>	<u>1,385</u>
Total local issuance					<u>944,697</u>	<u>960,545</u>
International issuance - BCP						
Subordinated Bonds - (i), (xii)	Between 3.13 and 6.13	Semi-annual	Between April 2027 and September 2031	US\$ 1,350,000	5,456,278	4,028,265
Senior Notes - (ii)	4.25	Semi-annual	April 2023	US\$716,301	2,931,866	2,555,265
Senior Notes - (iii), (iv), (v), (vi)	Between 2.70 and 5.38	Semi-annual	Between September 2020 and January 2025	US\$700,000	2,820,565	2,456,852
Senior Notes - (vii)	Between 4.65 and 4.85	Semi-annual	Between October 2020 and September 2024	S/2,900,000	2,485,478	2,482,648
Subordinated Bonds - (xii)	6.88	Semi-annual	September 2026	-	-	651,176
Senior Notes - (viii)	0.42	Semi-annual	August 2021	¥ 5,000,000	-	175,087
Senior Notes - (ix)	Libor 3M + 0.55	Quarterly	March 2022	US\$30,000	123,957	108,479
Subordinate negotiable certificates of deposit - (x)	Libor 3M + 2.79	Quarterly	November 2021	US\$2,960	12,237	10,718
Floating rate Notes - (xi)	Libor 3M + 1.0	Quarterly	March 2021	US\$70,000	-	253,412
Total international issuance					<u>13,830,381</u>	<u>12,721,902</u>
Total local and international issuance					<u>14,775,078</u>	<u>13,682,447</u>
Interest payable					<u>63,658</u>	<u>129,226</u>
Total					<u>14,838,736</u>	<u>13,811,673</u>

(*) This bond issue was prepaid in May 2021.

The bonds are guaranteed by the Bank's financed assets and subject to the priority order established by the SBS.

Most of international issues are listed on the Luxembourg Stock Exchange. In addition, international issues maintain certain covenants which, in Management's opinion, the Bank and its Subsidiaries have complied with at the date of the consolidated statement of financial position.

- (i) In July 2020, The Bank repurchased US\$294.6 million from the total US\$476.1 million outstanding amount of "6.875% Fixed- to-Floating Rate Subordinated Notes due 2026". Also, the Bank repurchased US\$224.9 and exchanged US\$200.4 million from the total US\$720 million outstanding amount of "6.125% Fixed-to-Floating Rate Subordinated Notes due 2027"

Also, on July 1, 2020, the Bank issued Subordinated Notes under the Medium-Term Bond Program for a total amount of US\$850.0 million at a semi-annual coupon rate of 3.125 percent maturing in July 2030 under the name of "3.125% Subordinated Fixed-to-Fixed Rate Notes due 2030 (Callable 2025)". On July 1, 2025, the Bank may redeem all or part of the notes at a redemption price equal to 100% of the aggregate amount of the principal of the notes to be redeemed. From now on, the Bank may redeem all or part of the notes at a redemption price equal to the higher of (1) 100% of the principal amount of the notes and (2) the sum of the remaining cashflows discounted at a rate equivalent to the US Treasury interest rate plus 45 basis points. The payment of principal will take place on the due date or when the Bank redeems the notes.

Through a repurchase offer announced in March 2021, the Bank repurchased US\$88.5 million and exchanged US\$11.0 million from the total US\$294.7 million outstanding amount of "6.125% Fixed-to-Floating Rate Subordinated Notes due 2027". Also, US\$60.6 million were repurchased from the total US\$181.5 million outstanding amount of "6.875% Fixed-to-Floating Rate Subordinated Notes due 2026". Both operations registered and settled on June 30, 2021.

On the other hand, effective on March 30, 2021, the Bank issued Subordinated Notes under the Medium-Term Bond Program amounting to US\$500.0 million at a semi-annual rate of 3.25 percent maturing in September 2031 called "3,250% Subordinated Fixed-to-Fixed Rate Notes due 2031 (Callable 2026)". As of September 30, 2026, It will be paid a fixed interest rate equal to U.S. Treasury interest rate, comparable to 5 years, plus 245.0 basis points .On September 30, 2026, the Bank may redeem all or part of the notes at a redemption price equal to 100% of the aggregate amount of the principal of the notes to be redeemed. From now on, the Bank may redeem all or part of the notes at a redemption price equal to the higher of (1) 100% of the principal amount of the notes and (2) the sum of the remaining cashflows discounted at a rate equivalent to the U.S. Treasury interest rate plus 40 basis points. The payment of the principal will take place on the expiration date of the notes or when the Bank redeems them.

- (ii) The Bank can redeem all or part of the notes at any date, taking as penalty an interest rate equal to the Treasury of the United States of America's plus 50 basis points. Payment of principal will take place at the date of maturity or upon redemption.
- (iii) The Bank can redeem all or part of the bonds at any date, taking as penalty an interest rate equal to the Treasury of the United States of America's plus 40 basis points. Payment of principal will take place at the date of maturity or upon redemption.
- (iv) In September 2019, the Bank announced a repurchase offer for a corporate bond issued. From the outstanding amount of the Senior Notes for US\$800.0 million with maturity in 2020, US\$205.0 million were exchanged and US\$220.3 million were repurchased.

At the same time, the bank issued a corporate bond under the Medium-Term Bond Program amounting to US\$700.0 million at a semi-annual coupon rate of 2.70 percent with maturity in 2025. Between October 11, 2021 and before December 11, 2024, the Bank may redeem all or

part of the notes at a redemption price that is equal to the greater between (1) 100% of the principal amount of the notes and (2) discounting the remaining flows at a discount rate equivalent to the interest rate of the Treasury of the United States of America plus 20 basis points. As of December 11, 2024, the Bank can redeem all or part of the notes at a redemption price that is equal to 100% of the aggregate amount of the principal of the notes to be redeemed. Payment of principal will take place at the date of maturity or upon redemption.

- (v) As of September 30, 2021, the Bank holds a cross currency swap (CCS) for a notional amount of US\$50.0 million equivalent to S/206.7 million (US\$50.0 million equivalent to S/181.1 million as of December 31, 2020), see Note 7(b), which was designated as partial cash flow hedge of a corporate bond issued in US dollars at a fixed rate; through said CCS, the bond was economically converted to soles at a fixed rate.
- (vi) During the first quarter of 2018, in accordance with the interest rate risk exposure strategy, the Bank discontinued the fair value hedge of these bonds through the unwind of interest rate swaps (IRS). The accumulated fair value gains of these bonds at the time of the unwind of the derivatives amounted to US\$22.0 million (equivalent to S/71.7 million), recorded in the liability, which has been transferred to the consolidated statement of income up to the date of maturity of said bonds. As of September 30, 2021, the liability amounts to US\$1.1 million, equivalent to S/4.5 million, (US\$2.6 million, equivalent to S/9.4 million, as of December 31, 2020). The amount recorded in the interim condensed consolidated statement of income ended September 30, 2021 amounts to US\$1.5 million, equivalent to S/5.8 million (US\$5.6 million, equivalent to S/19.6 million, during the period ended September 30, 2020).
- (vii) In September 2019, the Bank announced a repurchase offer for a corporate bond issued. From the amount in circulation of S/2,000.0 million with maturity in 2020, S/1,308.8 million were exchanged and S/291.2 million were repurchased.

At the same time, the bank made a corporate bond issue under the Medium-Term Bond Program amounting to S/2,500.0 million at a semi-annual coupon rate of 4.65 percent with maturity in 2024. Between October 17, 2021 and August 17, 2024, the Bank can redeem all or part of the notes at a redemption price that is equal to the greater between (1) 100% of the principal amount of the notes and (2) discounting the remaining flows at a rate equivalent to the interest rate of Sovereign Bonds issued by the Government of Peru, or other comparable security, plus 25 basis points. As of August 17, 2024, the Bank can redeem all or part of the notes at a redemption price that is equal to 100% of the aggregate amount of the principal of the notes to be redeemed. Payment of principal will take place at the date of maturity or upon redemption.

- (viii) As of August 31, 2021, the Bank matured a currency swap (CCS) for a notional amount of ¥5,000.0 million equivalent to S/185.7 million (¥5,000.0 million equivalent to S/175.3 million, as of December 31, 2020), see Note 7(b), which has been broken down by risk variables in two CCS with the purpose of being designated as cash flow hedge of a bond issued in yen at a fixed rate; through said CCS, this bond was converted to soles at a fixed rate and as cash flow hedge of loans for US\$46.0 million equivalent to S/187.9 million (US\$46.0 million equivalent to S/166.6 million, as of December 31, 2020); through said CCS, these loans have been converted to soles.
- (ix) As of September 30, 2021, the Bank holds an interest rate swap (IRS) for a notional amount totaling US\$30.0 million equivalent to S/124.0 million (US\$30.0 million equivalent to S/108.6 million as of December 31, 2020), see Note 7(b), which was designated as cash flow hedge of a corporate bond issued in US dollars at a variable rate; through this IRS the bond was converted to a fixed rate.
- (x) In November 2016 the interest rate was converted to a variable rate Libor 3 month plus 279 basis points. From that date and on any subsequent interest payment date, the Bank can redeem all certificates without penalty. Payment of principal will take place on the date of maturity or redemption of the bonds.

- (xi) In March 31, 2021, an IRS matured for a notional amount totaling US\$70.0 million equivalent to S/263.0 million (US\$70.0 million equivalent to S/253.5 million as of December 31, 2020), Note 7(b), which was designated as cash flow hedge of a bond issued in US dollars at a variable rate; through this IRS the bond was converted to a fixed rate.
- (xii) On March 29, 2021, the Bank announced its decision to exercise the Make-Whole Redemption option of the entire two subordinated Notes, "6.875% Fixed-to-Floating Rate Subordinated Notes due 2026" and "6.125% Fixed-to-Floating Rate Subordinated Notes due 2027". The redemption date for both bonds was effective on April 28, 2021.
- (xiii) On March 30, 2021, Mibanco S.A. issued the Fourth Program Series A Subordinated Bonds amounting to S/ 155.0 million with a fixed rate of 5.84 percent, which matures on March 31, 2031. The payment of the principal will take place on the maturity date, or when Mibanco S.A. redeems them, only after a minimum term of 5 years since issuance date.

Also, on May 13, 2021, Mibanco S.A. exercised the option for early redemption from Second Program Series A Subordinated Bonds issue amounting to S/100.0 million.

b) Bonds and Notes issued classified by maturity are shown below:

	<u>As of September 30, 2021</u> S/000	<u>As of December 31, 2020</u> S/000
Up to 3 months	204,533	253,867
From 3 months to 1 year	276,085	448,698
From 1 year to 3 years	5,817,541	3,215,142
From 3 to 5 years	2,820,642	4,939,789
More than 5 years	5,656,277	4,824,951
Total	<u>14,775,078</u>	<u>13,682,447</u>

11 INCOME TAX

Amounts presented in the interim condensed consolidated statements of income for the 2021 and 2020 are shown below:

	<u>Nine -month period ended September 30,</u>	
	<u>2021</u> S/000	<u>2020</u> S/000
Current	812,700	807,536
Deferred	(66,516)	(621,548)
	<u>746,184</u>	<u>185,988</u>

As of September 30, 2021, the variation in deferred tax expense is mainly due to the generic provision for BCP loans for S/429 million and the generic provision for MiBanco loans for S/161 million.

12 SHAREHOLDER'S EQUITY

a) Capital stock -

As of September 30, 2021, the Bank's capital stock comprises 11,317.4 million, of fully subscribed and paid common shares, each with a nominal value of one Peruvian Sol (11,067.4 million as of December 31, 2020).

As of September 30, 2021 Grupo Crédito S.A. (a subsidiary of Credicorp) hold 97.74 percent of the Bank's capital stock. (As of December 31, 2020 owns 97.71 percent).

The Mandatory Annual General Shareholders' Meetings held on March 31, 2021 approved the capitalization of 2020 retained earnings for amounts of S/250.0 million. Likewise, in the Mandatory Annual General Shareholders' Meetings held on April 03, 2020 approved the capitalization of 2019 retained earnings for amounts of S/850.0 million.

b) Legal reserve -

Under Peruvian legislation, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital, through an annual appropriation of at least 10 percent of the net income. As of September 30, 2021, and December 31, 2020 the Bank covered said legal requirement.

The Mandatory Annual General Shareholders' Meeting, held on March 31, 2021 and April 3, 2020 approved the increase of the legal reserve by approximately S/83.3 million and S/298.3 million, from the 2020 and 2019 net income, respectively.

The Bank's Subsidiaries established in Perú must also record legal reserves in their individual financial statements, which percentages vary depending on applicable laws.

c) Other reserves -

The other reserves have been funded through the appropriation of accumulated results and is considered to be unrestricted.

The Mandatory Annual General Shareholders' Meeting, held on March 31, 2021 approved the increase of other reserves by approximately S/457.5 million, from the 2020 net income and previous years. Likewise, in the Mandatory Annual General Shareholders' Meeting, held on April 3, 2020 approved the increase of other reserves by approximately S/1,170.7 million, from the 2019 net income.

d) Unrealized and translation results -

The caption "Unrealized and translation results" includes the net unrealized gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedges and translation results. The movement for the nine -month period ended September 30, 2021 and 2020, net of deferred income tax is as follows:

	<u>Unrealized gain (loss) of:</u>			
	<u>Available for sale investments S/000</u>	<u>Derivatives instruments used as cash flow hedges S/000</u>	<u>Translation results S/000</u>	<u>Total S/000</u>
Balances as of January 1, 2020	328,302	(30,770)	580	298,112
Net unrealized gain from available for-sale investments	219,289	-	-	219,289
Transfer of realized gain from available for-sale investments to the interim condensed consolidated statement of income, net of realized loss	(178,323)	-	-	(178,323)
Net unrealized loss from cash flow hedge	-	(85,716)	-	(85,716)
Transfer of realized loss from cash flow hedge to the interim condensed consolidated statement of income, net of realized loss	-	67,325	-	67,325
Deferred Income Tax	(67)	5,076	-	5,009
Foreign currency translation	-	-	920	920
Balances as of September 30, 2020	<u>369,201</u>	<u>(44,085)</u>	<u>1,500</u>	<u>326,616</u>

	<u>Unrealized gain (loss) of:</u>			
	<u>Available for sale investments S/000</u>	<u>Derivatives instruments used as cash flow hedges S/000</u>	<u>Translation results S/000</u>	<u>Total S/000</u>
Balances as of January 1, 2021	731,040	(41,768)	1,822	691,094
Net unrealized loss from available for-sale investments	(1,479,750)	-	-	(1,479,750)
Transfer of realized loss from available for-sale investments to the interim condensed consolidated statement of income, net of realized gain	105,368	-	-	105,368
Net unrealized gain from cash flow hedge	-	137,760	-	137,760
Transfer of realized gain from cash flow hedge to the interim condensed consolidated statement of income, net of realized loss	-	(52,563)	-	(52,563)
Deferred Income Tax	29,975	(25,033)	-	4,942
Foreign currency translation	-	-	2,026	2,026
Balances as of September 30, 2021	<u>(613,367)</u>	<u>18,396</u>	<u>3,848</u>	<u>(591,123)</u>

e) Components of other comprehensive income -

The interim condensed consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivatives financial instruments used as cash flow hedges; its movement is as follows:

	<u>For the Nine-month period ended September 30,</u>	
	<u>2021 S/000</u>	<u>2020 S/000</u>
Available-for-sale investments:		
Net unrealized loss (gain) from available for-sale investments	(1,479,750)	219,289
Net transfer of realized loss (gain) from available for-sale investments to interim condensed consolidated statements of income	105,368	(178,323)
Sub total	(1,374,382)	40,966
Non-controlling interest	(689)	203
Deferred income tax	(1,375,071)	41,169
	29,975	(67)
	<u>(1,345,096)</u>	<u>41,102</u>
Cash flow hedges:		
Net unrealized gain from cash flow hedges	137,760	(85,716)
Net transfer of realized gain from cash flow hedges to interim condensed consolidated statements of income	(52,563)	67,325
Sub total	85,197	(18,391)
Deferred income tax	(25,033)	5,076
	<u>60,164</u>	<u>(13,315)</u>
Translation results:		
Exchange differences on translation of foreign operations	2,026	920
Non-controlling interest	6	(5)
	<u>2,032</u>	<u>915</u>

f) Dividend distribution -

The General Shareholders' Meetings held on March 31, 2021 and on April 3, 2020, agreed to distribute dividends for approximately S/42.1 million and S/1,303.7 million, respectively.

Under current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. Individual persons and corporations not domiciled in Peru must pay of 5 percent as tax on dividends received, which must be retained and paid by the entity that distributes the dividends.

g) Equity for legal purposes (Regulatory capital) -

Under Article 199 of Legislative Decree No. 1028, the effective equity must be equal to or greater than 10 percent of the total risk-weighted contingent assets and credits that correspond to the sum of: the effective equity requirement for market risk multiplied by 10, the additional regulatory capital requirement for operational risk multiplied by 10, and contingent assets and credits weighted by credit risk.

As of September 30, 2021 and December 31, 2020 in application of Legislative Decree No.1028, the Bank presents the following amounts related to weighted assets and credits by total risk and regulatory capital (basic and supplementary), in millions of soles:

	<u>As of September 30, 2021</u> S/000	<u>As of December 31, 2020</u> S/000
Assets and risk weighted by overall risk	151,415	142,043
Regulatory capital	22,956	21,210
Basic regulatory equity	15,143	14,784
Supplementary regulatory capital	<u>7,813</u>	<u>6,426</u>
Global equity on regulatory capital ratio	<u>15.16%</u>	<u>14.93%</u>

As of September 30, 2021 and December 31, 2020, the Bank and Subsidiaries have fulfilled the requirements of Resolutions No.2115-2009, No.6328-2009 and No.14354-2009, Regulations for the Requirement of Regulatory Capital by Operational Risk, Market Risk and Credit Risk Regulations, respectively, and amendments. Those resolutions establish, mainly, the methodology to be applied by financial entities in order to calculate assets and credits weighted for each type of risk.

On July 20, 2011, the SBS issued Resolution No.8425-2011 requiring an additional regulatory capital, which is the summation of each of the following components: economic cycle risk, concentration risk, market concentration risk, interest rates risk and others. As of September 30, 2021, the additional regulatory capital requirement estimated by the Bank amounts to approximately S/1,926.1 million (S/2,155.1 million with the 100 percent adequacy percentage established by the SBS as of December 31, 2020).

In Management's opinion, the Bank and Subsidiaries are carrying out the requirements established by the Resolution No.8425-2011.

Resolution SBS No.11823-2010, "Regulations on consolidated supervision of financial and mixed conglomerates" establishes that the economic group subject to consolidation (the Bank and Subsidiaries are part of Credicorp Group), must have a regulatory equity destined to cover the risks arising from the operations and activities of the bank, which shall not be lower than the minimum equity, required the group subject to consolidation. As of September 30, 2021, and December 31, 2020, the regulatory equity of the financial group subject to consolidation amounted to S/27,949.7 million and S/27,012.0 million, respectively.

13 TAX SITUATION, LIABILITIES AND CONTINGENCIES

- a) The Bank and its principals Subsidiaries are subject to the Peruvian tax regime. The income tax rate at September 30, 2021 and December 31, 2020 was 29.5 percent.

Enterprises and individuals not domiciled in Peru and domiciled individuals are subject to additional withholding tax on the dividends received of 5 percent.

- b) Law No. 30341, effective January 1, 2016 establishes the income tax exemption on income arising from the disposal of shares and other equity instruments until December 31, 2018 if the transaction is performed via a centralized trading mechanism overseen by the Peruvian securities and company regulator (“Superintendencia del Mercado de Valores”).

Subsequently, Legislative Decree N° 1262, published on December 10, 2016, extended this benefit until December 31, 2019; and incorporated new exoneration assumptions, such as: American Depositary Receipts (ADR) and Global Depositary Receipts (GDR), Exchange Trade Fund (ETF) which have as underlying shares and/or debt securities, Equity instruments, Participation Certificates in Securities-based Mutual Investment Funds, Participation Certificates in Real Estate Income Investment Funds (FIRBI from Spanish acronym) and Participation Certificates in securitization trusts for investment in Real Estate Income (FIBRA), as well as factoring.

Emergency Decree 005-2019 published on October 24, 2019, extended the benefit until December 31, 2022, likewise, the conditions were modified to determine if the securities have a stock market presence.

This exoneration will be applicable as long as the conditions established in the referred Legislative Decree are expressly complied with.

- c) For income tax calculation purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens require the presentation of supporting documentation and information on the valuation methods and criteria applied for the price calculation. Based on the analysis of the operations of the Bank and its Subsidiaries, Management and its internal legal advisors consider that no significant contingencies will arise for the Bank as a consequence of the application of these provisions for fiscal year 2021 and 2020.

With the enactment of Legislative Decree N° 1312, published on December 31, 2016, the formal obligations are modified for the entities subject to transfer price regulations; incorporating 3 new informative declarations; the first, a Local Report, the second, a Master Report and the third a Country by Country Report. The first with effect from 2017 for the operations during 2016, and the last two with effect from 2018 for the operations during 2017.

As established by Supreme Decree N° 337-2018-EF, the content referring to the benefit test for intra-group services was regulated and specified, defining, among others: the concept of benefit test, information on costs and expenses incurred by the provider of the service, profit margin, support documentation that should contain the aforementioned test, which will be applicable as of January 1, 2019.

- d) Legislative Decree No. 1425, effective as of January 1, 2019, accrual for tax purposes was defined, establishing general and specific rules for the recognition of income and expenses for tax purposes.

Likewise, the Fifth Final Complementary Provision of the Decree indicates that the amendments to the Law included in the Legislative Decree do not modify the income or expenditure accrual treatment established in special or sectorial regulations.

The Third Final Complementary Provision of Supreme Decree N°399-2018-EF established that the special or sectorial rules referred to in D.L. N° 1425, are those provisions of tax nature that establish a special treatment to the income or expenses accrual for the purposes of Income Tax.

- e) Ministerial Resolution No.387-2020-EF/15, established that the provisions for Reprogrammed Credits due to COVID-19 pandemic, referred to in the Eighth Final and Transitory Provision of the Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions, approved by SBS Resolution No.11356-2008, modified by SBS Resolution No.3155-2020; They jointly meet the expenses deductibility requirements for the determination of third category net income, required by the Law and the Income Tax Regulations.

- f) Regarding to sales tax, income from credit services received, among others, by banking and financial companies, domiciled or not in the country, as capital gains, derived from bills of exchange trading, promissory notes, invoices and other commercial papers, as well as for commissions and interest derived from operations of these companies.
- g) A single transitory complementary provision of Legislative Decree No. 1422 it has been provided that the acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of the Legislative Decree that continue to have effect, must be evaluated by the board of directors for the purpose of ratification or modification, the deadline is 29 March 2019.
- h) The Peruvian Tax Authority is entitled to review and, if applicable, amend the individual annual income tax returns of the Bank and its Subsidiaries established in said countries up to four years after the year of their submission.

The income tax returns which are pending review by the Tax Authorities are the following:

Banco de Crédito del Perú S.A.	2016-2020
Mibanco Banco de la Microempresa S.A.	2016-2020
Solución Empresa Administradora Hipotecaria S.A.	2016-2020

On September 11 and December 11, 2019, the Peruvian Tax Authority notified to Banco de Crédito del Peru the initial Letter of presentation and initial requirement of examinations of income tax returns for the 2014 and 2015 periods, respectively. In relation to the year 2015, the Peruvian Tax Authority carried out an inspection on Income Tax Withholdings to non-domiciled persons, not having made any observation as a result of the process.

On December 18, 2020, Mibanco has been notified by the Tax Authority for the start of the inspection of the Income Tax 2015, currently the inspection procedure is in process.

- i) Also, the Chilean Statutory Income Tax rate (First Category Tax) for resident legal individuals subject to the Pro-Pyme system is 25 percent for 2021 and 2020 and for those subject to the general system 27 percent. On the other hand, individuals or enterprises not domiciled in Chile will be subject to an additional tax, which is applied with an overall rate of 35 percent. It operates in general on the basis of withdrawals and distributions or income remittances abroad, which are of Chilean source. The taxpayers subject to this tax are entitled to a tax credit equivalent to First Category Tax paid by companies on income withdrawn or distributed, which is 100 percent for taxpayers who are in the regime attributed, for their part, Taxpayers under general scheme, must return 35 percent of this credit. This refund does not apply to countries with which Chile has an agreement in place to avoid double taxation. BCP and Subsidiaries companies are all under the general system.

Due to the tax regulations being subject to interpretation by the Tax Authorities it is not possible to determine at present whether or not the reviews carried out will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any unpaid tax, penalties or interests that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of the Bank and its internal legal advisors consider that any additional tax assessments would not have a significant impact on the 2021 and 2020 consolidated financial statements of the Bank and its Subsidiaries.

14 OFF-BALANCE SHEET ACCOUNTS

a) This item is made up as follows:

	As of September 30, 2021	As of December 31, 2020
	S/000	S/000
Contingent operations (indirect loans) (b) -		
Guarantees and stand-by letters of credit	18,770,657	17,245,377
Import and export letters of credit	1,991,260	2,231,753
Due from bank acceptances	<u>776,863</u>	<u>455,342</u>
	<u>21,538,780</u>	<u>19,932,472</u>
Responsibilities under credit line agreements (c)	80,631,043	70,391,997
Other contingent operations	<u>11,571</u>	<u>11,978</u>
Total contingent risk and commitments	<u>102,181,394</u>	<u>90,336,447</u>

b) In the normal course of its business, the Bank and Subsidiaries perform contingent operations. These operations expose them to credit risk in addition to the amounts recognized in the interim condensed consolidated statements of financial position. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

The Bank and Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but it may include deposits in financial institutions, securities or other assets. Because most of the contingent transactions are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

Due from bank acceptances represent collection rights for the Bank and Subsidiaries that arise at the time of negotiation of the letters of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

c) Responsibilities under credit lines agreements do not correspond to commitments to grant credits and include credit lines and other consumer loans that are cancelable upon notification to the client.

As of September 30, 2021, the variation corresponds mainly to the increase in credit products such as guarantees and stand-by letters and credit lines, for S/2,834.7 million and S/3,459.9 million, respectively.

15 FINANCIAL INCOME AND EXPENSES

This item is made up as follows:

	For the nine-month period ended September 30,	
	2021	2020
	S/000	S/000
Financial income		
Interest from loan portfolio (i)	6,539,490	7,234,794
Interest from trading, available-for-sale and held to maturity investments, net	615,874	565,729
Interest from cash and due from banks and inter-bank funds (ii)	24,072	60,984
Other	<u>3,533</u>	<u>5,240</u>
	<u>7,182,969</u>	<u>7,866,747</u>
Financial expenses		
Interest and commission on deposits and obligations (iii)	(356,579)	(680,632)
Interest on bonds and subordinate notes issued	(576,612)	(672,593)
Interest on due to banks, correspondents and other entities and inter-bank funds	(324,937)	(437,463)
Deposit Insurance Fund fee	(157,605)	(133,209)
Other	<u>(2,760)</u>	<u>(6,774)</u>
	<u>(1,418,493)</u>	<u>(1,930,671)</u>
Gross financial margin	<u>5,764,476</u>	<u>5,936,076</u>

- (i) As of September 30, 2021, the half-year variation was mainly due to lower revenues generated in the corporate, large corporate and consumer segments. In the case of corporate and business banking, the most affected products were working capital and medium-term loans, due to the lower volume and average rate of disbursed amounts.
- (ii) As of September 30, 2021, the item suffered a decrease that is mainly due to a significant drop in the interest rate paid by the BCRP to the ordinary reserve accounts. See note 4(a).
- (iii) As of September 30, 2021, the variation mainly corresponds to a decrease in interest on time and demand deposits as a consequence of the lower rates offered in the market, as well as a reduce in severance indemnity deposits after the government released access to these funds.

16 COMMISSIONS FOR BANKING SERVICES, NET

This item is made up as follows:

	For the nine-month period ended September 30,	
	<u>2021</u>	<u>2020</u>
	S/000	S/000
Banking services commissions		
Transfer and collection services	633,159	464,215
Commissions from parties affiliated to the credit/debit card network	497,846	353,730
Maintenance of accounts	272,248	245,842
Commissions from contingent operations	232,694	177,050
Commissions on special services - Credipago	203,829	158,744
Insurance commissions	138,478	91,029
Fees from consulting and technical studies	66,710	72,529
Credit and debit card service	70,998	46,945
Penalty commissions	15,859	37,908
Commission on transfers overseas and other	50,102	35,758
Withholding and collection services	24,007	28,586
Commission from salary in advance and payment of services	35,902	24,648
Check issuance	2,815	2,479
Others	64,523	55,458
Sub total	<u>2,309,170</u>	<u>1,794,921</u>
	<u>2021</u>	<u>2020</u>
	S/000	S/000
Expenses related to banking services commissions		
Credit and debit card services	(186,293)	(147,118)
Credit/debit card network	(35,085)	(19,590)
Expenses related to check issuance	(1,374)	(1,664)
Others (*)	(117,303)	(71,987)
Sub total	<u>(340,055)</u>	<u>(240,359)</u>
Balance, net	<u>1,969,115</u>	<u>1,554,562</u>

(*) As of September 2021, expenses for commissions for Foreign Bank Transfers, penalties for Visa and Amex commissions and commissions for the sale of vehicle products are included.

17 NET GAIN ON SECURITIES

This item is made up as follows:

	For the nine-month period ended September 30,	
	2021 S/000	2020 S/000
Net loss (gain) from purchase and sale of investments available for sale (a)	(97,307)	155,706
Net gain (loss) from purchase and sale of securities at fair value through profit or loss (trading)	(56,309)	(18,633)
Share of profits obtained by associates	3,985	(5,586)
Other	29,145	(12,012)
Total	<u>(120,486)</u>	<u>119,475</u>

- (a) As of September 30, 2021, it includes net losses on Sovereign bonds sales amounting to S/95.3 million, among others amounting to S/1.6 million of net losses. As of December 31, 2021, it includes net gains on Sovereign bonds sales amounting to S/168.5 million, among others amounting to S/11.5 million of net losses.

18 OTHER NON-FINANCE INCOME AND OTHER OPERATING EXPENSES

This item is made up as follows:

	For the nine-month period ended September 30,	
	2021 S/000	2020 S/000
Other non-finance income		
Revenue from sale of loan portfolio	15,726	33,564
Income from sale of property, furniture and equipment	2,343	9,804
Rental income	736	736
Other (a)	107,960	106,406
Total	<u>126,765</u>	<u>150,510</u>
Other operating expenses		
Donations (b)	(8,166)	(118,902)
Losses due to operational risk	(33,664)	(32,181)
Provision for sundry risks	(10,585)	(10,251)
Provision for other accounts receivable	(2,633)	(6,361)
Administrative and tax penalties	(674)	(331)
Net loss from sale of seized assets	(311)	(70)
Other (c)	95,383	123,111
Total	<u>(151,416)</u>	<u>(291,207)</u>

- (a) During the nine-month period ended September 30, 2021 and 2020, the balance mainly comprises cash surpluses, use of BCP Bolivia brand penalty for breach of contract, commissions for recovery in civil and judicial lawsuits of Personal Credits and Credit Card products; also, collection of commission for relocation, vehicle taxes, municipal property taxes, fines and penalties to clients related to the Leasing product, among others.

- (b) During the nine-month period ended September, 2020, a donation amounted of S/100.0 million was the fundraising campaign named “#YoMeSumo” of BCP and S/10.0 million a donation of MiBanco, in both cases, in order to raise funds for the poorest families affected by COVID-19.
- (c) The Bank and its subsidiaries have incurred on extraordinary disbursements as part of the sanitary measures imposed by the Biosafety Protocols required by the government in order to prevent the spread of COVID-19 in its offices and agencies. Those disbursements have occurred between January and September of this year.

19 TRANSACTIONS WITH RELATED PARTIES

- a) During the nine-month period ended September 30, 2021 and the year ended December 31, 2020, the Bank and Subsidiaries have acquired bonds, granted loans, supplied and received several services, correspondent relationships and other operations with Credicorp's Subsidiaries, which balances are shown below:

	<u>As of September 30, 2021</u> S/000	<u>As of December 31, 2020</u> S/000
Assets -		
Cash and due from banks (*)	127,388	31,505
Investments available-for-sale (Credicorp shares)	76,029	97,617
Loans, net	468,680	403,113
Other assets	114,454	136,377
Liabilities -		
Deposits and obligations (**)	3,329,694	1,657,910
Due to banks, correspondents and other entities	124,729	234,490
Bonds and subordinated notes issued	38,776	123,649
Other liabilities	37,730	20,370
Contingent operations (indirect loans)	338,859	369,078

(*) Corresponds to the deposits of ASB Bank Corp with Banco de Crédito del Perú that do not earn interest for S/125M.

(**) It mainly includes the deposits of ASB Bank Corp in Banco de Crédito del Perú for S/2,381 million.

	<u>For the nine-month period ended September 30,</u>	
	<u>2021</u> S/000	<u>2020</u> S/000
Statements of income		
Financial income	24,385	18,259
Financial expenses	34,977	25,677
Other income	383,089	304,543
Other expenses (*)	78,894	74,916

(*) This caption includes the accrued portion of insurance coverage contracted with Pacífico Compañía de Seguros y Reaseguros S.A., a Credicorp subsidiary; the accrued part is included in the caption “Administrative expenses” of the interim condensed consolidated statement of income.

Under Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management considers that the Bank and Subsidiaries have complied with all legal requirements for transactions with related parties.

Loans and other contingent credits (indirect loans) with related parties, not Credicorp's Subsidiaries, are as follows:

	<u>As of September 30, 2021</u>	<u>As of December 31, 2020</u>
	S/000	S/000
Direct loans	1,852,465	1,657,205
Indirect loans	460,717	373,865
Derivatives, market value	3,274	4,984
Deposits (*)	943,475	749,440

(*) Deposits only include the data of juridical persons.

b) Loans to employees and their families -

The Bank and Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted (mainly mortgage loans) and are included under the caption "Loans, net" of the interim condensed consolidated statements of financial position. Generally, interest rates applied are lower than market interest rates; however, other terms are similar to those prevailing in the market. As of September 30, 2021, and December 31, 2020, the balance of loans and other facilities granted to employees, their family members, directors and key executives of the Bank and Subsidiaries amounted to S/1,030.8 million and S/1,062.1 million, respectively.

20 FINANCIAL RISK MANAGEMENT

The activities of the Bank and Subsidiaries involve principally the use of financial instruments, including derivatives. They also accept deposits from customers at both fixed and floating rates, for different periods, and invest these funds in high-quality assets. Moreover, they place these deposits at fixed and variable rate with companies and individuals, considering the finance costs and expected yield.

The Bank and Subsidiaries trade in financial instruments when they assume positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements, through trading strategies which include the use of equities, bonds, currencies and interest rates.

In this sense, risk is inherent to the Bank and Subsidiaries activities, which is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the continuing profitability of the Bank and Subsidiaries and each individual is accountable for the risk exposures relating to his responsibilities. The Bank and Subsidiaries are mainly exposed to operating risk, credit risk, liquidity risk and market risk.

a) Risk management structure -

The Board of Directors of the Bank and Subsidiaries is responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks, as further explained below:

(i) Board of Directors -

The Board of Directors is responsible for the overall risk management approach and for the approval of the levels of risk appetite and tolerance that the Bank and Subsidiaries are prepared to assume. Furthermore, it approves the objectives, guidelines and policies for Overall Risk Management. On the other hand, the Board establishes an organizational culture which emphasizes the importance of risk management, supervises the internal control system, and ensures the appropriate performance of the regulatory compliance function.

(ii) Risk Committee -

The Risk Committee represents the Board in decision making focused on risk management, is responsible for the strategy used for mitigating risks, as well as establishing the overall principles, policies and limits for the different types of risks; it is also responsible for monitoring fundamental risk issues, and managing and monitoring the relevant risk decisions.

It is formed by three Board members, the General Manager of BCP, the Central Manager of Planning and Finance, the Central Risk Manager and the Manager of the Risk Management Division.

In addition, in order to effectively manage all the risks, the Risk Committee designates some risk functions to the following tactical committees which report on a monthly basis all relevant changes or issues of the managed risks:

Credit Risk Committee (Retail and Non-Retail) -

The Credit Risk Committees (Retail and Non-Retail) are responsible for reviewing the tolerance level of the appetite for credit risk, the exposure limits and the actions for the implementation of corrective measures, in case there are deviations. In addition, it proposes the norms and policies of credit risk management within the framework of governance and the organization for the comprehensive management of credit risk. Furthermore, it proposes the approval of any change in the functions described above and important findings to the Risk Committee.

Treasury and ALM Risk Committee - (Asset Liability Management) -

The Treasury and ALM Risk Committee proposes the guidelines and policies for Treasury and ALM Risk Management within the governance and organization framework for the comprehensive management of market and liquidity risks. It is responsible for analyzing and proposing corrective actions in case there are deviations in the risk tolerance levels assumed in the risk appetite for Treasury. Furthermore, it is responsible for proposing the approval of any changes in the functions described above and for reporting any finding to the Risk Committee.

BCP Model Risk Committee -

The BCP Model Risk Committee monitors the Bank's data strategy and analytics and the health status of its portfolio of models. It is in charge of analyzing and proposing corrective actions in case there are deviations with respect to the degrees of exposure assumed in the model risk appetite. Likewise, it proposes the creation and / or modification of the government for the management of the model risk, supervising its compliance. Likewise, it is responsible for informing the Risk Committee about exposures related to model risk that involve variations in BCP's risk profile.

Operational Risk Committee -

The Operational Risk Committee is responsible for reviewing the tolerance level of the appetite for operational risk and limits of exposure. It also proposes the norms and policies for managing operational risks and the mechanisms for implementing corrective actions, within the framework of governance. Furthermore, it is responsible for proposing the approval of any changes in the functions described above and for reporting any finding to the Risk Management Committee.

Non-Financial Risk Committee -

The Non-Financial Risks Committee is responsible for reviewing the tolerance level of the appetite for non-financial risks and the exposure limits (except for technological and cybersecurity risks, which are dealt with in the Technological Risk Committee). This committee also proposes standards, non-financial risk management policies and mechanisms for the implementation of corrective actions within the governance framework. In addition, it is responsible for proposing the approval of any modification of the functions described above and for reporting any findings to the Risk Committee.

Technological Risk Committee -

The Technology Risk Committee is responsible for reviewing the tolerance level of IT risk appetite (including cybersecurity), as well as the exposure limits. This committee also proposes standards, IT risk management policies (including cybersecurity), and mechanisms for the implementation of corrective actions within the governance framework. In addition, it is responsible for proposing the approval of any modification of the functions described above and for reporting any findings to the Risk Committee.

(iii) Central Risk Management -

The Central Risk Management is responsible for implementing policies, procedures, methodologies and of the actions to be taken to identify, measure, monitor, mitigate, report and control the different types of risks to which the Bank and its Subsidiaries are exposed. Also, it participates in the design and definition of the strategic plans of the business units to ensure that they are aligned within the risk parameters approved by the Board of Directors of the Bank and its Subsidiaries. Likewise, it disseminates the importance of adequate risk management, specifying in each of the units, the role that corresponds to them in the timely identification and definition of the corresponding actions.

Central Risk Management is comprised of the following units:

Risk Management Division -

The Risk Management Division is responsible for ensuring fulfillment of the risk management guidelines and policies established by the Senior Management Team. Supervise the risk management process and coordinate with the units of the Bank and Subsidiaries involved in said process. And it also has the task of informing Senior Management regarding the global exposure, as well as the specific exposure of each subsidiary.

Credit Division -

The Credit Division proposes the credit policies and the credit risk evaluation and management criteria that the Bank assumes with customers in the wholesale segment. Evaluates and authorizes credit proposals up to their autonomy and proposes their approval to the higher authorities for those that exceed it. These guidelines are established on the basis of the policies established by the Board of Directors, respecting the laws and regulations in force. In addition, it assesses the evolution of the risk of wholesale clients and identifies problematic situations, taking actions to mitigate or resolve them.

Retail Banking Risk Division -

The Retail Banking Risk Division is responsible for managing the risk profile of the retail portfolio and developing credit policies that are in accordance with the guidelines and risk levels established by the Board of Directors. Likewise, it participates in the definition of products and campaigns aligned with said policies, as well as in the design, optimization and integration of credit assessment tools and income estimation for credit management.

Payment Solutions Division -

The Payment Solutions Division manages the BCP Retail Banking portfolio in arrears, keeping the provisions within budgeted levels and offering clients in arrears financial alternatives, in such a way as to avoid further deterioration of credit. In addition, it provides feedback to the units linked to the credit process with information on recoveries to improve their policies and procedures.

Non-Financial Risk Division -

The Non-Financial Risk Division is responsible for defining a non-financial risk strategy aligned with the objectives and risk appetite established by the Board of Directors. This strategy seeks to strengthen the management process, generate synergies, optimize resources and achieve better results among the units responsible for managing non-financial risks in the Bank. In addition, in order to achieve the objectives defined in the non-financial risk strategy, the Division is responsible for promoting a risk culture, developing talent, defining indicators, generating and monitoring projects and strategic initiatives.

The Non-Financial Risks Division is made up of the following areas: Cybersecurity Area Management, Corporate Security Area Management, Operational Risk Management Area Management, and the Digital Risk Project Management Office.

Treasury Risk Management -

Treasury Risk Management is responsible for planning, coordinating and supervising the implementation of the methodologies and limits used by the Treasury Division and approved by the Risk Management Committee. It is also responsible for evaluating the effectiveness of the hedging derivatives and the valuation of investments. As well as evaluating the profitability-risk relationship of the investment strategies taken by the Treasury Division Management.

(iv) Audit and Compliance Divisions -

The Audit Division is responsible for permanently evaluating the effectiveness and efficiency of the risk management of the Bank and Subsidiaries, verifying compliance of the regulation, policies, objectives and guidelines approved by the Board of Directors. On the other hand, it evaluates the adequacy and degree of integration of the data bases and information systems of the Bank and Subsidiaries. Finally, it ensures independence between the functions of the risk and business units.

The Compliance and Ethics Division reports to the Board of Directors and is responsible for providing corporate policies and guidelines that ensure adequate compliance of the laws, regulations and the Code of Ethics.

b) Risk measurement and reporting systems -

The Bank and Subsidiaries have independent information bases which are then integrated through corporate reports. These reports allow monitoring, at the accumulated level and detailed for the different types of risks to which each subsidiary is exposed. The system has the ability to meet the appetite review needs by risk requested by the committees and areas described above; as well as complying with regulatory requirements.

c) Risk mitigation -

Depending on the type of risk, the Bank and Subsidiaries use mitigating methods to reduce their exposure, such as guarantees, derivatives, controls and insurance, among others. In addition, they have policies linked to risk appetite and established procedures for each type of risk. Finally, the Bank and Subsidiaries actively use guarantees in order to reduce their credit risks.

d) Risk appetite -

The Board of Directors approves on an annual basis the establishment of a Risk Appetite framework for the purpose of defining the maximum level of risk that the Bank and Subsidiaries are prepared to assume in the achievement of their strategic and financial objectives. This Risk Appetite framework is based on "core" and "specific" metric objectives:

The core metrics preserve the strategic pillars of the organization, defined as solvency, liquidity, profit and growth, stability of results, balance sheet structure and cybersecurity risks.

Specific metrics seek to monitor qualitatively and quantitatively the different risks to which the Bank and Subsidiaries are exposed, as well as defining a tolerance threshold in each one of them, so as to preserve the risk profile established by the Board of Directors, and anticipate points of risk on a more detailed level.

For its part, risk appetite is instrumented through the following elements:

- Declaration of risk appetite: This makes explicit the general principles and qualitative declarations which complement the risk strategy of the Bank and Subsidiaries.
- Metrics tables: Metrics are used to define the levels of risk exposure in the various strategic pillars.
- Limits: They permit risk taking to be controlled within the tolerance established by the Board of Directors. They also provide accountability to the risk-taking process and define guidelines regarding the target risk profile.
- Government Scheme: it seeks to guarantee compliance with the appetite framework through the different roles and responsibilities assigned to the units involved.

The appetite is integrated in the processes of strategic and capital guidelines, as well as in the definition of the budget exercise, facilitating the strategic decision-making of the organization.

e) Risk concentration -

Concentrations arise when a reduced and representative number of counterparties of the Bank and Subsidiaries are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions.

In order to avoid excessive concentrations of risk, the policies and procedures include specific limits to guarantee a diversified portfolio.

20.1 Credit risk -

- a) The Bank and its Subsidiaries take on exposure to credit risk, which is the probability of suffering losses caused by breach of payment on the part of debtors or counterparties of on and off balance sheet exposure.

Credit risk is the most important risk for the activities of the Bank and Subsidiaries; therefore, Management carefully manages its exposure to this risk. Credit exposures arise principally from lending activities that lead to direct loans; in addition, they originate from investment activities. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which could expose the Bank and its Subsidiaries to similar risks to those of direct loans. Likewise, credit risk also arising from derivative financial instruments contained in those instruments with positive fair values. Finally, all exposure to credit risk (direct or indirect) is mitigated by control process and policies.

As part of the management of this type of risk, the Bank and Subsidiaries assign impairment provisions for their portfolio, at the date of the statement of financial position.

The Bank and its Subsidiaries define levels of credit risk based on risk exposure limits, which are frequently monitored. Said risks are established in relation to the amounts of exposure to one debtor or group of debtors, geographical segments and the industry. Furthermore, risk limits by product, industry sector and geographic segment are approved by the Risk Management Committee.

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

(i) Collateral -

The Bank and its Subsidiaries use a range of policies and practices to mitigate credit risk. The most traditional of these is taking of collateral for loans granted, which constitutes a common practice. The Bank and its Subsidiaries implement policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank and its Subsidiaries implement policies for the acceptance of specific classes of guarantees or mitigation of credit risk. The main types of collateral obtained for credits are as follows:

- For repurchase agreements and securities lending, collaterals are fixed income instruments and cash.
- Mortgages on homes, liens on business assets such as plant, inventories and accounts receivable; as well as liens on financial instruments such as debt securities and stocks.

Likewise, medium and long-term loans and financing granted to corporate entities (mostly) are guaranteed. Credits to small companies and microenterprises are not generally guaranteed. In order to minimize credit losses, the Bank and its Subsidiaries request additional guarantees from the counterparty as soon as impairment indicators arise.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset backed securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the fair value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the fair value of collateral obtained during its review of the adequacy of the allowance for impairment losses. As part of the policies of the Bank and its Subsidiaries, the recovered assets are sold and the proceeds of the sale are used to reduce or amortize the outstanding credit.. The proceeds are used to reduce or repay the outstanding amount due. In general, the Bank and its Subsidiaries do not use repossessed properties for operating purposes.

(ii) Derivatives -

The amount subject to credit risk is limited to the current and potential fair value of instruments that are favorable to the Bank and its Subsidiaries (where fair value is positive). In the case of derivatives, this is only a small fraction of the contract, or notional amounts used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for this type of credit risk exposures.

(iii) Credit-related commitments -

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit have the same credit risk as direct loans. Documentary and commercial letters of credit - which are written undertakings by the Bank and its Subsidiaries on behalf of a customer authorizing a third party to draw drafts on the Bank and its Subsidiaries up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Bank and its Subsidiaries have no commitment to extend credit.

- b) The maximum exposure to credit risk as of September 30, 2021 and December 31, 2020, before the effect of mitigation through any collateral, is the book value of each class of financial assets and the contingent operations.

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

- 92.8 percent of the loan portfolio is considered neither past due nor impaired as of September 30, 2021 (92.9 percent as of December 31, 2020);
- 94.0 percent of the investments have at least investment grade (BBB- or higher) or are debt securities issued by BCRP (unrated) as of September 30, 2021 (95.6 percent as of December 31, 2020);
- 13.9 percent and 69.6 percent of the cash and due from banks represent amounts deposited in the Bank and in the BCRP, respectively, as of September 30, 2021 (13.4 percent and 75.7 percent, respectively, as of December 31, 2020).

c) Credit risk management for loans -

The Bank and its Subsidiaries classify their loan portfolio into one of five risk categories, according to subsection 2 Chapter II of SBS Resolution N°11356-2008, which considers the degree of risk of non-payment of each borrower. The categories used by the Bank and its Subsidiaries are: (i) normal - (0), (ii) potential problems - (1), (iii) substandard - (2), (iv) doubtful - (3) and (v) loss - (4), which have the following characteristics:

- (i) Normal (0): Non-retail borrowers are classified into this category, when their financial situation is liquid, their debt-to-equity ratio is low and their ability to generate profit and cash flows allows them to fulfill payment of their obligations in a timely manner. Likewise, retail and mortgage borrowers are included in this category when payments are current or up to 8 days past due. On the other hand, mortgage debtors are classified in this category when they are current or up to 30 days past due.
- (ii) Potential problems (1): Non-retail borrowers are classified into this category, when their financial situation is solid, their debt-to-equity ratio is moderate and their cash flows are enough to pay off capital and interest, however, such cash flows could weaken in the following twelve months. On the other hand, retail and mortgage borrowers are included in this category when payments are between 9 and 30 days past due and 31 and 60 days past due, respectively.
- (iii) Substandard (2): Non-retail borrowers are classified in this category, when their financial situation is weak and their cash flows do not allow them to make full payment of capital and interest and payments are between 60 and 120 days past due. On the other hand, retail debtors are classified in the category when they have arrears in the payment of their loans between 31 and 60 days, while debtors with mortgage loans are classified in this category when they have arrears in their payments between 61 and 120 days.

- (iv) Doubtful (3): Non-retail borrowers are classified in this category, when the financial situation does not allow them to pay off either capital or interest, their debt-to-equity ratio is high and they are forced to sell their significant assets or payments are between 120 and 365 days past due; in this category the recovery of the credit is doubtful. On the other hand, retail and mortgage borrowers are included in this category when payments are between 61 and 120 days past due and 121 and 365 days past due, respectively.
- (v) Loss (4): Non-retail borrowers are classified in this category, when the financial situation does not allow them to deal with refinancing agreements, the entity is not in operation or is in liquidation or payments are more than 365 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are more than 120 days past due and more than 365 days past due, respectively.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Said credits are written off in accordance with Resolution SBS No. 11356-2008 "Regulations for the evaluation and classification of the debtor and the requirement of provisions". The income from the subsequent recovery of the amounts previously written off is presented net of the amount of the provision for doubtful accounts in the separate statement of income.

The Bank and its Subsidiaries consider as past due credits the corporate credits large and medium companies more than 15 days past due, small and micro companies more than 30 days past due, current account overdrafts more than 30 days past due, and consumer credits, mortgage loans and finance leases more than 90 days past due. In the case of consumer credits, mortgage loans and finance of which payments are between 30 and 90 days past due, only the delinquent quota is considered past due; however, after 90 days of delinquency, the entire balance is considered past due.

The Bank and its subsidiaries review their loan portfolios on an ongoing basis in order to assess the completion and accuracy of their risk categories. In addition, they comply with calculating the provisions for credit risk according to local requirements.

The Bank and its Subsidiaries continually review their credit portfolio in order to evaluate the completion and precision of their categories. In addition to the local regulatory provisions, they carry out a review of provisions, governed by the standard IFRS 9, which is based on the product of the following parameters: (i) probability of default (PD) (ii) loss given default (LGD), and (iii) exposure at the time of default (EAD), discounted to the reporting period using the effective interest rate or an approximation of it. Additionally, it considers information about current conditions, as well as projections of future macroeconomic events and conditions in three scenarios (base, optimistic and pessimistic) that are weighted to obtain the expected loss. In addition to the above, the Bank and its Subsidiaries have different methodologies, depending on which regulator they report to, for their provisions for credits segmented by type of banking, depending whether they are in an impaired position or show signs of impairment. Finally, the Bank and its Subsidiaries comply with the provisions required by the local regulator.

The following is a summary of the direct loans classified in three major groups: i) Loans neither past due nor impaired, comprising those direct loans currently without delinquency characteristics and related to clients ranked as normal or potential problems; ii) Past due but not impaired loans, comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans, or those past due loans of clients classified as substandard, doubtful or loss; presented net of the provision for loan losses for each of the loan classifications:

	As of September 30, 2021						As of December 31, 2020					
	Commercial loans S/000	Residential mortgage loans S/000	Micro- business loans S/000	Consumer loans S/000	Total S/000	%	Commercial loans S/000	Residential mortgage loans S/000	Micro- business loans S/000	Consumer loans S/000	Total S/000	%
Neither past due nor impaired -												
Normal(*)	72,906,003	17,139,522	15,950,489	12,017,017	118,013,031	95.18	65,619,528	16,222,161	17,368,173	11,587,428	110,797,290	94.84
Potential problem	4,724,816	93,202	210,152	174,490	5,202,660	4.20	5,079,064	109,608	201,122	288,580	5,678,374	4.86
Past due but not impaired -												
Normal	811,454	177,926	18,415	104,112	1,111,907	0.90	750,595	322,741	5,346	177,078	1,255,760	1.07
Potential problem	176,772	54,941	939	2,974	235,626	0.19	48,955	80,364	304	3,416	133,039	0.11
Impaired -												
Substandard	1,655,529	142,897	304,304	195,536	2,298,266	1.85	1,201,553	211,822	394,771	342,403	2,150,549	1.84
Doubtful	951,571	335,422	537,953	435,175	2,260,121	1.82	600,579	317,162	408,720	556,286	1,882,747	1.62
Loss	1,675,635	632,081	1,070,962	308,496	3,687,174	2.97	1,288,727	592,162	975,711	566,544	3,423,144	2.93
Gross	<u>82,901,780</u>	<u>18,575,991</u>	<u>18,093,214</u>	<u>13,237,800</u>	<u>132,808,785</u>	<u>107.11</u>	<u>74,589,001</u>	<u>17,856,020</u>	<u>19,354,147</u>	<u>13,521,735</u>	<u>125,320,903</u>	<u>107.27</u>
Less: Allowance for loan losses	<u>2,829,920</u>	<u>920,611</u>	<u>2,795,847</u>	<u>2,273,899</u>	<u>8,820,277</u>	<u>7.11</u>	<u>2,165,995</u>	<u>786,569</u>	<u>2,823,944</u>	<u>2,718,000</u>	<u>8,494,508</u>	<u>7.27</u>
Total, net	<u>80,071,860</u>	<u>17,655,380</u>	<u>15,297,367</u>	<u>10,963,901</u>	<u>123,988,508</u>	<u>100.00</u>	<u>72,423,006</u>	<u>17,069,451</u>	<u>16,530,203</u>	<u>10,803,735</u>	<u>116,826,395</u>	<u>100.00</u>

(*) These balances include S/2,056.8 million and S/4,506.7 million as of September 30, 2021 and December 31, 2020 respectively, corresponding to consumer, micro and small business loans that have been rescheduled by clients as a result of related financial impacts with the COVID-19 pandemic. As required by the SBS, the Bank made specific provisions with loan rates classified as potential problems in application of Resolution SBS 3155-2020.

The following table shows the credit rating of customers according to SBS resolution N°11356 and Note 6 shows the accounting situation in accordance with the SBS accounting manual.

As of September 30, 2021 and December 31, 2020, refinanced loans amounted to approximately S/1,754.09 million and S/1,624.38 million, respectively, of which S/691.81 million and S/769.64 million, respectively, are classified as neither past due nor impaired, S/424.25 million and S/140.33 million past due but not impaired, and S/638.03 million and S/714.41 million impaired, respectively. The table above does not include rescheduled loans related to COVID-19. See Note 3(a).

As of September 30, 2021 and December 31, 2020, past due but not impaired loans are between 30 and 60 days past due.

The breakdown of the gross amount of impaired loans by class, together with the fair value of related collateral and the amounts of their allowance for loan losses is as follows:

	<u>As of September 30, 2021</u>					<u>As of December 31, 2020</u>				
	<u>Commercial loans S/000</u>	<u>Residential mortgage loans S/000</u>	<u>Micro- business loans S/000</u>	<u>Consumer loans S/000</u>	<u>Total S/000</u>	<u>Commercial loans S/000</u>	<u>Residential mortgage loans S/000</u>	<u>Micro- business loans S/000</u>	<u>Consumer loans S/000</u>	<u>Total S/000</u>
Impaired loans	4,282,735	1,110,400	1,913,219	939,207	8,245,561	3,090,859	1,121,146	1,779,202	1,465,233	7,456,440
Fair value of collateral	3,627,327	892,020	8,192	154,451	4,681,990	2,560,973	893,636	8,300	136,734	3,599,643
Allowance for loan losses	1,773,301	586,030	1,626,944	633,006	4,619,281	1,401,841	552,278	1,220,812	988,414	4,163,345

d) Credit risk management on investments in trading securities, available-for-sale and held-to-maturity -

The Bank and Subsidiaries evaluate the credit risk identified of each of the financial instruments in these categories, considering the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator, SBS) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies. In September, 2021, one of these rating agencies placed Peru's rating on stable outlook.

The following table shows the analysis of the risk-rating of investments at fair value through profit or loss (trading) available-for-sale and held-to-maturity, provided by the institutions referred to above:

	As of September 30, 2021		As of December 31, 2020	
	S/000	%	S/000	%
Instruments rated in Perú:				
AAA	249,580	0.92	189,746	0.52
AA- a AA+	68,894	0.25	43,779	0.12
A- to A+	3,569	0.01	11,262	0.03
BBB- to BBB+	13,807,650	50.82	15,145,436	41.28
BB- to BB+	659,887	2.43	648,589	1.77
B- to B+	-	-	3,724	0.01
CCC+	-	-	9,170	0.02
Unrated				
BCRP certificates of deposit	8,325,693	30.64	17,237,156	46.97
Listed and non-listed securities	2,265	0.01	2,077	0.01
Subtotal	23,117,538	85.08	33,290,939	90.73
Instruments rated abroad:				
AAA	70,235	0.26	-	-
AA- to AA+	210,696	0.78	-	-
A- to A+	414,154	1.52	1,200,133	3.27
BBB- to BBB+	2,389,064	8.79	1,234,185	3.36
BB- to BB+	776,154	2.86	410,748	1.12
B- a B+	-	-	-	-
Unrated				
Negotiable certificates of deposit	107,788	0.40	414,680	1.13
Listed and non-listed securities	83,152	0.31	142,932	0.39
Subtotal	4,051,243	14.92	3,402,678	9.27
Total	27,168,781	100.00	36,693,617	100.00

e) Concentration of financial instruments exposed to credit risk:

As of September 30, 2021 and December 31, 2020, financial instruments with exposure to credit risk were distributed considering the following economic sectors:

	As of September 30, 2021					As of December 31, 2020				
	Held for trading and hedging (*) S/000	Loans and receivables S/000	Investments available-for-sale S/000	Investments held-to-maturity S/000	Total S/000	Held for trading and hedging (*) S/000	Loans and receivables S/000	Investments available-for-sale S/000	Investments held-to-maturity S/000	Total S/000
Peruvian Central Bank	1,287,570	28,591,049	7,362,780	-	37,241,399	1,876,550	26,003,492	15,364,279	-	43,244,321
Financial services	979,693	15,691,291	2,388,982	-	19,059,966	713,916	11,490,664	2,864,978	-	15,069,558
Manufacturing	31,542	19,345,212	709,729	-	20,086,483	11,145	16,823,707	555,283	-	17,390,135
Commerce	41,361	25,484,926	527,270	-	26,053,557	6,975	23,470,571	281,249	-	23,758,795
Electricity, gas and water	360,744	3,781,363	1,166,716	-	5,308,823	71,230	3,072,541	824,444	-	3,968,215
Government and public administration	437,422	397,548	5,282,334	7,598,569	13,715,873	257,507	408,938	9,338,791	4,934,031	14,939,267
Leaseholds and real estate activities	37,401	11,455,260	-	-	11,492,661	15,830	11,503,951	-	-	11,519,781
Communications, storage and transportation	4,672	7,104,082	310,141	-	7,418,895	260	7,235,674	158,753	-	7,394,687
Mining	104,610	3,933,649	188,700	-	4,226,959	29,523	3,419,715	169,592	-	3,618,830
Community services	-	7,461,856	-	-	7,461,856	-	7,421,852	-	-	7,421,852
Construction	12,879	3,255,479	-	-	3,268,358	17,358	3,177,491	-	-	3,194,849
Agriculture	5,518	3,338,529	3,569	-	3,347,616	3,419	3,119,753	3,724	-	3,126,896
Education, health and other services	11,881	2,698,520	168,600	-	2,879,001	5,569	2,421,680	-	-	2,427,249
Insurance	19,986	140,667	-	-	160,653	10,080	101,528	-	-	111,608
Fishing	2,069	505,421	-	-	507,490	923	571,412	9,169	-	581,504
Hotels and restaurants	-	2,686,194	-	-	2,686,194	-	2,626,738	-	-	2,626,738
Others	44,724	162,266	54,967	-	261,957	46,007	122,984	20,824	-	189,815
Sub - Total	3,382,072	136,033,312	18,163,788	7,598,569	165,177,741	3,066,292	122,992,691	29,591,086	4,934,031	160,584,100
Residential mortgage loans	-	17,803,372	-	-	17,803,372	-	17,218,026	-	-	17,218,026
Revolving and non-revolving loans	-	13,121,220	-	-	13,121,220	-	12,427,756	-	-	12,427,756
Total	3,382,072	166,957,904	18,163,788	7,598,569	196,102,333	3,066,292	152,638,473	29,591,086	4,934,031	190,229,882

(*) Correspond to financial instruments at fair value through profit or loss.

As of September 30, 2021 and December 31, 2020, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	<u>Held for trading and hedging (*)</u> S/000	<u>Loans and receivables</u> S/000	<u>Investments available for sale</u> S/000	<u>Investments held-to maturity</u> S/000	<u>Total</u> S/000
As of September 30, 2021					
Peru	2,174,738	157,675,411	14,427,245	7,598,569	181,875,963
United States of America	391,341	5,432,460	2,083,767	-	7,907,568
Chile	147,433	999,152	522,328	-	1,668,913
Panama	-	134,234	126,726	-	260,960
Colombia	253,509	779,313	667,542	-	1,700,364
Brazil	685	781,437	21,509	-	803,631
Canada	26,485	70,824	-	-	97,309
Mexico	15,879	4,356	143,468	-	163,703
Guatemala	-	-	5,903	-	5,903
Europe:					
United Kingdom	48,017	455,443	-	-	503,460
Netherlands	-	4,862	-	-	4,862
France	288,859	8,955	-	-	297,814
Spain	-	40,858	-	-	40,858
Switzerland	-	61	-	-	61
Germany	35,126	57,302	-	-	92,428
Others in Europe	-	2,015	82,532	-	84,547
Multilateral Organizations (**)	-	-	6,739	-	6,739
Others	-	511,221	76,029	-	587,250
Total	<u><u>3,382,072</u></u>	<u><u>166,957,904</u></u>	<u><u>18,163,788</u></u>	<u><u>7,598,569</u></u>	<u><u>196,102,333</u></u>

(*) Correspond to financial instruments at fair value through profit or loss.

(**) Correspond to investments in Corporación Andina de Fomento - CAF.

	Held for trading and hedging (*)	Loans and receivables	Investments available for sale	Investments held-to maturity	Total
	S/000	S/000	S/000	S/000	S/000
As of December 31, 2020					
Peru	2,260,178	146,517,011	26,293,721	4,934,031	180,004,941
United States of America	146,577	2,390,661	1,453,003	-	3,990,241
Chile	50,324	822,449	346,119	-	1,218,892
Panama	-	234,556	83,492	-	318,048
Colombia	41,704	1,006,838	944,056	-	1,992,598
Brazil	40,845	587,144	14,783	-	642,772
Canada	25,149	70,562	-	-	95,711
Mexico	40,892	145	157,754	-	198,791
Guatemala	-	73,297	5,221	-	78,518
Europe:					
United Kingdom	24,996	341,979	-	-	366,975
Netherlands	-	122,696	-	-	122,696
France	421,127	16,961	68,097	-	506,185
Spain	-	37,194	-	-	37,194
Switzerland	-	289	-	-	289
Germany	14,500	46,158	-	-	60,658
Others in Europe	-	3,374	384	-	3,758
Multilateral Organizations (**)	-	-	126,839	-	126,839
Others	-	367,159	97,617	-	464,776
Total	3,066,292	152,638,473	29,591,086	4,934,031	190,229,882

(*) Correspond to financial instruments at fair value through profit or loss.

(**) Correspond to investments in Corporación Andina de Fomento - CAF.

20.2 Liquidity risk -

Liquidity risk is the risk that the Bank and its Subsidiaries are unable to comply with their short term obligations related to financial liabilities at maturity and replace funds when they are withdrawn. In this sense, if the Bank faces a liquidity crisis it would be failing to comply with the payment of its obligations to its depositors, loan commitments and other operating cash requirements.

The Bank and its Subsidiaries are exposed to daily calls on, among others, their available cash resources from overnight deposits, current accounts, maturing deposits, loans draw-downs, guarantees and other calls. The Management of the Bank and its Subsidiaries set limits on the minimum amount of high quality liquid assets to meet said calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover unexpected levels of withdrawals. Sources of liquidity are periodically reviewed by the corresponding risk teams so as to guarantee adequate diversification by currency, geography, type of funding, supplier, producer and term.

The process of controlling mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank and its Subsidiaries. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of illiquidity, which generates exposure to potential losses.

The maturities of assets and liabilities and the ability to replace them at maturity, at an acceptable cost, are important factors in assessing the liquidity of the Bank.

A mismatch in the maturities of the illiquid long term assets against short term liabilities exposes the consolidated statement of financial position to risks related both to refinancing as well as interest rates. If the liquid assets do not cover the debts at maturity, the consolidated statement of financial position is vulnerable to the risk of refinancing. Moreover, a significant increase in interest rates can substantially increase the cost of refinancing liabilities at short term, leading to a rapid increase in the cost of debt. The mismatch report of contractual maturity is useful for showing the liquidity position.

Guidelines have been established in the Bank and its Subsidiaries for liquidity risk management. Risk Management establishes limits and a scheme of autonomies for the liquidity indicators which are being managed.

Liquidity Risk Management is carried out through indicators like Internal Liquidity Coverage Ratio (ILCR), which measures the amount of liquid assets available to meet the cash outflows in a determined stress scenario (specific or systemic) usually for a period of 30 days and the Net Stable Internal Funding Ratio (NSIFR), which has been defined to guarantee that long term assets are financed at least with a minimum of stable liabilities in a prolonged liquidity crisis scenario and functions as a mechanism of minimum compliance which complements the ILCR. (The Bank and its subsidiaries perform an additional control of the 15- and 60-day RCLI). These indicators have core limits of 100 percent and any excess is presented in the Treasury Risks Committee, Risk Committee and Assets, Liabilities Committee (ALCO).

The Notes to the financial statements include an analysis of the relevant liabilities of the Bank and its Subsidiaries based on contractual maturity.

The table below presents the cash flows payable and receivable by the Bank and its Subsidiaries according to agreed contractual maturities (including future interest payments) at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of September 30, 2021						As of December 31, 2020					
	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000
Financial assets	<u>70,696,155</u>	<u>47,757,412</u>	<u>50,002,166</u>	<u>24,773,451</u>	<u>32,058,437</u>	<u>225,287,621</u>	<u>65,275,721</u>	<u>38,985,810</u>	<u>59,142,464</u>	<u>27,239,066</u>	<u>35,034,856</u>	<u>225,677,917</u>
Financial liabilities by type												
Deposits and obligations and interbank funds	52,334,132	16,732,988	22,196,702	38,103,571	5,928,243	135,295,636	47,385,065	16,300,014	22,876,490	35,281,835	11,657,208	133,500,612
Payables from repurchase agreements, due to banks, correspondents and other entities	2,938,089	10,657,291	10,714,160	2,321,190	9,259,416	35,890,146	2,625,624	7,599,697	1,9320,953	553,934	11,184,771	41,284,979
Bonds and subordinated Notes issued	428,679	356,860	6,868,388	9,004,024	248,401	16,906,352	597,890	1,503,378	5,099,750	8,553,131	154,996	15,909,145
Other liabilities	2,745,191	216,881	-	-	1,383,034	4,345,106	1,538,255	155,260	-	-	1,410,000	3,103,515
Equity	-	-	-	-	19,343,113	19,343,113	-	-	-	-	18,943,368	18,943,368
Total non-derivative liabilities	<u>58,446,091</u>	<u>27,964,020</u>	<u>39,779,250</u>	<u>49,428,785</u>	<u>36,162,207</u>	<u>211,780,353</u>	<u>52,146,834</u>	<u>25,558,349</u>	<u>47,297,193</u>	<u>44,388,900</u>	<u>43,350,343</u>	<u>212,741,619</u>
Derivative financial liabilities												
Contractual amounts receivable (inflow)	834,100	1,913,071	347,201	461,610	775,861	4,331,843	645,958	1,005,525	706,520	181,743	976,837	3,516,583
Contractual amounts payable (outflow)	828,716	1,836,715	327,797	410,573	630,997	4,034,798	652,765	1,011,993	685,977	211,599	913,379	3,475,713
Total derivative liabilities	<u>5,384</u>	<u>76,356</u>	<u>19,404</u>	<u>51,037</u>	<u>144,864</u>	<u>297,045</u>	<u>(6,806)</u>	<u>(6,468)</u>	<u>20,543</u>	<u>(29,857)</u>	<u>63,458</u>	<u>40,870</u>

The table below shows the contractual maturity of the contingent credits of the Bank and Subsidiaries at the date of the consolidated statement of financial position:

	As of September 30, 2021						As of December 31, 2020					
	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000
Contingent credits (Indirect loans)	<u>420,883</u>	<u>929,204</u>	<u>14,344,474</u>	<u>5,800,439</u>	<u>43,780</u>	<u>21,538,780</u>	<u>389,495</u>	<u>859,907</u>	<u>13,274,699</u>	<u>5,367,856</u>	<u>40,516</u>	<u>19,932,472</u>

The Banks and Subsidiaries expect that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

20.3 Market risk -

The Bank and its Subsidiaries are exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, foreign exchange rates, commodities and equity products; all of which are exposed to general and specific market movements, and changes in the level of price volatility, such as interest rates, credit margins, foreign currency exchange rates and share prices. Due to the mandate of the current operations of the Bank and its subsidiaries, the price risk of commodities has not been approved, therefore this type of instrument is not agreed.

The Bank and its Subsidiaries separate exposures to market risk into two groups: (i) those that arise from value fluctuation of investment trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios (Banking book), due to movements of the interest rates, prices and foreign exchange ratios.

The risks that the trading portfolios are exposed to are managed through historical simulation techniques of Value at Risk (VaR); while non-trading portfolios are monitored using rate sensitivity metrics which form part of Asset and Liability Management (ALM).

a) Trading Book -

The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives, arising from market-making transactions where the Bank acts as a principal with the clients or with the market. This portfolio includes investments and derivatives classified by Management as held for trading.

(i) Value at Risk (VaR) -

The Bank and its Subsidiaries apply the VaR approach to their trading portfolio to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions, as well as being applied to estimate the foreign exchange risk of the structured exchange position.

Daily calculation of VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements.

The VaR model expresses the "maximum" amount the Bank and its Subsidiaries might lose, but only to a certain level of confidence (99.0 percent). There is therefore a specified statistical probability (1 percent) that the actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VaR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10. This adjustment assumes that the changes in the portfolio in the following days have a normal distribution, identical and independent. Thus, the result is multiplied by an adjustment factor of non-normality.

The assessment of trading portfolio movements has been based on historical one-year data and 42 market risk factors, which are composed as follows: 25 market curves, 16 foreign exchange rates, and 1 volatility series. The Bank and its Subsidiaries apply these historical changes in the risk factors directly to its current positions (a method known as historical simulation).

Management of the Bank and its Subsidiaries believes that market and exchange risk factors incorporated into the VaR model are adequate to measure the market risk to which its trading book is exposed.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure may occur, on average under normal market conditions, no more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken which arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Treasury Risks and ALM Risk Committee, the Risk Management Committee and Senior Management.

The VaR of the Bank and its Subsidiaries showed an increase during 2021, due to a higher Exchange Rate effect caused by an increase in the foreign exchange position, which arise to US\$ 425 million. Furthermore, the Interest rate risk decreased due to lower interest rate volatility compared to the beginning of COVID-19 pandemic. During the period, the VaR remained within the limits of the appetite for risk established by the Risk Management of the Bank and its Subsidiaries

As of September 30, 2021 and December 31, 2020, the Bank and its Subsidiaries VaR by risk type is as follows:

	<u>2021</u> <u>S/000</u>	<u>2020</u> <u>S/000</u>
Interest rate	18,565	37,065
Price risk	-	-
Volatility	3,821	708
Exchange rate	109,696	14,747
Diversification effect	(45,399)	(20,470)
Consolidated VaR	<u>86,683</u>	<u>32,050</u>

b) ALM Book -

Non-trading portfolios which belong to the Banking Book are exposed to different risks given that they are sensitive to movements in market rates that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction in its net value.

(i) Interest rate risk -

Interest rate risk in the banking book refers to the risk that changes in interest rates may negatively affect the expected profits (profits at risk) or market value of the assets and liabilities of the balance sheet (Net economic value). The Bank and Subsidiaries assume the exposure to the effects of fluctuations in the prevailing levels of market interest rates which affect the fair value and future cash flow risks of assets and liabilities.

The Risk Committee sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored periodically in the ALCO.

The management of interest rate risk in the Bank and Subsidiaries is carried out through the analysis of re-pricing gaps, financial margin sensitivity (GER) and sensitivity of the Net Economic Value (VEN). These calculations consider different rate shocks in situations of stress and take in account periods of high volatility.

Re-pricing gap -

The repricing gap analysis is intended to measure the interest rate risk exposure due to re-pricing periods in which assets and liabilities both on and off-balance sheet are grouped together, when the bank's interest-sensitive liabilities exceed its interest-sensitive assets. By this analysis, management can identify the tranches in which the interest rate variations may have a potential impact on the expected profits.

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

As of September 30, 2021							
	Up to 1 month	From 1 to	From 3 to	From 1 to	More than	Non-interest	Total
	S/000	3 months	12 months	5 years	5 years	bearing	S/000
		S/000	S/000	S/000	S/000	S/000	S/000
Assets							
Cash and interbank funds	22,775,620	584,922	1,735,081	6,857,093	128,001	9,022,886	41,103,603
Loan portfolio (*)	13,870,563	18,650,245	32,560,682	47,074,561	16,166,351	(3,797,543)	124,524,859
Investments	3,114,356	69,134	5,090,629	7,795,380	9,604,192	88,666	25,762,357
Other assets (**)	-	-	-	-	-	2,103,387	2,103,387
Total assets	39,760,539	19,304,301	39,386,392	61,727,034	25,898,544	7,417,396	193,494,206
Liabilities and equity							
Deposits and obligations and interbank funds	35,342,627	14,565,232	16,401,652	59,486,525	5,817,886	2,053,415	133,667,337
Payable from repurchase agreements, due to banks, correspondents and other entities	656,361	1,921,308	10,404,541	12,381,168	2,613,429	305,792	28,282,599
Bonds and subordinated Notes issued	42,248	282,434	152,432	14,153,234	200,000	8,388	14,838,736
Other liabilities	-	-	-	-	-	2,613,119	2,613,119
Equity	-	-	-	-	-	19,343,113	19,343,113
Total liabilities and equity	36,041,236	16,768,974	26,958,625	86,020,927	8,631,315	24,323,827	198,744,904
Risk and contingent commitments							
Hedging derivatives asset	241,580	291,394	624,961	329,409	-	-	1,487,344
Hedging derivatives liabilities	42,936	2,174	478,868	874,767	-	-	1,398,745
Marginal gap	3,917,947	2,824,547	12,573,860	(24,839,251)	17,267,229	(16,906,431)	(5,162,099)
Accumulated gap	3,917,947	6,742,494	19,316,354	(5,522,897)	11,744,332	(5,162,099)	-

(*) The amount presented in the column "Non-interest bearing" includes the balance of internal overdue loans and under legal collection loans, accrued interest, unearned interest and the allowance for loan losses.

(**) The items other assets and other liabilities only consider financial accounts.

The investments booked at fair value through profit or loss and trading derivatives are not considered, since these instruments are part of the trading book and the Value at Risk methodology is used for the measurement of their market risks.

As of December 31, 2020							
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Assets							
Cash and interbank funds	17,043,915	1,593,766	1,899,166	7,615,173	148,414	6,093,541	34,393,975
Loan portfolio (*)	11,095,043	14,592,714	28,344,906	51,375,190	14,474,205	(2,500,688)	117,381,370
Investments	4,406,814	10,684,428	2,231,470	5,687,473	11,403,411	111,521	34,525,117
Other assets (**)	-	-	-	-	-	793,065	793,065
Total assets	32,545,772	26,870,908	32,475,542	64,677,836	26,026,030	4,497,439	187,093,527
Liabilities and equity							
Deposits and obligations and interbank funds	35,989,887	9,186,605	15,970,398	57,273,856	6,452,169	2,099,040	126,971,955
Payable from repurchase agreements, due to banks, correspondents and other entities	58,407	2,243,107	7,456,448	19,483,418	2,828,096	41,787	32,111,263
Bonds and subordinated Notes issued	3	357,386	1,088,607	12,063,326	145,000	157,351	13,811,673
Other liabilities	-	-	-	-	-	2,566,578	2,566,578
Equity	-	-	-	-	-	18,943,369	18,943,369
Total liabilities and equity	36,048,297	11,787,098	24,515,453	88,820,600	9,425,265	23,808,125	194,404,838
Risk and contingent commitments							
Hedging derivatives asset	547,271	1,307,322	557,277	341,564	-	-	2,753,434
Hedging derivatives liabilities	112,357	1,017,607	360,010	1,046,481	238,600	-	2,775,055
Marginal gap	(3,067,611)	15,373,525	8,157,356	(24,847,681)	16,362,165	(19,310,686)	(7,332,932)
Accumulated gap	(3,067,611)	12,305,914	20,463,270	4,384,411	11,977,754	(7,332,932)	-

(*) The amount presented in the column "Non-interest bearing" includes the balance of internal overdue loans and under legal collection loans, accrued interest, unearned interest and the allowance for loan losses.

(**) The items other assets and other liabilities only consider financial accounts.

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, since these instruments are part of the trading book and the Value at Risk methodology is used to measure their market risks.

Sensitivity to changes in interest rates -

The sensitivity analysis of interest rates on ALM is performed by conducting an assessment of the sensitivity of the financial margin, which measures variances in the expected accruals over a given period of time and in the event of a parallel movement of the interest rate curves together with the sensitivity of the net Economic Value, which is a long-term measurement determined as the difference between the net carrying amount of assets and liabilities before and after a variance in interest rates.

Sensitivity of the financial margin is the effect of the estimated changes in interest rates on the finance income, net for a year, before income tax and financial liabilities as of September 30, 2021 and December 31, 2020; including the effect of derivative financial instruments. The sensitivity of the Net Economic Value is calculated by re-assessing the financial assets and liabilities sensitive to interest rate changes and which comprise the ALM and held to maturity at a fixed interest rate, before income tax and any non-controlling interest, included the effect of any hedge relating to derivatives designated as cash flow hedges. For purposes of interest rate risk management, there is no distinction made by accounting category of the investments comprising the ALM, in which instruments classified as available-for-sale and held-to-maturity are included. The results of the sensitivity analysis from the estimated changes in interest rates as of September 30, 2021 and December 31, 2020 are as follows:

<u>Currency</u>	<u>Changes in basis points</u>	<u>Sensitivity of financial margin S/000</u>	<u>Sensitivity of economic value S/000</u>
As of September 30, 2021 -			
U.S. dollars	+/- 50	+/- 106,351	+/- 336,080
U.S. dollars	+/- 75	+/- 159,527	+/- 504,120
U.S. dollars	+/- 100	+/- 212,702	+/- 672,160
U.S. dollars	+/- 150	+/- 319,053	+/- 1,008,241
U.S. dollars	+/- 300	+/- 638,107	+/- 2,016,481
Soles	+/- 50	+/- 43,522	-/+ 425,135
Soles	+/- 75	+/- 65,283	-/+ 637,702
Soles	+/- 100	+/- 87,045	-/+ 850,270
Soles	+/- 150	+/- 130,567	-/+ 1,275,404
Soles	+/- 300	+/- 261,134	-/+ 2,550,809
As of December 31, 2020 -			
U.S. dollars	+/- 50	+/- 76,321	+/- 238,652
U.S. dollars	+/- 75	+/- 114,482	+/- 357,979
U.S. dollars	+/- 100	+/- 152,642	+/- 477,305
U.S. dollars	+/- 150	+/- 228,964	+/- 715,957
U.S. dollars	+/- 300	+/- 457,927	+/- 1,431,914
Soles	+/- 50	+/- 66,186	-/+ 471,036
Soles	+/- 75	+/- 99,278	-/+ 706,553
Soles	+/- 100	+/- 132,371	-/+ 942,071
Soles	+/- 150	+/- 198,557	-/+ 1,413,107
Soles	+/- 300	+/- 397,113	-/+ 2,826,214

The sensitivities of the interest rates shown above are only for illustrative purposes and are based on simplified scenarios. The figures reflect the effect of the pro-forma movements on the net finance income on the basis of the projected scenarios of the yield curve and the interest rate risk profile that the Bank and Subsidiaries currently have. However, this effect does not include the actions that would be taken by Management to mitigate the potential impact of this risk on interest rates.

In addition, the Bank and Subsidiaries seek proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that the interest rate of all maturities moves by the same amount and, therefore, do not reflect the potential impact on net finance income of some rates changing while others remain unchanged. The projections also include assumptions for simplifying calculations, such as, for example, that all positions run to maturity.

Equity securities and mutual funds, classified as available-for-sale investments, are not considered as part of the investment securities for interest rate sensitivity calculation purposes; however, sensitivity tests have been carried out of changes of 10, 25 and 30 percent in the market prices of these price-sensitivity securities in order to evaluate the effect of the expected unrealized gain or loss on other comprehensive income, before income tax, as of September 30, 2021 and December 31, 2020, as presented below:

<u>Market price sensitivity</u>	<u>Changes in market prices</u> %	<u>2021</u> S/000	<u>2020</u> S/000
Equity securities	+/-	10	8,542
Equity securities	+/-	25	21,355
Equity securities	+/-	30	25,626
			10,410
			26,024
			31,229

(ii) Foreign exchange risk -

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

Foreign currency transactions are made at free market exchange rates.

As of September 30, 2021, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/4.132 for buying and S/4.136 for selling (S/3.618 for buying and S/3.624 for selling, as of December 31, 2020). As of September 30, 2021, this exchange rate was S/4.134.

A detail of the Bank and Subsidiaries' foreign currency assets and liabilities expressed in thousands of U.S. Dollars and other currencies is shown below:

	<u>As of September 30, 2021</u>		<u>As of December 31, 2020</u>	
	<u>U.S. Dollars</u> US\$000	<u>Other currencies (*)</u> US\$000	<u>U.S. Dollars</u> US\$000	<u>Other currencies (*)</u> US\$000
Assets				
Cash and due from banks and interbank funds	7,626,809	5,754	6,665,526	19,528
Investment at fair value through profit or loss and available for sale, net	1,256,198	80,542	1,359,899	132,810
Held to maturity investments	20,191	-	24,605	-
Loans, net	8,601,552	-	8,677,572	676
Other assets	389,619	2,117	433,116	4
	<u>17,894,369</u>	<u>88,413</u>	<u>17,160,718</u>	<u>153,018</u>
Liabilities				
Deposits and obligations	(13,953,468)	(3,680)	(13,906,856)	(18,761)
Payable from repurchase agreements	(70,188)	-	(70,590)	-
Due to banks, correspondents, other entities and interbank funds	(679,060)	-	(465,384)	-
Bonds and subordinated notes issued	(2,754,049)	-	(2,801,725)	(48,479)
Other liabilities	(279,725)	(93)	(364,479)	(134)
	<u>(17,736,490)</u>	<u>(3,773)</u>	<u>(17,609,034)</u>	<u>(67,374)</u>
Net Forward position overbought (oversold).	(1,451,708)	(40,470)	21,023	3,064
Net position - currency swap (a)	1,619,368	(42,340)	336,559	(6,102)
Net position - cross currency swaps and interests rate swap	138,145	-	114,263	(80,344)
Foreign currency options, net	(37,849)	-	8,871	-
	267,956	(82,810)	480,716	(83,382)
Net monetary position	<u>425,835</u>	<u>1,830</u>	<u>32,400</u>	<u>2,262</u>

(a) See explication of increase in Note 7(b).

(*) Mainly Japanese Yen and Colombian Pesos.

The increase in the position corresponds mainly to short-term positions which were within the established limits and which to date have been reduced.

As of September 30, 2021, the Bank and its Subsidiaries have contingent operations (indirect loans) in foreign currency for approximately US\$ 3,911.8 million, equivalent to approximately S/16,171.2 million (approximately US\$ 3,715.0 million, equivalent to approximately S/13,452.1 million, as of December 31, 2020), see Note 15-a).

The Bank and its Subsidiaries manage foreign exchange risk by monitoring and controlling the exchange positions exposed to changes in exchange rates. The Bank and its Subsidiaries measure their performance in soles, so if the net foreign exchange position (e.g. American dollar) is an asset, any depreciation of the soles with respect to this currency would positively affect the consolidated statement of financial position of the Bank and its Subsidiaries. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statement of income.

The Bank and its Subsidiaries net foreign exchange balance is the sum of its positive open non- soles positions (net long position) less the sum of its negative open non- soles positions (net short position); and any devaluation/revaluation of the foreign exchange position would affect the consolidated statement of income. A currency mismatch would leave the consolidated statement of financial position of the Bank and its subsidiaries vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the American dollar, the principal currency to which the Bank and its Subsidiaries have significant exposure as of September 30, 2021 and December 31, 2020 in its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the exchange rate sol against dollar, with all other variables held constant, on the consolidated statement of income, before income tax. A negative amount in the table reflects a potential net reduction in the consolidated statement of income, while a positive amount reflects a net potential increase:

<u>Currency rate sensitivity</u>	<u>Change in currency rate</u> %	<u>2021</u> S/000	<u>2020</u> S/000
Depreciation -			
Sol against dollar	5	83,829	5,587
Sol against dollar	10	160,037	10,665
Appreciation -			
Sol against dollar	5	(92,653)	(6,175)
Sol against dollar	10	(195,600)	(13,036)

20.4 Operational risk -

The operational risk is the possibility of the occurrence of losses due to inadequate processes, staff errors, information technology and relations with third parties or external events. Operational risk can produce financial losses and have legal or regulatory compliance consequences, but excludes strategic or reputation risk.

Operational risks are grouped into internal fraud, external fraud, labor relations and safety in the workplace, customer relations, business products and practices, damages to material assets, business and systems interruption and faults in process execution, delivery and management.

The Bank and Subsidiaries have, as one of their core values, the development of an efficient risk culture, and to achieve this, it records the operational risks and their respective controls per process. Risk mapping permits their monitoring, prioritization, and proposed treatment in accordance with the established governance.

The business continuity management system allows establishing, implementing, operating, monitoring, reviewing, maintaining and improving business continuity based on best practices and regulatory requirements. The Group implements recovery strategies for the resources that support important products and services of the organization, which will be periodically tested to measure the effectiveness of the strategy.

In the management of operational risk and business continuity, corporate guidelines are used and methodologies and best practices are shared among the Group's companies.

The management of information security is carried out through a systemic process, documented and known by the entire organization under the best practices and regulatory requirements. The Group designs and develops the guidelines described in the policy and procedures to have strategies for availability, privacy and integrity of the information assets of the organization.

Finally, the management of the Transfer of Non-Financial Risks is incorporated as a recovery mechanism before the materialization of operational risks, mainly through Insurance Policies contracted individually or corporately in the local and international market, which cover losses due to fraud, civil and professional liability, cyber risks, damage to physical assets, among others. The design of the Insurance is in accordance with the main operational risks of the Bank and Subsidiaries, the coverage needs of key areas and the risk appetite of the organization, constantly seeking efficiencies in the cost of policies, working together with Pacifico Compañía de Seguros and Reinsurance and the most important reinsurance brokers in the international market.

20.5 Cybersecurity -

The Bank and its subsidiaries focus their efforts on the most cost-efficient strategies to reduce exposure to cybersecurity risk; by doing this, they fulfill its appetite for risk. To achieve this, different levels of controls are applied adapted to the different potentially exposed areas and companies. Therefore, it maintains an important investment program, which allows it to have the technologies and processes necessary to keep operations and assets safe.

As part of cybersecurity management, the Bank and its subsidiaries have lines of action that allow mitigating this risk. These lines of work are:

- Cybersecurity maturity according to the FFIEC reference framework, allows defining the guide for the implementation of cybersecurity controls.
- Policies and guidelines make it possible to standardize the levels of compliance with cybersecurity.
- The aim of the awareness programs is to generate a culture of cybersecurity. To achieve this, constant training is carried out.
- The cybersecurity indicators that indicate the effectiveness of the processes in terms of the periodic evaluations carried out.
- The governance of suppliers that ensures the deployment of policies to third parties. In other words, when a supplier wishes to interconnect digitally with any of the Bank and its subsidiaries.
- The implementation of security technologies, which seeks to cover said risks according to the threat trend and the risk profile of the Bank and its subsidiaries.

- The “Tabletop” tests that help to identify the level of response of the collaborators, through incident simulation tests.
- Cybersecurity risk management allows for a response work plan to address cyber risks through periodic evaluations of each of the applications of the Bank and its subsidiaries.

20.6 Corporate Security and Cyber Crime -

The Bank and its Subsidiaries, as part of non-financial risk management, implement policies, procedures, and actions that safeguard the safety of employees, clients, and assets of the organization. In addition, it protects the institution against incidents of fraud, security and reputational risk. Likewise, it fosters a culture of prevention, which allows minimizing the risks of fraud and security. Finally, it has established a solid relationship with stakeholders and Financial Institutions in the region in search of implementing best practices for the benefit of its clients.

Part of fraud and security management is to have a comprehensive security scheme called MISB (Comprehensive Banking Security Model), which includes the variables of prevention, detection, response and recovery. The MISB has 6 strategic axes: Training and training for internal / external clients, fraud and security risk assessments (COSO), business support through early alerts, continuous monitoring and reporting, specialized forensic investigation and cyber-intelligence.

Finally, there is a second line of defense scheme focused on generating a comprehensive vision of fraud and security risks. With a preventive approach, we have state-of-the-art technological tools that are able to monitor in real time the interconnection between the main channels of the Bank and its Subsidiaries to the new “Real Time” Transactional Monitoring system. Likewise, there are advanced analysis models for risk profiling for the detection of internal fraud and the implementation of tools to detect anomalous behaviors.

Regarding physical security risk management and incident management, there is a regulation of video surveillance and protection of personal data through a video-intelligence system.

At the union level, under the framework of the development of guidelines for the Financial Institutions that make up the Association of Banks; the Bank is part of the Strategic Committee for Comprehensive Security of ASBANC. The aim was to mitigate the risks of the new digital era in a collegial way.

Finally, we actively participate in conferences exposing our model in Fraud and Security Risk Management with an emphasis on Cyber-Crime at the level of organizations such as: OAS, FELABAN, FIBA USA, ASIS, among other institutions at the regional level. This in order to contribute to the exchange of good practices, scenarios and future vision in this area.

20.7 Model Risk -

Model is defined as an algorithm or system of optimized algorithms that processes data to convert it into useful information for decision-making in a relevant population for the business.

Models are simplified representations of the real world that are the object of interest, study, or analysis. This simplification allows the Bank to focus its attention on the specific aspects that are considered most important for the application of a given model. The Bank uses models for different purposes such as credit admission, capital calculation, behavior, provisions, market risk, liquidity, among others.

Model risk is defined as the probability of loss resulting from decisions (credit, market, among others) based on the use of poorly designed and / or poorly implemented models. The sources that generate this risk are mainly: deficiencies in data, errors in the model (from design to implementation), use of the model.

Model risk management is proportional to the importance of each model. In this sense, a concept of “tiering” is defined as the main attribute to synthesize the level of importance or relevance of a model, from which the intensity of the model risk management processes that must be followed is determined.

Model risk management is structured around a set of processes known as the model life cycle. The definition of the phases of the life cycle of the model in the Bank is detailed below: Identification, Planning, Development, Internal validation, Approval, Implementation and use, and Monitoring and control.

20.8 Capital management -

The Bank and Subsidiaries actively manage a capital base to cover the inherent risks in their activities. The capital adequacy of the Bank and Subsidiaries is monitored using, among other measures, the norms and ratios established by the SBS, the supervising authority of its main Subsidiaries and for consolidation purposes. Furthermore, capital management responds to market expectations in relation to the solvency of the Bank and Subsidiaries and to support the growth of the businesses considered in the strategic planning. In this way, the capital maintained by the Bank and Subsidiaries permits them to assume unexpected losses in normal conditions and conditions of severe stress.

Capital management has as its main objectives: (i) to comply with the capital requirements established by the regulatory entities of the sector in which the Bank and Subsidiaries operate; (ii) to safeguard the operating capacity of the Bank and Subsidiaries so that it continues providing returns to the shareholders and benefits to other stakeholders; (iii) to maintain a solid capital base to support the development of its activities, in line with the limits and tolerances established in the declaration of Risk Appetite.

Legislative Decree No.1028 modified the Banking, Insurance and Pension Law, establishing that the mandatory capital of all financial institutions must be equal to or greater than 10 percent of the risk weighted assets and contingent credits which corresponds to the sum of: the mandatory capital requirement for market risk multiplied by 10, the mandatory capital requirement for operational risk multiplied by 10, and the credit risk weighted assets and contingent credits. Additionally, in July of 2011, SBS issued Resolution No. 8425 - 2011, by which it requires additional mandatory capital for economic cycle, concentration risk, market concentration risk, interest rate risk and others. Peruvian financial entities have five years, with effect from July 2011, to adjust their mandatory capital to the required level.

20.9 Fair values -

a) Financial instruments recorded at fair value and fair values hierarchy -

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value as of September 30, 2021 and December 31, 2020, including the hierarchy level into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statement of financial position:

	<u>Note</u>	<u>Level 1</u> <u>S/000</u>	<u>Level 2</u> <u>S/000</u>	<u>Level 3</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>
September 30, 2021					
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	206,329	-	206,329
Interest rate swaps		-	331,598	-	331,598
Cross currency swaps		-	106,879	-	106,879
Currency swaps		-	1,325,758	-	1,325,758
Options		-	5,084	-	5,084
Derivatives receivable	7(b)	-	1,975,648	-	1,975,648
Investments at fair value through profit or loss (trading)	5(a)	526,981	879,443	-	1,406,424
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	7,362,780	-	7,362,780
Corporate bonds		3,240,437	2,146,843	-	5,387,280
Government treasury bonds		5,177,295	-	-	5,177,295
Negotiable certificates of deposits		-	107,788	-	107,788
Securitization instruments		-	43,228	-	43,228
Other instruments					
Equity instruments:					
Listed securities		76,029	-	-	76,029
Unlisted securities		-	-	9,388	9,388
Subtotal	5(a)	<u>8,493,761</u>	<u>9,660,639</u>	<u>9,388</u>	<u>18,163,788</u>
Total financial assets		<u>9,020,742</u>	<u>12,515,730</u>	<u>9,388</u>	<u>21,545,860</u>
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	635,949	-	635,949
Interest rate swaps		-	331,868	-	331,868
Cross currency Swaps		-	12,657	-	12,657
Currency swaps		-	776,884	-	776,884
Options		-	6,359	-	6,359
Derivatives payable		-	1,763,717	-	1,763,717
Total financial liabilities		<u>-</u>	<u>1,763,717</u>	<u>-</u>	<u>1,763,717</u>
December 31, 2020					
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	74,503	-	74,503
Interest rate swaps		-	478,815	-	478,815
Cross currency swaps		-	28,096	-	28,096
Currency swaps		-	315,202	-	315,202
Options		-	1,176	-	1,176
Derivatives receivable	7(b)	-	897,792	-	897,792
Investments at fair value through profit or loss (trading)	5(a)	295,625	1,872,875	-	2,168,500
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	15,364,284	-	15,364,284
Corporate bonds		2,220,958	2,139,572	-	4,360,530
Government treasury bonds		9,299,883	-	-	9,299,883
Negotiable certificates of deposits		-	414,680	-	414,680
Securitization instruments		-	47,613	-	47,613
Other instruments					
Equity instruments:					
Listed securities		97,617	-	-	97,617
Unlisted securities		-	-	6,479	6,479
Subtotal	5(a)	<u>11,618,458</u>	<u>17,966,149</u>	<u>6,479</u>	<u>29,591,086</u>
Total financial assets		<u>11,914,083</u>	<u>20,736,816</u>	<u>6,479</u>	<u>32,657,378</u>
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	81,414	-	81,414
Interest rate swaps		-	511,198	-	511,198
Cross currency Swaps		-	115,475	-	115,475
Currency swaps		-	171,367	-	171,367
Options		-	2,050	-	2,050
Derivatives payable		-	881,504	-	881,504
Total financial liabilities		<u>-</u>	<u>881,504</u>	<u>-</u>	<u>881,504</u>

Financial instruments included in the Level 1 category are those that are measured on the basis of quotations obtained in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and said prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments included in the Level 2 category are measured on the basis of observed market factors. This category includes instruments valued using: quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

The financial instruments included in level 3 are measured using valuation techniques (internal models), based on assumptions that are not supported by prices of observable transactions on the market for the same instrument, nor based on available market data.

Following is a description of how fair value is determined for the Bank and Subsidiaries financial instruments where valuation techniques were used with inputs based on observable market data which incorporate the estimates of the Bank and Subsidiaries, on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of derivate financial instruments -

Interest rate swaps, currency swaps and forward exchange contracts are evaluated by using valuation techniques where inputs are based on observable market data. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange, forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

A credit value adjustment (CVA) is applied to the exposure of the "Over-The-Counter" derivatives in order to consider the risk of default of the counterparties when the fair value of the derivatives is measured. The effect of this adjustment is measured in the income statement. The CVA is a cost at market prices of protection required to hedge the credit risk of the counterparties in this type of portfolio of derivatives. The CVA is calculated by multiplying the probability of default (PD), the likelihood of given deterioration (LGD) and the expected exposure (EE) at the date of impairment.

- Valuation of debt securities available for sale -

Valuation of BCRP certificates of deposit, corporate, leasing, subordinated bonds and Government treasury bonds are estimated calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero coupon rate curves to discount cash flows in the respective currency and considering observable current market transactions. Other debt instruments are evaluated using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

b) Financial instruments not measured at fair value -

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

	<u>As of September 30, 2021</u>					<u>As of December 31, 2020</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>	<u>Book value</u>
	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
Assets										
Cash and due from banks	-	41,103,603	-	41,103,603	41,103,603	-	34,365,007	-	34,365,007	34,365,007
Interbank funds	-	-	-	-	-	-	28,968	-	28,968	28,968
Held-to-maturity investments	7,700,543	86,505	-	7,787,048	7,598,569	5,438,925	93,595	-	5,532,520	4,934,031
Loans, net	-	124,524,859	-	124,524,859	124,524,859	-	117,381,370	-	117,381,370	117,381,370
Other assets	-	1,996,507	-	1,996,507	1,996,507	-	863,128	-	863,128	863,128
Total	<u>7,700,543</u>	<u>167,711,474</u>	<u>-</u>	<u>175,412,017</u>	<u>175,223,538</u>	<u>5,438,925</u>	<u>152,732,068</u>	<u>-</u>	<u>158,170,993</u>	<u>157,572,504</u>
Liabilities										
Deposits and obligations	-	133,667,337	-	133,667,337	133,667,337	-	126,971,955	-	126,971,955	126,971,955
Interbank funds	-	-	-	-	-	-	-	-	-	-
Payables from repurchase agreements	-	21,308,690	-	21,308,690	21,308,690	-	26,267,587	-	26,267,587	26,267,587
Due to banks, correspondents and other entities	-	7,233,794	-	7,233,794	6,973,909	-	6,157,370	-	6,157,370	5,843,676
Bonds and subordinated Notes issued	-	14,878,109	-	14,878,109	14,838,736	-	14,548,616	-	14,548,616	13,811,673
Other liabilities	-	2,581,388	-	2,581,388	2,581,388	-	1,787,913	-	1,787,913	1,787,913
Total	<u>-</u>	<u>179,669,318</u>	<u>-</u>	<u>179,669,318</u>	<u>179,370,060</u>	<u>-</u>	<u>175,733,441</u>	<u>-</u>	<u>175,733,441</u>	<u>174,682,804</u>

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

- (i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts are similar to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments
- (ii) Financial instruments at fixed rate - The fair value of the financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the time of their initial recognition to the current market rates related to similar financial instruments. In the case of listed debt, the fair value is determined on the basis of the quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. The fair value of the loan portfolio and deposits and obligation, according to SBS Multiple Official Letter N°1575-2014, corresponds to its book value.

21 COMMITMENTS AND CONTINGENCIES

a) Commitments -

The Bank's Panamanian Branch holds several agreements with a foreign related party, CCR Inc., whereby it guarantees the future collection of inflows from electronic messages sent to the Bank through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") through which the correspondent bank uses the web to make payment orders to a beneficiary in Peru which is a non-financial institution.

<u>Year of issue</u>	<u>Balance in millions of American dollars</u>		<u>Maturity</u>
	<u>As of September, 2021</u>	<u>As of December, 2020</u>	
2012 – Serie C, Note 9 (d)	30.1	63.8	2022
Total	<u>30.1</u>	<u>63.8</u>	

b) Contingencies -

The Peruvian Superintendencia del Mercado de Valores ('SMV' for its Spanish acronym) has initiated a sanctioning process against three subsidiaries of Credicorp (BCP Stand-alone, Mibanco and Grupo Pacifico), for not having disclosed to the market, in due course, the contributions made to political campaigns in connection with the 2016 presidential elections. The SMV has recently notified BCP, Mibanco and Grupo Pacifico with first instance Resolutions on these proceedings. The mentioned Resolutions imposed pecuniary sanctions (fines) on the three subsidiaries as a consequence of these sanctioning processes. BCP, Mibanco and Grupo Pacifico have appealed the Resolutions.

Management believes that SMV sanctioning processes do not pose a significant risk of material liability to the Company and will not have material effect on the Company's business, financial position or profitability.

As of September 30, 2021, and December 31, 2020, the Bank and its Subsidiaries have several pending various tax processes and legal claims, related to their normal course of business, as well as arbitration processes related to public works tax deduction. According to Management and its internal legal advisors, no additional liabilities will result from these legal claims; therefore, Management has not considered it necessary to record an additional allowance for these contingencies.

The SBS conducted a special analysis regarding the political contributions case at three subsidiaries of Credicorp (BCP Stand-alone, Mibanco and Grupo Pacifico), with which these subsidiaries have cooperated. The SBS has initiated a sanctioning process against BCP on August 5, 2020. BCP responded on August 25, 2020. The SBS has recently notified BCP with first instance Resolution on this proceeding. The mentioned Resolution imposed a fine on BCP in the amount of US \$ 482,000. BCP has already paid the fine and therefore the process has concluded.

On November 11, 2021, BCP's General Manager, Mr. Gianfranco Ferrari de las Casas, was notified of a Prosecutor's Decision issued by the Corporate Supraprovincial Prosecutor's Office Specialized in Officer Corruption Offenses Special Team - Fourth Court Division ("Fiscalía Supraprovincial Corporativa Especializada en Delitos de Corrupción de Funcionarios Equipo Especial – Cuarto Despacho", for its name in Spanish). This notice informed Mr. Ferrari that he has been included in the preparatory investigation carried out against Mr. Yehude Simon M. (a former Peruvian Prime Minister) and an additional sixty-five (65) individuals on the grounds of, in Mr. Ferrari's case, alleged primary complicity in the alleged crime against the public administration, aggravated collusion, incompatible negotiation or improper use of position and criminal organization detrimental to the Peruvian State, in connection with the financial advisory services provided by Banco de Crédito del Perú related to the Olmos Project, a large water irrigation project undertaken in northeastern Peru.

The management has reviewed the performance of the officers of Banco de Credito del Peru in relation to the financial advisory services provided by the Bank in connection with the Olmos Project, including the performance of Mr. Ferrari, and has concluded that the facts under investigation do not give rise to any liability of Banco de Credito del Peru or its officers. Our institution bases this view on the qualified opinion of external consultants specializing in the matter.

The Bank does not believe that the opening of this preparatory investigation will have any impact on our normal operations nor have material effect on the Company's business, financial position or profitability.

22 SUBSEQUENT EVENTS

From October 1, 2021 until the date of this report, no significant event of a financial-accounting nature has occurred which affects the interpretation of the consolidated financial statements.