Translation of financial statements originally issued in Spanish –
Note 32

**Banco BBVA Perú and Subsidiaries**

Consolidated financial statements as of December 31, 2023 and 2022
together with Independent Auditor's Report

Building a better
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Translation of financial statements originally issued in Spanish –
Note 32

# Banco BBVA Perú and Subsidiaries

# Consolidated financial statements as of December 31, 2023 and 2022 together with Independent Auditor's Report

**Contents**

# Translation of independent auditor´s report and financial statements originally issued in Spanish

# Independent Auditors' Report

To the Shareholders of Banco BBVA Perú and Subsidiaries

*Opinion*

We have audited the consolidated financial statements of Banco BBVA Perú (a subsidiary of BBVA Perú Holding S.A.C., an entity incorporated in Peru, hereinafter "the Bank") and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the year then ended; and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BBVA Perú and Subsidiaries as of December 31, 2023, as well as its consolidated financial performance and cash flows for the year then ended, in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for financial entities in Peru, see note 2.

*Basis of the opinion*

We conducted our audit in accordance with the International Standards on Auditing (ISAs) approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants. Our responsibilities under these standards are further described in more detail in the section Auditor's responsibilities for the audit of the consolidated financial statements of our report. We are independent of the Bank and Subsidiaries in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independent Auditors' Report (continued)

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

| Key Audit Matter | Audit response |
|---|---|
| Estimation of the provision for the non-retail loan portfolio under the regulations of the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) | |
| As described in note 3(d) to the consolidated financial statements, the estimate of the provision for the non-retail loan portfolio is determined following the methodology defined by the SBS, which establishes the specific percentages for the calculation of the provision, which depend on the credit classification of the debtor. To define the debtor's credit rating, the Bank, among other relevant factors, considers: The debtor 's payment experience, the history of commercial relations with the debtor's management, the history of operations, the debtor's ability to pay and availability of funds, the situations of collaterals and guarantees received, the analysis of the financial statements of the debtor, the risk of the debtor in other financial institutions in the market. | We gained an understanding, evaluated the design and tested the operational effectiveness of the controls of the estimation of the provision for non-retail loan portfolio under the regulations of the SBS, which included:<br>- Methodology and criteria established for the calculation according to SBS required regulations.<br>- Integrity and accuracy of the database in the Bank's systems.<br>- Credit classification of non-retail loan portfolio, considering the Bank's methodology and SBS requirements.<br>- Review of the calculation of the estimation of the provision for the non-retail loan portfolio in the Bank's systems.<br>- Disclosure in the notes to the consolidated financial statements. |

| Key Audit Matter | Audit response |
|---|---|
| Therefore, we consider that the estimation of the provision for the non-retail loan portfolio is a key audit matter; given that, to define the calculation rate of the provision, the debtor must be classified based on qualitative and quantitative variables in which the critical and professional judgment of the Bank's risk specialists intervenes. | In addition, we carried out detailed substantive procedures, which included:<br><br>- We assessed whether the accounting policies defined by the Bank are coherent with SBS requirements.<br>- We tested the integrity and accuracy of the data used in the provision calculation.<br>- We inspected in a selective manner the credit classification of the debtor, assessing the reasonability of Management's most relevant assumptions.<br>- We perform a recalculation of the estimate of the non-retail loan portfolio provision.<br>- We evaluated the adequacy of disclosures in the notes to the financial statements. |
| Information Technology (IT) Environment | |
| The Bank's activities depend to a large extent on the efficient and continuous operation of information technology systems and technology infrastructures, which encompass a large number of IT applications and systems for the processing of all its operations (from significant volumes), accounting records and preparation of the consolidated financial statements.<br><br>The Bank's IT system consists of a set of complex computer applications, essential in the Bank's various business operations. IT environment controls include: IT governance, overall IT controls over program development and changes, access to programs and data, and IT operations, therefore, such controls must be designed and operated effectively with the aim of ensuring the integrity of accurate accounting records and financial reports, in this way mitigate the potential risk of fraud or error. As same of importance are executed calculations of systems, other IT application controls, and interfaces between IT systems. | Assisted by our Information Technology (IT) specialists, our audit efforts focused on the Bank's key systems, related to the processing of its operations, accounting records and preparation of the consolidated financial statements of the Bank and its Subsidiaries carrying out, among others, the following procedures:<br><br>- We evaluated and tested overall IT controls by performing: an understanding of IT governance, reviewing key (including compensatory) controls over application and data access management, application changes and developments, and IT operations.<br>- We tested application controls, considering the design and operational effectiveness of critical automated controls to data processing, accounting records and the preparation of the financial statement. With respect to identified control deficiencies, we tested the design and operational effectiveness of compensation controls. |

| Key Audit Matter | Audit response |
|---|---|
| Therefore, we consider the information technology environment as a key issue, given that the reliability and security of IT systems plays a fundamental role in ensuring the correct treatment of data processing, accounting records and preparation of financial statements. | |

*Other information included in the Bank's 2023 Annual Report*

Other information consists of the information included in the Bank's Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

*Responsibilities of the Bank's management and corporate governance officers in relation to the consolidated financial statements*

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for financial entities in Peru, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

*Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

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

- We gained an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its Subsidiaries.

- We evaluate the adequacy of the accounting policies used, the reasonableness of the accounting estimates and the respective disclosures made by Management.

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

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

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its Subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Bank and its Subsidiaries. We remain solely responsible for our audit opinion.

We communicate to those charged with the Bank's corporate governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

# Translation of independent auditor´s report and financial statements originally issued in Spanish

## Independent Auditors' Report (continued)

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

Lima, Peru
February 22, 2024

Tanaka, Valdivia & Asociados

Countersigned by:

Sandra Luna Victoria Alva
Partner
C.P.C.C. Register No. 50093

## Banco BBVA Perú and Subsidiaries

# Consolidated statement of financial position

As of December 31, 2023 and 2022

| | Note | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | 5 | 9,431,609 | 12,145,003 |
| Interbank funds | | 17,009 | - |
| Investments at fair value through profit or loss and available-for-sale investments | 6 | 15,148,595 | 11,591,723 |
| Loan portfolio, net | 7 | 70,647,238 | 69,122,387 |
| Trading derivatives | 8 | 1,237,496 | 1,349,619 |
| Hedging derivatives | 8 | - | 3,659 |
| Realizable, received in payment and seized assets | | 118,776 | 67,873 |
| Non-current assets held for sale | | 94,162 | 86,007 |
| Interests in associates | 9 | 5,734 | 12,148 |
| Property, furniture and equipment, net | 10 | 1,192,939 | 1,077,726 |
| Deferred tax | 24 | 786,862 | 774,048 |
| Other assets, net | 11 | 5,643,382 | 1,815,253 |
| **Total assets** | | 104,323,802 | 98,045,446 |
| **Contingent risks and commitments** | 16 | 36,992,657 | 36,240,066 |
| **Equity and liabilities** | | | |
| **Liabilities** | | | |
| Obligations with the public and deposits from financial institutions | 12 | 70,726,777 | 66,901,546 |
| Interbank funds | | 378,451 | - |
| Debts and financial obligations | 13 | 5,907,327 | 4,036,978 |
| Trading derivatives | 8 | 1,076,972 | 1,245,843 |
| Hedging derivatives | 8 | 93,486 | 103,628 |
| Accounts payable, provisions and other liabilities | 14 | 13,771,121 | 14,504,077 |
| **Total liabilities** | | 91,954,134 | 86,792,072 |
| **Equity** | 15 | | |
| Share capital | | 8,147,211 | 7,382,184 |
| Reserves | | 2,245,122 | 2,053,490 |
| Unrealized results | | 107,413 | (91,052) |
| Retained earnings | | 1,869,922 | 1,908,752 |
| **Total equity** | | 12,369,668 | 11,253,374 |
| **Total equity and liabilities** | | 104,323,802 | 98,045,446 |
| **Contingent risks and commitments** | 16 | 36,992,657 | 36,240,066 |

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

## Banco BBVA Perú and Subsidiaries

# Consolidated statement of income

For the years ended December 31, 2023 and 2022

| | Note | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|
| Interest income | 17 | 7,585,895 | 5,739,163 |
| Interest expenses | 18 | (2,228,895) | (1,125,846) |
| **Gross financial margin** | | 5,357,000 | 4,613,317 |
| Provision for direct loans, net of recoveries | 7(g) | (1,963,483) | (984,612) |
| **Net financial margin** | | 3,393,517 | 3,628,705 |
| Income from financial services, net | 19 | 1,013,670 | 893,408 |
| **Net financial margin of income and expenses from financial services** | | 4,407,187 | 4,522,113 |
| Profit or loss from financial transactions | 20 | 846,939 | 620,496 |
| **Operating margin** | | 5,254,126 | 5,142,609 |
| Administrative expenses | 21 | (2,474,631) | (2,146,352) |
| Depreciation and amortization | | (230,856) | (209,980) |
| **Net operating margin** | | 2,548,639 | 2,786,277 |
| Measurement of assets and provisions | | (189,104) | (124,661) |
| **Operating profit or loss** | | 2,359,535 | 2,661,616 |
| Other income and expenses, net | 22 | 74,027 | 14,006 |
| **Profit before income tax** | | 2,433,562 | 2,675,622 |
| Income tax | 23 | (559,826) | (753,863) |
| **Net profit** | | 1,873,736 | 1,921,759 |
| **Basic and diluted earnings per share in soles** | 25 | 0.2300 | 0.2359 |
| **Weighted-average number of outstanding shares (in thousands of shares)** | | 8,147,211 | 8,147,211 |

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

## Banco BBVA Perú and Subsidiaries

# Consolidated statement of income and other comprehensive income

For the years ended December 31, 2023 and 2022

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Net profit** | 1,873,736 | 1,921,759 |
| **Other comprehensive income:** | | |
| Unrealized gain (loss) on available-for-sale investments | 195,594 | (40,995) |
| Unrealized gain (loss) on cash flow hedges | 9,980 | (30,095) |
| Interests in other comprehensive income of associates | (65) | (109) |
| Unrealized gains (loss) on actuarial liabilities | (3,228) | 846 |
| Income tax on items of other comprehensive income | (3,816) | 12,005 |
| **Other comprehensive income for the period, net of income tax** | 198,465 | (58,348) |
| **Total comprehensive income for the year** | 2,072,201 | 1,863,411 |

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

**Banco BBVA Perú and Subsidiaries**

## Consolidated statement of changes in equity

For the years ended December 31, 2023 and 2022

| | Number of shares in thousands (note 15(a)) | Share capital(note 15(a)) S/(000) | Legal reserve (note 15(b)) S/(000) | Unrealized results (note 15(c)) S/(000) | Retained earnings (note 15(d)) S/(000) | Total equity S/(000) |
|---|---|---|---|---|---|---|
| **Balance as of January 1, 2022** | 6,758,467 | 6,758,467 | 1,896,680 | (32,704) | 1,546,286 | 10,168,729 |
| Net profit | - | - | - | - | 1,921,759 | 1,921,759 |
| **Other comprehensive income** | | | | | | |
| Unrealized losses on available-for-sale investments | - | - | - | (37,618) | - | (37,618) |
| Unrealized losses on cash flow hedges | - | - | - | (21,217) | - | (21,217) |
| Unrealized losses on interests in other comprehensive income of associates | - | - | - | (109) | - | (109) |
| Unrealized gains on actuarial liabilities | - | - | - | 596 | - | 596 |
| **Total comprehensive income for the year** | | - | - | (58,348) | 1,921,759 | 1,863,411 |
| **Changes in equity (not included in comprehensive income):** | | | | | | |
| Dividends, note 15(d) | - | - | - | - | (779,647) | (779,647) |
| Capitalization of retained earnings, note 15(a) | 623,717 | 623,717 | - | - | (623,717) | - |
| Transfers to reserves and other movements, note 15(b) | - | - | 156,810 | - | (155,929) | 881 |
| **Balance as of December 31, 2022** | 7,382,184 | 7,382,184 | 2,053,490 | (91,052) | 1,908,752 | 11,253,374 |
| Balance as of January 1, 2023 | 7,382,184 | 7,382,184 | 2,053,490 | (91,052) | 1,908,752 | 11,253,374 |
| Net profit | - | - | - | - | 1,873,736 | 1,873,736 |
| **Other comprehensive income** | | | | | | |
| Unrealized gains on available-for-sale investments | - | - | - | 193,770 | - | 193,770 |
| Unrealized gains on cash flow hedges | - | - | - | 7,036 | - | 7,036 |
| Unrealized losses on interests in other comprehensive income of associates | - | - | - | (65) | - | (65) |
| Unrealized losses on actuarial liabilities | - | - | - | (2,276) | - | (2,276) |
| **Total comprehensive income for the year** | | | | 198,465 | 1,873,736 | 2,072,201 |
| **Changes in equity (not included in comprehensive income)** | | | | | | |
| Dividends, note 15(d) | - | - | - | - | (956,283) | (956,283) |
| Capitalization of retained earnings, note 15(a) | 765,027 | 765,027 | - | - | (765,027) | - |
| Transfers to reserves and other movements, note 15(b) | - | - | 191,632 | - | (191,256) | 376 |
| **Balance as of December 31, 2023** | 8,147,211 | 8,147,211 | 2,245,122 | 107,413 | 1,869,922 | 12,369,668 |

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

## Banco BBVA Perú and Subsidiaries

# Consolidated statement of cash flows

For the years ended December 31, 2023 and 2022

| | Note | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|
| **Reconciliation of the net profit to cash and flows from operating activities** | | | |
| Net profit | | 1,873,736 | 1,921,759 |
| **Adjustments** | | 2,829,447 | 1,885,532 |
| Depreciation and amortization | | 230,856 | 209,980 |
| Impairment of property, furniture and equipment, and intangible assets | | 45,056 | 48,400 |
| (Impairment reversal) impairment of available-for-sale investments | | (11,830) | 267 |
| Provisions | | 2,119,361 | 1,060,606 |
| Other adjustments | | 446,004 | 566,279 |
| **Net changes in assets and liabilities** | | (2,488,792) | (708,401) |
| Loan portfolio | | (3,966,290) | (357,317) |
| Available-for-sale investments | | 411,977 | (148,457) |
| Accounts receivable and others | | (3,432,641) | (30,575) |
| Unsubordinated financial liabilities | | 5,474,904 | 4,260,211 |
| Accounts payable and others | | (976,742) | (4,432,263) |
| **Net profit for the period after net changes in assets, liabilities and adjustments** | | 2,214,391 | 3,098,890 |
| Paid income tax | | (1,112,725) | (992,850) |
| **Net cash and cash equivalents from operating activities** | | 1,101,666 | 2,106,040 |
| **Cash flows from investing activities:** | | | |
| Purchase of interests | | - | (153) |
| Sale of intangibles and property, furniture and equipment | | 13,705 | - |
| Acquisition of intangible assets and property, furniture, and equipment | | (422,170) | (323,593) |
| Other cash inflows from investing activities | | 61,074 | 239,078 |
| **Net cash and cash equivalents used in investing activities** | | (347,391) | (84,668) |

## Consolidated statement of cash flows (continued)

| | Note | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Cash outflows for redemption of subordinated financial liabilities | | - | (78,190) |
| Cash paid for dividends | 15(d) | (955,356) | (778,101) |
| Other cash inflows from financing activities | | 4,556,439 | 796,200 |
| Other cash outflows from financing activities | | (3,100,152) | (3,574,144) |
| **Net cash and cash equivalents from (used in) financing activities** | | 500,931 | (3,634,235) |
| **Net increase (decrease) in cash and cash equivalents before effects of exchange rate fluctuations** | | 1,255,206 | (1,612,863) |
| Effects of changes in exchange rates on cash and cash equivalents | | (292,155) | (624,138) |
| **Net increase (decrease) in cash and cash equivalents** | | 963,051 | (2,237,001) |
| **Cash and cash equivalents at the beginning of the year** | | 17,583,751 | 19,820,752 |
| **Cash and cash equivalents at the end of the year** | | 18,546,802 | 17,583,751 |
| Guarantee funds | | 849,482 | 699,639 |
| Interbank funds | | (17,009) | - |
| Investment with maturities of less than 90 days | | (9,947,666) | (6,138,387) |
| **Cash and due from banks per the consolidated statement of financial position** | 5 | 9,431,609 | 12,145,003 |

## Banco BBVA Perú and Subsidiaries

# Notes to the consolidated financial statements
As of December 31, 2023 and 2022

**1. Operations**

(a) Identification and economic activity -

Banco BBVA Perú (hereinafter the Bank) is a subsidiary of BBVA Perú Holding S.A.C., which holds 46.12% of its share capital as of December 31, 2023 and 2022. Banco Bilbao Vizcaya Argentaria S.A. (hereinafter BBVA S.A.) holds 100% of the shares of BBVA Perú Holding S.A.C.

The Bank is a closely held corporation incorporated in 1951 and is authorized to operate as a banking institution by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (hereinafter "SBS", by its Spanish acronym).

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

The Bank's legal domicile and headquarters is located at Av. República de Panamá N° 3055 - San Isidro, Lima, Peru.

The Bank holds 100% of the share capital with voting rights over its subsidiaries: BBVA Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management S.A. SAF, BBVA Sociedad Titulizadora S.A., Inmuebles y Recuperaciones BBVA S.A., BBVA Consumer Finance EDPYME en liquidación, Forum Comercializadora del Perú S.A. en liquidación and Forum Distribuidora del Perú S.A. Even though the Bank does not hold share capital or voting rights over Continental DPR Finance Company B.V. (DPR), due to the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that govern the Bank require DPR's financial statements to be included on the consolidated basis with those of the Bank (all these companies including the Bank are denominated, hereinafter, BBVA Peru Group).

(b) Climate and Political juncture in Peru -

(i) Climate juncture

On March 12, 2023, on the wake of the sea-related, atmospheric and prospects of rainfall, as part of the impact of the Cyclone Yaku in Peru, the Peruvian Government instated a National Emergency in several provinces in Peru, given the damage caused by heavy rainfalls to the population's way of living. This was necessary for the government to be able to implement the necessary and immediate response and disaster relief measures and actions, on an exceptional basis, as appropriate.

(ii) Political juncture

On December 2022, after a series of political events, various acts of violence and vandalism against public and private institutions were generated, as well as attacks against the personal integrity of citizens and authorities in different regions of Perú. Given this situation, on December 14 and 15, 2022, the Cabinet Presidency enacted supreme decrees No143-2022-PCM and No144-2022-PCM, setting up a 30-day National Emergency, and also a mandatory social confinement for 5 days nationwide, respectively.

Due to these events increase the risk of economic losses and difficulties for the affected debtors to comply with the timely payment of their debts, on a preventive basis, the SBS authorized financial institutions to reschedule to its customers, see further detail in note 2(f).

In Management’s opinion, these situations have not affected the Bank’s operations nor have generated any significant impact on the consolidated financial statements presented as of December 31, 2023 and 2022.

(c) National State of Emergency (COVID-19 pandemic) -

On March 2020, the World Health Organization (WHO) declared a pandemic due to the coronavirus disease (COVID-19), and recommended contention and mitigation measurements worldwide. On March 15, 2020, the Peruvian government declared, through Supreme Decree No 044-2020-PCM, a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. In October 2022, the Peruvian officially ended the National Emergency by means of Supreme Decree No 130-2022-PCM.

In coping with the COVID-19 pandemic, the Peruvian Government, the Ministry of Economy and Finance, the Central Reserve Bank of Peru (hereinafter BCRP, by its Spanish acronym) and the SBS, set a number of exceptional measures; see further detail in note 2(f).

(d) Approval of the consolidated financial statements -

The consolidated financial statements as of December 31, 2023 were approved by the Board of Directors on February 22, 2024 and will be submitted for approval by the General Shareholder's Meeting within the terms established by Law. In management and Board of Directors’s opinions, the General Shareholder's Meeting will approve the accompanying consolidated financial statements without amendments. The General Shareholders' Meeting, held on March 30, 2023, approved the consolidated financial statements as of December 31, 2022.

2. **Basis of preparation of the consolidated financial statements**

(a) Statement of compliance -

The consolidated financial statements have been prepared and presented in accordance with the accounting standards established by the SBS for financial entities in Peru. Those standards are contained in the Accounting Manual for Financial Institutions (hereinafter the Accounting Manual) approved by SBS Resolution N° 895-98 on September 1, 1998 and effective January 1, 2001, including supplemental standards and amendments.

The SBS has established that, for situations not addressed in such standards, the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym), are applied.

(b) Basis of consolidation -

The consolidated financial statements include the financial statements of the Bank and its subsidiaries that are part of the BBVA Peru Group, described in note 1(a), from the date control is obtained over those entities. The controls is obtained when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Particularly, the Bank controls an investee if and only if it has all the following:

- Power over the investee; that is, the investor has existing rights that give it the current ability to direct the relevant activities,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

In general, it is presumed that majority voting rights or similar rights in the investee grants control over the investee. The Bank considers all facts and circumstances when assessing whether it controls an investee, including:

- The contractual arrangement between the Bank and other voting right or similar right holders of the investee's.
- Rights arising from other contractual arrangements.
- The investor's voting rights, its potential voting rights and a combination of both.

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the above-indicated three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. Consolidated financial statements include the assets, liabilities, revenue and expenses of the Bank and its subsidiaries.

Income for the period and each component of other comprehensive income are attributable to the owners of the controlling interest and to the share of non-controlling interests, even if this results in non-controlling interest with a negative balance. Adjustments are made to the financial statements of subsidiaries, when necessary, to align their accounting policies with those of the Bank.

All assets, liabilities, equity, revenue, expenses and cash flows related to transactions between entities that are consolidated by the Bank are eliminated in whole.
Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are recorded as equity transactions.

If the Bank ceases to have control over a subsidiary the related assets are derecognized (including goodwill), liabilities, non-controlling interest and other equity components, while any resulting profit or loss is stated in the consolidated statement of income. Any interest held in an investee is recognized at fair value.

Subsidiaries are all the entities over which the Bank has the power to govern its operating and financial policies. The consolidation ends at the date in which the Bank loses the control over them.

As of December 31, 2023 and 2022, main balances of the BBVA Peru Group are the following:

| In millions of soles | Assets | | Liabilities | | Equity | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Entity** | | | | | | |
| Banco BBVA Perú | 104,413 | 98,156 | 92,044 | 86,899 | 12,369 | 11,257 |
| BBVA Bolsa Sociedad Agente de Bolsa S.A.(i) | 55 | 86 | 41 | 68 | 14 | 19 |
| BBVA Asset Management S.A. SAF (ii) | 31 | 30 | 3 | 2 | 28 | 28 |
| BBVA Sociedad Titulizadora S.A. (iii) | 5 | 6 | 1 | 1 | 4 | 5 |
| Inmuebles y Recuperaciones BBVA S.A. (iv) | 153 | 183 | 1 | 121 | 152 | 62 |
| Continental DPR Finance Company B.V. (v) | - | - | - | - | - | - |
| BBVA Consumer Finance Edpyme en liquidación (vi) | 20 | 21 | 4 | 5 | 16 | 16 |
| Forum Comercializadora del Perú S.A. en liquidación (vii) | 2 | 2 | - | - | 2 | 2 |
| Forum Distribuidora del Perú S.A. (viii) | 145 | 106 | 112 | 75 | 33 | 31 |

(i) BBVA Bolsa Sociedad Agente de Bolsa S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Agente de Bolsa is engaged in the intermediation of securities, mainly comprising purchase and sale of securities by orders of customers (owners of contract), as well as rendering advisory and information services to investors. Likewise, Sociedad Agente de Bolsa can carry out operations and services inherent to the brokerage activity in the stock market, authorized by the Superintendence of Securities Market (SMV, for its Spanish acronym).

(ii) BBVA Asset Management S.A. Sociedad Administradora de Fondos is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Admnistradora is engaged in management of mutual and investment funds authorized to operate by the SMV, as well as acquisition and sale of securities. As of December 31, 2023, it manages 32 mutual funds of investments insecurities, 2 private investment funds and 1 public investment fund (as of December 31, 2022: 25 mutual funds of investments in securities, 2 private investment funds and 1 public investment fund).

(iii) BBVA Sociedad Titulizadora S.A. is a subsidiary of the Bank, in which it owns 100% of its shares with voting rights representing its share capital. Sociedad Titulizadora is dedicated to the function of trustee in securitization processes, as well as to acquire assets in order to establish trust funds that support the issuance of credit-bearing securities. As of December 31, 2023 and 2022, Sociedad Titulizadora manages the assets in 10 and 12 trust funds, respectively.

(iv) Inmuebles y Recuperaciones BBVA S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. IRBSA is engaged to the trade of personal and real state property for its own use or for third parties, through the acquisition, sale, lease, import and export of such properties; as well as any other related activity, without any limitation. Likewise, IRBSA provides management services for the Bank's health care program.

(v) Continental DPR Finance Company B.V. is a special purpose company created with the objective of securitizing remittances from abroad. On January 30, 2023, the company was registered in the Netherlands and is governed by the regulations of that country. The registration in the Netherlands was the result of the migration of Continental DPR Finance Company that was located in the Cayman Islands. The financing carried out through the special purpose company is guaranteed by the present and future flows generated by the electronic payment orders of clients (Diversified payments rights – DPR's).

(vi) BBVA Consumer Finance Edpyme en liquidación, is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital and is currently undergoing liquidation and wind-up.

(vii) Forum Comercializadora del Perú S.A. en liquidación, is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital and is currently undergoing liquidation and wind-up.

(viii) Forum Distribuidora del Perú S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Forum Distribuidora del Perú S.A. is engaged to direct and indirect financing for motor vehicle dealerships; including to trade, acquire and sell motor vehicles, on credit or cash, wholesale or retail, and take or give them in lease, assignment in use or any other modality allowed by Peruvian laws.

(c) Basis of measurement -

The consolidated financial statements were prepared in Peruvian soles based on the accounting records of the Bank under the historical cost principle, except for derivatives, financial instruments at fair value through profit or loss and the available-for-sale financial assets, which are measured at fair value.

(d) Functional and presentation currency -

The Bank prepares and present its consolidated financial statements in soles (S/ or PEN), which is the currency related to the main economic environment in which the Bank operates, such currency has influence on its transactions and services, among other factors. All figures are stated in thousands of soles and have been rounded to the nearest thousands, except when otherwise indicated.

(e) Use of judgments and estimates -

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, and the disclosure of significant events in notes to the financial statements. The accounting estimates and underlying judgments used are reviewed on an ongoing basis and are based on historical experience and other factors. Actual results may differ from these estimates.

Adjustments resulting from the review of accounting estimates are recognized prospectively, recording the effect in the consolidated statement of income, at the year in which the revision is made.

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

- Determination of the fair value of investments, note 3(c) and note 30.
- Provisions for loan losses, note 3(e) and note 7.
- Provision for realizable, received as payment, and repossessed assets, note 3(g).
- Useful life of property, furniture and equipment, note 3(f) and intangible assets, note 3(h).
- Provision for income tax, note 3(p) and note 23.
- Deferred tax, note 3(p) and note 24.
- Determination of the fair value of derivative instruments, note 3(b) and note 30.
- Impairment of non-financial assets, note 3(j).
- Provision for contingencies, note 3(o)(i).

(f) Major pronouncements issued by the SBS, the BCRP and the Government with an impact on the financial system -

As described in note 1(b) and (c), in addition to measures in order to support the economic recovery and growth of MYPEs (micro and small businesses), the Peruvian government, the Ministry of Economy and Finance, the BCRP and the SBS have issued the following regulations with an impact on the financial system:

| N° | Programs / Measures | Legal basis | Short description of programs / measures | Impact on the Bank |
|---|---|---|---|---|
| (i) | Loan rescheduling | Official letters N°10997-2020-SBS, N°11150-2020-SBS, N°11170-2020-SBS, N°12679-2020-SBS, N°13195-2020-SBS, N°13805-2020-SBS, N°14355-2020-SBS and N°15944-2020-SBS. Issued between March and July 2020 | These official letters set exceptional measures applicable to the loan portfolio, intended to make debt repayment easier for customers of financial institutions that were affected by the restrictive measures taken by the Peruvian Government due to the COVID-19 pandemic. At the reporting date, these official letters are no longer effective. | As of December 31, 2023 and 2022 the balance of rescheduled loans with individual and mass portfolio evaluation under these official letters amounts to approximately S/270 million and S/593 million, respectively. |
| | | Official letters N°13613-2021-SBS, N°6302-2021-SBS and N°08441-2023-SBS. Issued from February 2021 and February 2023. | Per these Official letters, the SBS entitled financial institutions to reschedule loans to their customers over 2021. At the reporting date, these official letters are no longer effective. | As of December 31, 2023 the balance of rescheduled loans with individual and mass portfolio evaluation due to social unrest amounts to S/519 million. |
| | | Official letters N°54961-2022-SBS, N°03140-2023-SBS, N°03583-2023-SBS, N° 09702-2023-SBS, N°11235-2023-SBS and N°17305-2023-SBS. Issued between December 2022 and April 2023. | New supplemental prudential measures (loan rescheduling), issued in the framework of the Emergency Status instated due to the social unrest occurring in Peru. At the reporting date, those official letters were no longer effective. | As of December 31, 2023 the balance of rescheduled loans with mass portfolio evaluation due to climate effects amounts to S/126 million. |
| | | Official letter N°12174-2023-SBS dated March 15, 2023. | The SBS included one single document with all prudential provisions for loan rescheduling issued up to the date, making relevant changes in the accounting records and making them applicable to the general Emergency Conditions resulting from the social unrest in the country and natural disasters with severe consequences affecting the lives of the population in certain areas of Peru or nationwide. | |
| | | Official letter N°63223-2023-SBS dated November 6, 2023. | The SBS clarifies to the prudential measures related to rescheduling. The letter provides accounting clarifications and indications to not consider emergency status classified as "imminent danger" in future rescheduling. | |
| (ii) | Additional provisions for rescheduled loans | SBS resolution N°3922-2021 dated December 23, 2021. | The SBS set the requirement that for those loans that were rescheduled because of the COVID-19 pandemic, and accounted for as such, the financial institutions shall record additional provisions, as if they had a worse credit rating. | As of December 31, 2023 and 2022, the Bank recorded provisions for rescheduled loans of debtors rated as Normal, CPP and Substandard for approximately S/3 million and S/7 million, respectively. |
| (iii) | Reactiva Perú economic relief program<br><br>Reactiva Perú Up until November 30, 2020 | Legislative Decree N°1455-2020 dated April 6, 2020.<br><br>Ministry Resolution N°134-2020-EF dated April 13, 2020. | Instated with the following objectives:<br>- Respond to the liquidity needs faced by companies in the context of the COVID-19 pandemic.<br>- Ensure continuity of the chain of payments.<br><br>Using this program, the Government granted guarantees to back entities so they can obtain working capital credit facilities and meet their short-term obligations with workers and suppliers of goods and services. Guarantee range from 80% and 98% of the loan amount, whose maximum amount per customer was S/ 10 million, which was determined based on the total sales. Additionally, the Bank obtains the resources to grant these loans based on its repo transactions with the Central Reserve Bank of Peru (hereinafter BCRP), for the secured portion of the loan. | As of December 31, 2023 and 2022, the Bank holds "Reactiva Peru" loans for around S/1,900 million and S/5,801 million note 7(c). The amounts secured by the Peruvian Government totaled S/1,675 million and S/5,296 million, respectively.<br><br>As of December 31, 2023 and 2022, the rescheduled loans including those obtained in the context of the health emergency and those under the Reactiva program totaled S/2,112 million and S/4,115 million, respectively, note 7(c). |
| | Reactiva Peru reschedulings up to December 31, 2021 | Emergency Decree N°026-2021 dated March 6, 2021.<br><br>Emergency Decree N°091-2021 September 30, 2021. | The Peruvian Government has ordered that loans granted under the Reactiva Perú program can be eligible for rescheduling, provided that they meet the requirement set by the applicable standards (mainly involving a decrease in sales). Loan rescheduling can be provided with Bank´s or BCRP´s funding. If Bank´s funding is used, the interest rate can be raised up to 25 basis points. The due dates set for customers to be able to obtain loan rescheduling expired on December 31, 2021. | |

| N° | Programs / Measures | Legal basis | Short description of programs / measures | Impact on the Bank |
|---|---|---|---|---|
| | New Reactiva rescheduling up to December 31, 2022<br><br>Reactiva rescheduling extension until September 30, 2023 | Emergency Decree N°011- 2022 dated May 13, 2022.<br><br>Emergency Decree N°026-2022 dated December 27, 2022.<br><br>Ministry Resolution N°074-2023-EF/15 dated February 21, 2023.<br><br>Emergency Decree N°029-2023 dated July 25, 2023<br>Ministry Resolution N°287-2023-EF/15 dated August 11, 2023. | The possibility was raised for Reactiva program loans to be subject to new rescheduling up to S/10 mil million. Rescheduled loans will continue to be backed by the Peruvian Government. BCRP funding will be kept up to due date of the prior rescheduled loan, at which date, will be replaced with resources of the financial system. For those loans from S/ 90,001 to S/ 10 million, decrease in sales of 30% or more in 2021, as compared to 2019, should be demonstrated.<br><br>An extension of the due date to apply for rescheduling of Program-backed loans was ordered until September 30, 2023.<br><br>Amendments were made to the Operating rules to the economic relief program called Reactiva, under which an extension is given to the loan rescheduling program originally granted under the Programa Reactiva Perú. Also, the possibility is set for new rescheduling for an additional grace period of 24 months to those loans that had been rescheduled under the provisions of Emergency Decree N° 011-2022.<br><br>In this respect, a new rescheduling and another period of grace of up to 24 months were authorized to be granted to entities that had rescheduled their Reactiva loans in accordance with the provisions of Urgency Decree N° 011-2022. | |
| (iv) | Fondo Crecer Up to 2049 | Legislative Decree N°1399 dated September 7, 2018.<br><br>Supreme Decree N°007-2019-EF dated January 11, 2019.<br><br>Law N°31683 dated February 09, 2023.<br><br>Supreme Decree N°227-2023-EF dated October 25, 2023. | This is a program to secured loans obtained for working capital, fixed assets and export credits intended to bolster the productive development and growth of medium-sized and small entities. The maximum amount to be secured per customer is S/10 million. Amounts secured are up to 75% for microbusiness and small entities, up to 70% for medium-sized and up to 60% for exporters.<br><br>The scope of application by beneficiaries of the relief fund called Fondo Crecer is amended to be used by microbusinesses, small and medium-sized entities according to the type of financing obtained under the criteria set by the SBS.<br><br>Several articles of the rules for application of Legislative Decree N° 1399 were amended. This piece of legislation was enacted to promote and strengthen Micro, Small and Medium-sized entities and create Fondo Crecer, pursuant to Supreme Decree N° 007- 2019-EF as a way to implement the changes introduced by Law N° 31683. | As of December 31, 2023 and 2022, the Bank holds loans under this program for around S/118 million and S/133 million, respectively, note 7(c). The amounts secured by the Peruvian Government totaled S/75 million and S/86 million, respectively. |
| (v) | Repo transactipns with loan portfolio rescheduling | Circular N°0014-2020-BCRP dated April 3, 2020.<br><br>Circular N°0021-2020-BCRP dated June 7, 2020.<br><br>Circular N°033-2020-BCRP dated December 18, 2020<br><br>Official letter N°11518-2020 dated April 7, 2020 and Official letter N°12791-2020 dated May 8, 2020. | BCRP sets the characteristics and procedures for repo transactions of the loan portfolio secured by the Peruvian Government. At the selling date, the Bank receives the local currency (the sale amount) and, at the same time, it becomes engaged to repurchase such portfolio (repo amount). BCRP will draw down 80 percent of the funds to the Bank's checking account with the BCRP and the remaining portion will be credited to restricted account also held by the Bank with the BCRP.<br><br>The ninth transitional provision supersedes Circular N° 0014-2020-BCRP to introduce changes in the provisions applicable to the Repo Transactions with Loan Portfolio represented by Securities for the purpose of making operability more flexible. | As of December 31, 2023 and 2022, the Bank holds repo transaction balances involving rescheduled loan portfolio for S/4,898 million and S/4,901 million, respectively, see note 14. |

| N° | Programs / Measures | Legal basis | Short description of programs / measures | Impact on the Bank |
|---|---|---|---|---|
| | | | BCRP has instated the possibility for financial institutions to obtain funding at 0.5% by means of Repo Transactions. Under this mechanism, financial system entities engage to reschedule loans to customers or portfolio bought from other financial system entities to reduce temporarily the interest rate over the period the transaction with the BCRP lasts.<br><br>SBS has set the accounting model for repo transactions as well as some reporting requirements. Based on those official letters, the loan portfolio is not derecognized but provisions will continue to be made of the portfolio used in repo transaction. | |
| (vi) | Impulso MYPERU program | Law N°31658 "Ley que Crea el Programa Impulso Empresarial MYPE – IMPULSO MYPERU" dated December 29, 2022 and Ministry Resolution N°066-2023-EF/15 dated February 11, 2023.<br><br>Emergency Decree N°039-2023 and Ministry Resolution N°419-2023-EF/15,dated November 29, 2023 and December 15, 2023; respectively. | The approved Law created the "Impulso MYPERU program" with the purpose of financing loans for debt consolidation, working capital, fixed assets and purchase of debt from MYPEs (the criteria was later expanded to include other companies).<br><br>The scope and maximum amount were expanded and time limit of reception extended up to June 30, 2024. To date, the program is in force and has a fund of S/15,000 million to financing companies in all productive sectors of the country. | As of December 31, 2023, the Bank does not maintain a credit financing balance under the MYPE Business Impulse Program – IMPULSO MYPERU. |

Management considers the Bank has complied with all exceptional rules and measures set forth by the Peruvian Government, the Ministry of Economy and Finance, the Central Reserve Bank of Peru and the SBS established as a response of COVID-19 pandemic, social unrest and climate effects.

(g) New International Financial Reporting Standards (IFRS) -

(i) IFRS issued and effective in Peru as of December 31, 2023:

At the date of the consolidated financial statements, the CNC has issued the following resolutions:

- Resolution N°001-2023-EF/30 issued on March 30, 2023, which approves the modification to the International Accounting Standard - IAS 1 "Presentation of Financial Statements" and the International Financial Repo–ting Standard - IFRS 16 is approved "Leases".

- Resolution N°002-2023-EF/30 issued on June 23, 2023, which approves the Complete Set of International Financial Reporting Standards version 2023 is approved, as well as the Conceptual Framework for Financial Reporting.

- Resolution N°003-2023-EF/30 issued on August 16, 2023, which approves the Pre-Publication of the Peruvian Financial Reporting Standard for Microenterprises is approved.

- Resolution N°004-2023-EF/30 issued on December 5, 2023, which approves the use of the modifications to the International Accounting Standard - IAS 12 Income tax, International Financial Reporting Standard - IFRS 1 First-time adoption of International Financial Reporting Standards, International Accounting Standard – IAS 7 Statement of Cash Flows, International Financial Reporting Standard – IFRS 7 Financial Instruments: Disclosure and International Accounting Standard – IAS 21 Effects of variations in foreign currency exchange rates.

Application of the above-mentioned IFRS is effective one day after the date of the resolution or subsequently as indicated in each IFRS.

In 2019 IFRS 16 "Leases" became effective to replace IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease". The SBS issued official letter N° 467-2019 -SBS dated January 7, 2020 setting that IFRS 16 is not applicable by entities under its supervision.

IFRS 9 "Financial instruments" became effective in 2018 replacing IAS 39 "Financial instruments: Recognition and Measurement". At the reporting date, the SBS has not amended or modified its Accounting Manual for Financial Institutions to be consistent with that standard.

(ii) IFRS issued internationally but not effective as of December 31, 2023:
The following amendments to standards and interpretations to standards have been published by the IASB and are effective for reporting periods beginning on or after January 1, 2024:

- Amendments to IFRS 16 "Leases": Lease liability in a sale and leaseback
  The amendments will be effective for annual periods beginning on or after January 1, 2024 and must be applied retroactively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Application is permitted advance as long as this fact is revealed.

- Amendments to IAS 1 "Presentation of financial statements": Classification of liabilities as current and non-current
  In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The modifications will come into effect for periods beginning on or after January 1, 2024 and must be applied retroactively.

- Amendments to IAS 7 "Cash Flow Statements" and IFRS 7 "Financial Instruments: Disclosures": Supplier Finance Agreements
  In May 2023, the IASB issued amendments to IAS 7 "Cash Flow Statements" and IFRS 7 "Financial Instruments: Disclosures" to clarify the characteristics of supplier financing arrangements and require additional information to be disclosed about such agreements. The amendments will be effective for annual periods beginning on or after January 1, 2024. Early application is permitted as long as this fact is disclosed.

As indicated in note 2(a), the above-mentioned standards and interpretation in (i) and (ii) will only be applicable to the Bank and its subsidiaries on a supplemental basis, to those indicated by the SBS, when situations arise that are not addressed in the Accounting Manual. Bank Management has not determined the effect on the preparation of its consolidated financial statements because the SBS has not adopted those accounting pronouncements.

**3. Accounting principles and practices**

In preparing and presenting the accompanying consolidated financial statements, Management of BBVA Peru Group has met the standards set by the SBS currently effective in Peru. Major accounting principles and practices implemented as of December 31, 2023 have not changed significantly in relation with those applied as of December 31, 2022, as summarized in the audit report dated February 23, 2023

(a) Financial instruments -

Recognition of financial instruments

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

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

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

Classification financial instruments:

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

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

Derecognition of financial assets and financial liabilities:

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

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

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

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

(b) Derivative instruments -
Derivative instruments are recorded at trade date according with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial Institutions" and amendments, derivative financial instruments are recorded on the negotiation date.

Held-for-trading instruments:
Held-for-trading instruments are initially recognized in the consolidated statement of financial position at fair value; subsequently, they are measured at fair value.

Future foreign currency operations (“forwards”), interest rate or currency exchange operations (“swaps”) and options are recorded at their estimated market value, recognizing an asset or liability in the consolidated statement of financial situation, as appropriate, and the gain or loss from the valuation or settlement in the consolidated result for the year. The nominal value of derivative financial instruments is recorded in the committed or agreed currency, in contingent and/or memorandum accounts.

Hedge derivative instruments:
A hedging derivative financial instrument is recorded as such if, on the negotiation date, it is expected that the changes in its fair value or in the cash flows it generates will be highly effective in offsetting the changes generated in the hedged item, which it must be documented on the trading date of the derivative financial instrument, and during the coverage term. Pursuant to SBS Resolution N° 1737-2006 and amendments, a hedge is considered highly effective if changes in the fair value or cash flows of the hedged instrument and the instrument used as a hedge are expected to be within a range of 80% to 125% effective in reducing the risk associated with the hedged exposure.

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

(i) Fair value hedges-
Changes in the fair value of the hedge derivative instrument and hedge item is recognized in the consolidated statement of income, form the moment the hedge is designated and, provided it is effective.

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

ii) Cash flows hedges-
In a cash flow hedge, the derivative instrument is measured at fair value and may affect equity and profit or loss. The portion of the adjustment to its fair value is recognized in equity of the consolidated statement of income and other comprehensive income, while the ineffective portion is recognized in the consolidated statement of income.

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

(c) Investmentss -

BBVA Peru Group applies the recognition and measurement criteria to investments in instruments, in accordance with SBS Resolution N° 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions" and amendment as follows:

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

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

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

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

ii) Held-to-maturity investments

This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements: i) they have been acquired or reclassified with the intention of holding them until maturity; ii) BBVA Peru Group must have the financial capacity to hold them until maturity; and iii) they are instruments other than those that, at the time of initial recognition, BBVA Peru Group has designated to be accounted for at fair value through profit or loss, or as available-for-sale assets.

Likewise, they shall be classified by at least two local or international credit rating agencies and the classifications shall be within the parameters established by the SBS, being excluded from this requirement the instruments of Central Banks of countries whose sovereign debt receives at least the classification that corresponds to the sovereign debt of Peru.

Investments are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition.

The subsequent measurement of these investments is carried out at amortized cost, using the effective interest rate method. Any impairment loss is recognized in the consolidated statement of income.

iii) Available-for-sale investments

Available-for-sale investments are all investment instruments that are not classified as investments at fair value through profit or loss, held-to-maturity investments, or investments in subsidiaries, associates and joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

Investments are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition. Subsequent measurement of these investments is carried out at fair value; in the case of equity instruments that do not have prices quoted in active markets and whose fair value cannot be reliably estimated, they must be measured at cost. Likewise, in the case of debt instruments, prior to the measurement at fair value, shall be remeasured using the effective interest method, and gains or losses from the changes in fair value shall be recognized.

The gain or loss originated by the fluctuation of the fair value of the available-for-sale investments is recognized directly in equity until the instrument is sold or realized, at which time the gain or loss that previously recognized in equity is transferred and recorded in the consolidated result for the year, except for value impairment losses that are recorded in the results when presented.

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

Gains or losses from exchange differences related to equity instruments are recognized in equity as "unrealized results", while those related to debt instruments are recognized in the net profit for the period.

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

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

Impairment assessment –
SBS resolution N° 7033-2012, as amended, as well as SBS resolution N° 2610-2018 set a standard methodology for identifying impairment of available-for-sales investments and held-to-maturity investments. That methodology is to be applied quarterly to all debt and equity instruments as follows:

(I) Debt instrument:
At each quarter-end, involving the entire debt instrument portfolio, an assessment shall be conducted of whether the following has occurred:

1. Weakening of the financial position or financial ratios of issuer and its economic group.
2. Downgrading of the credit rating of the instrument or issuer, in at least two (02) "notches", from the date of acquisition of the instrument, where one "notch" reflects the minimum difference between two risk ratings inside one single rating scale.
3. Disruption of transactions or an active market for the financial asset, due to issuer's financial difficulty.
4. Observable inputs indicate that, from the initial recognition of a group of financial assets with similar characteristics to those of the assessed instrument, there is a measurable decrease in the estimated future cash flows, even thought that decrease cannot yet be related to individual financial assets of the group.
5. Decrease in value due to changes in standards (tax, regulatory or governmental).
6. Significant decrease in fair value below the amortized cost. A significant decrease exists if the fair value at the closing date has decrease by at least 40% below its amortized cost at that date.
7. Prolonged decrease in fair value. A prolonged decrease exists if the fair value at the closing date has decreased by at least 20% as compared to the amortized cost of the prior twelve (12) months, and the fair value at each month's closing date for the period of the prior twelve (12) months has always be held below the amortized cost at the date of each month's closing date.

The fair value to be used to assess criteria 6 and 7 is that used in determining the value of debt instruments available for sale, under the criteria set by the above-mentioned resolution, regardless of the accounting classification given to the debt instrument. However, if the decrease in fair value of the debt instrument is fully due to an increase in risk-free interes trate, such a decrease shall not be considered an indicator of impairment.

In the event at least two (2) of the above-described conditions actually occur, it is said that impairment exists. In the event at least two (2) of the above-described conditions have not occurred, it will be enough to see one of the following specific conditions to occur to considered that impairment exists:

(a) Noncompliance with contractual clauses, such as default in payment interest or not principal.
(b) Renegotiating contractual terms of the instruments based on legal or financial issues involving the issuer.
(c) Evidence exists that the issuer is undergoing mandatory restructuring or bankruptcy.
(d) When the risk rating of an instrument that held investment grade is downgraded below the investment grade.

(II) Equity instrument:
At each quarter-end, involving equity instruments, an assessment shall be conducted of whether the following has occurred:

1. Downgrading the risk rating of any debt instrument of the issuer that was rated as investment grade to a rating that below the investment grade.
2. Significant changes have occurred in the technological, market, economic, or legal environment in which the issuer operates that may have adverse effects on the recovery of the investment.
3. Weakening of the financial position or financial ratios of issuer and its economic group.
4. Disruption of transactions or an active market for the financial asset, due to issuer’s financial difficulty.
5. Observable inputs indicate that, from the initial recognition of a group of financial assets with similar characteristics to those of the assessed instrument, there is a measurable decrease in the estimated future cash flows, even thought that decrease cannot yet be related to individual financial assets of the group.
6. Decrease in value due to changes in standards (tax, regulatory or governmental).

7. In the event at least two (2) of the above-described conditions actually occur, it is said that impairment exists. In the event at lease two (2) of the above-described conditions have not occurred, it will be enough to see one of the following specific conditions to occur to considered that impairment exists:

   (a) Significant decrease in fair value below the amortized cost. A significant decrease exists if the fair value at the closing date has decrease by at least 40% below its amortized cost, Cost or acquisition cost is always to be the initial cost, regardless of whether impairment had been previously recognized of the equity instruments assessed.
   (b) Prolonged decrease in fair value. A prolonged decrease exists if the fair value at the closing date has decreased by at least 20% as compared to the amortized cost of the prior twelve (12) months, and the fair value at each month's closing date for the period of the prior twelve (12) months has always be held below the amortized cost at the date of each month's closing date.
   (c) Noncompliance with statutory provisions by issuer, involving payment of dividends.
   (d) Evidence exists that the issuer is undergoing mandatory restructuring or bankruptcy.

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

Further, if the SBS considers that an additional provision shall be recorded for any type of investment, such a provision will be determined based on each individual security and shall be recorded in profit or loss for the year in which SBS sets the requirement to make such a provision.

Recognizing differences on exchange –
Exchange gains or losses derived from the amortized cost of debt instruments are stated in profit or loss and those arising from the difference between the amortized cost and the fair value are stated within unrealized gains or losses in equity.

For equity instruments, they are considered non-monetary items, and therefore, they are stated at their historical cost in local currency because exchange gains or losses are part of their valuation and are recognized in unrealized gains or losses in equity.

Changes in classification –
In the event of changes in classification from available-for-sale investments to held-to-maturity investments, the carrying amount of fair value if the investment instrument at the date of exchange will be considered the new amortized cost. Any previously recognized profit or loss on that instrument that was previously directly stated in equity will be carried to profit or loss for the period over the remaining life of the held-to-maturity investment using the effective interest method. Any difference arising between the new amortized cost and the amount at maturity date will be also amortized over the remaining life of the investment instrument using the effective interest method, same way as the amortization of a premium or a discount. If the investment instrument is subsequently impaired, any resulting gains or losses that had been directly recognized in equity shall be transferred and stated in profit or loss for the period. During 2023 and 2022, the BBVA Peru Group did not perform any reclassifications.

(d) Investments accounted for under the equity method -
An associate is an entity over which the investor has significant influence. Significant influence refers to the power to govern the financial and operating policies of the entity receiving the investment, but without having control or jointly control.

The considerations to be taken into account to determine the existence of significant influence or joint control are similar to those necessary to determine the existence of control over subsidiaries.

The Bank and its Subsidiaries record its investment in associates under the equity method. At inception, these investments are stated at fair value, including the costs attributable directly to the acquisition; subsequently, they are measured under the equity method.

The excess between the consideration paid and the fair value of the identifiable assets acquired, and the liabilities assumed on the acquisition date is recognized as goodwill. This goodwill is included in the carrying amount of the investment, and is assessed for impairment as part of the investment (note 3(j)). In the event the fair value of the investment exceeds the consideration paid, this amount is recognized as profit in the consolidated statement of income.

BBVA Peru Group determined that the fair value of investments equals the carrying amount of the investee at the acquisition date, since they do not have significant non-monetary assets, or they have non-monetary assets recorded at their updated appraisal value.

When management identifies that one or more investments in subsidiaries and associates are impaired, such impairment shall reflect the difference between the carrying amount and the recoverable amount of the investment, in accordance with IAS 36 "Impairment of Assets". The carrying amount of the investment shall be reduced to its recoverable amount. Impairment loss shall be immediately recognized in the consolidated statement of income.

In the event the Bank loses significant influence over an associate, the Bank and its subsidiaries measure and recognize its retained interest at its fair value. Any difference resulting between the carrying amount of the associate at the date significant influence is lost and the fair value of any retained interest in an associate and any proceeds obtained from disposal of a portion of the interest in the associate is recognized in the consolidated statement of comprehensive income.

(e) Loans and provisions for loan losses -
Direct loans are recorded when fund expenditures are made in favor of customers. Indirect loans (contingent) are recorded when the documents supporting such credit facilities are issued. Finance leases are recognized using the effective interest method, and the amount of the installments receivable is recognized as a loan. Related financial income is recorded on an accrual basis in accordance with the lease arrangement terms. Initial direct costs are immediately recognized as expenses.

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

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

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

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

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

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

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

| **Type of loans / Product** | **Days in arrear** |
|---|---|
| Sovereign loans, to multilateral development banks, public entities, securities intermediaries, financial entities, corporations, large companies and medium-sized companies. | 15 calendar days after the due date for payment of any of the agreed installments. |
| Small-business and micro-business loans. | 30 calendar days after the due date for payment of any of the agreed installments. |
| Consumer (revolving and non-revolving) loans and mortgage loans. Finance lease and real state capitalization agreement, regardless of the type of the loan. | Progressive tax<br>After 30 calendar days of not having paid on the agreed date, only the unpaid portion will be considered past due; while after 90 calendar days of default in any of the agreed installments, the entire debt will be considered past due. |
| Overdrafts in checking accounts, regardless of the amount and type of the loan. | As of the thirty-first (31st) calendar day of granted the overdraft. |

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

Rescheduled loans

By means of Official Letter N° 5345 - 2010-SBS, the SBS has cleared that in certain situations, volatility of the debtor´s revenue is expected, which can cause a mismatch between the expected cash flows and originally agreed repayment timetables. To the extent those situations or events are temporary in nature and the debtor´s feasibility is not compromised, adjusting the originally agreed contractual terms should not reflect diminished payment capacity of the customer, and therefore, those adjustments shall not constitute refinancing.

In the event the volatility of revenue affects the structural viability of a debtor´s, or a debtor is incurred in delays in payment, the adjustments made to the contractual terms and conditions will be considered to reflect impaired payment capacity, and therefore, those contractual term adjustments shall constitute refinancing.

Through Official Letter N° 63223-2023-SBS dated November 6, 2023, the SBS specified that there are two types of rescheduling depending on the type of credit evaluation:

1. Reschedule with individual evaluation: In accordance with Official Letter N° 5345-2010-SBS, these cases must be evaluated individually by the companies of the financial system and support their decision by incorporating the risk assessments and the respective documentation in the customer file, which must be available to the SBS.

   Official Letter N° 63223-2023-SBS also specifies that the client's acceptance alone without evaluating the degree of impact on the debtor's cash flow, is not considered a sufficient criteria to define a rescheduling as individual.

2. Reschedule with mass (portfolio) evaluation: includes both unilateral rescheduling and with the debtor's agreement, based on a portfolio evaluation, in compliance with the reschedule requirements.

To date, the loan reschedules with balances in the consolidated statement of financial position are:

(a) Health Emergency due to COVID-19: Official Letters N° 10997-2020-SBS, N° 11150-2020-SBS, N° 11170-2020-SBS, N° 12679-2020-SBS, N° 13195-2020-SBS, N° 13805-2020-SBS, N°14355-2020-SBS, N° 15944-2020, N° 19109-2020-SBS, N°13613-2021-SBS, N°6302-2021-SBS, and N° 08441-2023-SBS.

(b) Social unrest: Official Letters N° 54961-2022-SBS, N° 03140-2023-SBS, N° 03583-2023-SBS, N° 09702-2023-SBS, N° 11235-2023-SBS and N° 17305-2023-SBS.

(c) Emergency States issued by the Peruvian government since March 15, 2023 within the framework of Official Letter N° 12174-2023-SBS.

(d) Rescheduling with individual evaluation, in accordance with Official Letter N° 5345-2010-SBS.

The official letters mentioned in a) and b) are not in force, loans reschedules may occur under Official Letter N° 12174-2023-SBS and Official Letter N° 5345 -2010-SBS which are in force.

(iii) Credit risk ratings

The debtor classification categories for credit risk established by the SBS are the following: Normal, with Potential Problem (CPP, by its Spanish acronym), Substandard, Doubtful and Loss; which are assigned according to the credit behavior of the debtor.

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

(v) Provision for loan losses

The provision for loan losses is measured in accordance with the criteria established in SBS Resolution N° 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions".

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

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

The specific provision is that established on direct credits and the equivalent exposure to credit risk of indirect credits of debtors that have been classified in a risk category higher than the normal category.

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

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

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

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

| Credit risk rating | No collateral | Preferred collateral | Preferred easily realizable collateral | Self-liquidating preferred collateral |
|---|---|---|---|---|
| **Normal** | | | | |
| Corporate loans | 0.70% | 0.70% | 0.70% | 0.70% |
| Large-business loans | 0.70% | 0.70% | 0.70% | 0.70% |
| Medium-business loans | 1.00% | 1.00% | 1.00% | 1.00% |
| Small-business loans | 1.00% | 1.00% | 1.00% | 1.00% |
| Micro-business loans | 1.00% | 1.00% | 1.00% | 1.00% |
| Revolving loans | 1.00% | 1.00% | 1.00% | 1.00% |
| Non-revolving loans | 1.00% | 1.00% | 1.00% | 1.00% |
| Mortgage loans | 0.70% | 0.70% | 0.70% | 0.70% |
| With potential problems | 5.00% | 2.50% | 1.25% | 1.00% |
| Substandard | 25.00% | 12.50% | 6.25% | 1.00% |
| Doubtful | 60.00% | 30.00% | 15.00% | 1.00% |
| Loss | 100.00% | 60.00% | 30.00% | 1.00% |

As of December 31, 2023 and 2022, the procyclical component for the provision for loan portfolio is deactivated, according to SBS Official Letter N° B-2224-2014.

SBS Resolution N° 3718-2021 modified the Regulation on Borrower Risk Assessment and Credit Rating and Provision Requirements in relation to activation criteria of procyclical provisions. Accordingly, they can be activated as of June 30, 2024. The minimum rates of the procyclical component are the following:

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

For loans with self-liquidating preferred collaterals, the procyclical component shall be 0% for the portion covered by such collaterals. For non-revolving loans supported by payroll or pension deduction agreements, the procyclical component shall be 0.25%.

The SBS exceptionally established a 0% provision rate for credit risk to the part of the loans covered by the guarantee of the Reactiva Peru program and FAE-MYPE program, note 2(f)(iv).

In the case of consumer loans, micro-business, small business and medium-sized businesses accounted for as Rescheduled loans - Health Emergency (COVID-19), the requirement for specific provisions is presented as follows:

| **Credit risk category / Accounting classification** | **Conditions** | **Specific provision according to risk category** |
|---|---|---|
| Normal | Debtor's rescheduled loans with Normal category. | Requires provision according to CPP category (over the principal) |
| Normal / CPP | Have not made any complete installment payment including principal in the last six months | Requires provision according to Substandard (over the principal) |
| Normal / CPP / Substandard | Have not made any complete installment payment including principal in the last twelve months | Requires provision according to Doubtful category (over the principal) |

| Credit risk category / Accounting classification | Conditions | Specific provision according to risk category |
|---|---|---|
| Current loans | Rescheduled loans in current accounting situation. | Requires provision according to Substandard category (over accrued interest) |
| | Rescheduled loans in current accounting situation which have not made any complete installment payment including principal in the last six months | Requires provision according to Loss category (over accrued interest) |

Under no circumstances will companies be able to generate profits or generate better results due to the reversal of provisions, and must reallocate them to specific mandatory provisions.

(f) Property, furniture and equipment -

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

| | Years |
|---|---|
| Buildings and premises | 33 and 10 |
| Installations and improvements to rental property | until 20 |
| Property, furniture and equipment | 10 and 4 |
| Vehicles | 5 |

In-transit units and work in progress items are stated at cost and consist of installations, furniture and equipment remaining to be received or under construction. This includes the cost of acquisition or construction and other direct costs. These items are not depreciated until the relevant assets are received or completed and are already operational.

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

Disbursements for maintenance and repairs are recognized as an expense in the year in which they are incurred. When a component of property, furniture and equipment is sold or withdrawn from use, its accumulated cost and depreciation are eliminated and the gain or loss resulting from the sale is recognized in the consolidated result for the year.

The accounting balance of leased offices which contracts are terminated or rescinded before maturity are recognized as provisions for impairment.

Banks are not permitted to apply the revaluation model. It is only permitted to apply the cost model. Likewise, banks are prohibited from giving as collateral their property, furniture and equipment as collateral, except those acquired in financial leasing operations.

(g) Realizable, received as payment and repossessed assets -

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

Likewise, in accordance with Resolution Nº 1535-2005 "Regulation on the Accounting Treatment of Repossessed and Recovered Assets and Provisions" and amendments, the Bank records provisions as follows:

- For assets received, a provision for 20% of the value on the award or recovery date.

- For fixed assets, a monthly provision, within a maximum period of 42 months, a uniform monthly provision must be made, based on the net value obtained in the twelfth or eighteenth month of its adjudication or recovery, depending on whether the SBS extension is available and until completing 100% of the book value of the asset. On an annual basis, the net book value of real estate is compared with the realizable value determined by an independent appraiser and, in the event that this value is lower, a provision for impairment is established.

- For assets other than fixed assets, a provision for the remaining balance within a period of not more than 12 or 18 months, depending on whether an extension is granted by the SBS.

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

(h) Intangible assets -

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

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

(i) Goodwill -

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

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows from continuing use and is largely independent of the cash inflows from other assets or groups of assets of cash-generating units. Goodwill is allocated to each of the Group’s cash-generating unit that is expected to benefit from the synergies arising from the business combination. A cash-generating unit to which the acquired goodwill has been allocated, is tested for impairment annually, or more frequently, when indicators exist that the unit may be impaired. If the recoverable amount of the cash-generating unit exceeds its carrying amount, an impairment loss is recognized reducing the carrying amount of any goodwill allocated to a cash-generating unit, and then to the other assets of the cash-generating unit, on a prorrata basis, proportionally to the carrying amount of each of the assets of the cash-generating unit. Any impairment losses on goodwill is recognized against profit or loss for the year in which it occurs. Impairment losses on goodwill acquired is not reversed in subsequent periods.

(j) Impairment of non-financial assets -

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

(k) Non-current held-for-sale assets -
Non-current held-for-sale assets presented in the consolidated statement of financial position are measured at the lower of carrying amount and fair value less selling costs. Non-current assets are classified as held-for-sale when the asset is available for immediate sale and its sale is highly probable, management must be committed to a plan to sell the asset, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(l) Debts and financial obligations -
Outstanding instruments and liabilities are financial liabilities recorded at amortized cost using the effective interest method. Amortized cost is calculated taking into consideration any discounts or premiums on issuance. Costs are an integral part of the effective interest rate and are amortized during the validity term of the liabilities. Accrued interest are recognized in the consolidated statement of profit or loss.

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

A financial liability classifies as held-for trading if:

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

As of December 31, 2023 and 2022, BBVA Peru Group does not have financial liabilities that qualify as held for trading.

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

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

Financial liabilities at fair value through profit or loss are recorded at fair value. Gains and losses from changes in the fair value of these liabilities are recognized in "Profit or loss from financial transactions" in the consolidated statement of income.

As of December 31, 2023 and 2022, BBVA Peru Group does not have financial liabilities at fair value.

(m) Securities and obligations outstanding -
The liabilities arising from the issuance of instruments, securities and other obligations outstanding are accounted for at their nominal value, with interest accrued recognized in profit or loss for the year. Discounts granted and revenue obtained in their placement are deferred and are shown net of their issuance value and they are amortized over the effective period of the related instruments, securities, and obligations outstanding using the effective interest rate method.

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

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

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

According to the legal regulations on this matter, the subsidiaries shall not to determine employees' profit sharing since the number of employees does not exceed 20.

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

(o) Provision, contingent liabilities and contingent assets -

(i) Provisions

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

(ii) Contingent assets and contingent liabilities

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

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

(p) Income tax -

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

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

The Bank recognizes deferred income tax in accordance with the provisions of IAS 12 – Income Tax. The deferred income tax reflects the effects of the temporary differences between the accounting balances of assets and liabilities and those determined for tax purposes.

The deferred tax liabilities is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, without considering that the temporary differences estimated at the beginning will be reversed. The deferred tax asset is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, to the extent that it is probable that, in the future, BBVA Peru Group will have sufficient income tax against which it can apply the temporary differences that revert.

Deferred tax liability and asset are measured at the income tax rate, which is expected to be applied to tax of the year in which this liability is settled or the asset is realized, using the income tax rate enacted or substantially effective at the consolidated statement of financial position.

As set forth under IAS 12, the Bank determines its deferred income tax based on the tax rate applicable to its undistributed profits, recognizing any additional tax on dividend distribution on the date the liability is recognized.

(q) Revenue and expense recognition -

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

Accrued interest from past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized in the consolidated statement of profit or loss when are collected effectively. If it is determined that the financial condition of the debtor has improved to such an extent that the uncertainty about the recoverability of the principal disappears, the accounting of the interest generated by these credits is restored on the basis of the accrued.

In the case of ordinary rescheduled loans, the recognition of interest income is carried out under the accrual method. In the case of credits rescheduled in the context of a health emergency, if they are rescheduled under a massive scheme, the recognition of income is carried out under the cash basis, and if it is under an individual analysis scheme, the recognition of income is under the accrual principle.

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

(r) Basic and diluted earnings per share -

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

(s) Repurchase agreements -

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

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

Loan portfolio reporting operations guaranteed by the Government represented in securities.

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

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

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

By means of Emergency Decree N° 011-2022, the Government has established the possibility that loans under the Reactiva Peru program can be eligible for a new rescheduling (or first rescheduling for those who did not obtain one previously) for up to a total of S/10 thousand million.

It should be noted that in the event rescheduling is decided, the repo transaction with the BCRP will not continue but financing for those (rescheduled) loans will be completed with the Bank´s resources.

The Peruvian government guarantee will continue to be effective up until the new due date for the rescheduled loan and will also continue to be effective the same percentage of guarantee coverage.

As of December 31, 2023 and 2022, the Bank carries out securities repurchase agreements, loan portfolio guaranteed by the Peruvian Government, both represented by securities and loans (notes 6, 7 and 14).

(t) Consolidated statement of other comprehensive income and consolidated statement of changes in equity

The consolidated statement of other comprehensive income includes unrealized profit or loss of the measurement of available for sale investment, modifications of the hypothesis related with actuarial liabilities and measurement of cash flow hedges. Deferred tax related with these items are detailed in the corresponding note (note 3(p)).

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

(u) Cash and cash equivalents -

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

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

(v) Trust activities -

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

(w) Intermediation activities -

Intermediation activities on behalf of third parties correspond to purchase-sale operations carried out in the stock market and over-the-counter market under specific instructions given by customers to Sociedad Agente de Bolsa. In this type of operations, the customers transfer funds to Sociedad Agente de Bolsa, so that it can settle the operations according to the instructions of the customers. These funds are recorded as assets and liabilities in the consolidated statement of financial position.

(x) Foreign currency transactions -

At initial recognition, foreign currency transactions are recorded by translating to the functional currency by applying the exchange rate on the transaction date.

The exchange difference that arises when converting monetary assets and liabilities in foreign currency at the current exchange rates at the date of the consolidated statement of financial position are recognized in the profit or loss as “Foreign exchange differences” in the caption of “Profit or loss from financial transactions”.

**4. Foreign currency balances**

The consolidated statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in soles (S/) at the exchange rate established by the SBS. As of December 31, 2023 and 2022, the exchange rate is US$ 1 per S/ 3.709 and US$ 1 per S/3.814, respectively.

Foreign currency transactions in Peru referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2023, buy and sell exchange rates used were US$1 per S/3.705 and US$ 1 per S/3.713, respectively (buying rate of US$ 1 per S/3.808 and buying rate of US$ 1 per S/3.820, as of December 31, 2022).

As of December 31, 2023 and 2022, foreign currency balances stated in thousands of U.S. dollars are as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | US Dollars US$(000) | Other currencies US$(000) | Total US$(000) | US Dollars US$(000) | Other currencies US$(000) | Total US$(000) |
| **Assets** | | | | | | |
| Cash and due from banks | 1,442,283 | 115,174 | 1,557,457 | 2,306,918 | 109,203 | 2,416,121 |
| Investments at fair value through profit or loss and available-for-sale investments | 1,707,942 | - | 1,707,942 | 1,028,692 | - | 1,028,692 |
| Loan portfolio, net | 5,232,933 | - | 5,232,933 | 4,650,731 | - | 4,650,731 |
| Other assets, net | 484,706 | 3,602 | 488,308 | 171,138 | 16,795 | 187,933 |
| | 8,867,864 | 118,776 | 8,986,640 | 8,157,479 | 125,998 | 8,283,477 |
| **Liabilities** | | | | | | |
| Obligations with the public and deposits from financial institutions | 7,087,149 | 62,864 | 7,150,013 | 7,070,250 | 60,597 | 7,130,847 |
| Interbank funds | 40,018 | - | 40,018 | - | - | - |
| Debts and financial obligations | 1,211,022 | - | 1,211,022 | 672,314 | - | 672,314 |
| Accounts payable, provisions and other liabilities | 567,307 | 7,303 | 574,610 | 301,430 | 23,821 | 325,251 |
| | 8,905,496 | 70,167 | 8,975,663 | 8,043,994 | 84,418 | 8,128,412 |
| **Short position (liabilities)** | (37,632) | 48,609 | 10,977 | 113,485 | 41,580 | 155,065 |
| Derivative instruments, assets | 6,166,648 | 500,777 | 6,667,425 | 4,890,362 | 147,751 | 5,038,113 |
| Derivative instruments, liabilities | 6,073,313 | 555,208 | 6,628,521 | 4,986,132 | 191,082 | 5,177,214 |
| **Long position (assets)** | 55,703 | (5,822) | 49,881 | 17,715 | (1,751) | 15,964 |

In 2023 and 2022, BBVA Peru Group recorded net exchange gains for S/707 million and S/ 935 million, respectively, which corresponds to the valuation of exchange rate, as well as purchase and sales transactions in foreign currency in 'profit or loss from financial transactions' of the consolidated statement of income (note 20).

The percentage change in the exchange rate of the Sol in relation to the US dollar is -2.75% and -4.34% for the years 2023 and 2022, respectively.

## 5. Cash and due from banks

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Banks and other foreign financial entities (c) | 4,240,686 | 3,627,707 |
| Cash (a) | 2,956,853 | 2,725,393 |
| Central Reserve Bank of Peru (a) | 1,220,422 | 4,970,231 |
| Other guarantee funds (b) | 849,483 | 699,639 |
| Banks and other local financial entities (c) | 106,507 | 75,303 |
| Clearing | 57,006 | 46,657 |
| Other cash and due from banks | 652 | 73 |
| | 9,431,609 | 12,145,003 |

(a) Cash balances held by the Bank as well as those held with the Central Reserve Bank of Peru (BCRP) are intended to cover the legal reserve requirement that the Bank must keep for the deposits and obligations with the public, according to the current provisions. These cash balances are in the Bank's vaults or deposited in the BCRP.

As of December 31, 2023 and 2022 this item shows the following accounting balances:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Legal reserve** | | |
| Cash in vault | 2,956,853 | 2,725,393 |
| Deposits with BCRP | 415,186 | 3,065,635 |
| Subtotal legal reserve | 3,372,039 | 5,791,028 |
| **Non-mandatory legal reserve** | | |
| Time deposits with BCRP | 779,915 | 1,884,659 |
| Interest on checking account | 25,321 | 19,937 |
| Subtotal non-mandatory legal reserve | 805,236 | 1,904,596 |
| **Total** | 4,177,275 | 7,695,624 |

As of December 31, 2023 and 2022, the balances are subject to an implicit rate of 6% in local currency and 35.% in foreign currency for both period, over total obligations subject to legal reserve ("TOSE", by its Spanish acronym), as required by the BCRP.

The legal reserve funds which represent the minimum mandatory do not bear interest. The legal reserve funds comprising the additional legal reserve in foreign currency and in local currency bear interest at a nominal rate set by the BCRP. During the years 2023 and 2022, a portion of the additional legal reserve funds in U.S. dollars are hedged with a cash flow hedge (Note 8(ii)).

As of December 31, 2023, balances held with the BCRP include overnight deposits of S/780 million (S/1,885 million of overnight deposits as of December 31, 2022).

(b) As of December 31, 2023 and 2022 cash includes guarantee funds that secure transactions with derivatives as requested by the Bank counterparties for a total US$25 million and US$79 million, respectively. Also, as of December 31, 2023, this balance includes S/646 million and US$28 million to secure the transfer process in line with a requirement of BCRP (S/330 million and US$16 million, as of December 31, 2022).

(c) As of December 31, 2023 and 2022 deposits held with local and foreign banks are mainly in Peruvian soles and in U.S dollars but also other currencies for smaller amounts; are unrestricted and bear interest at market rates.

As of December 31, 2023, they include balances mainly with the following financial institutions: JP Morgan Chase Bank of S/1,396 million, Citibank N.A. New York of S/955 million, Bank of New York of S/773 million, BBVA Paris of S/340 million, Brown Brother Harriman of S/256 million, Standard Chartered Bank of S/225 million and Wells Fargo Bank S/207 million (as of December 31, 2022, balances were held mainly with JP Morgan Chase Bank of S/1,355 million, Bank of New York of S/771 million, Citibank N.A. New York of S/ 675 million, Standard Chartered Bank S/410 million and BBVA Paris of S/384 million).

During the course of 2023 and 2022, interest income on cash totaled S/457 million and S/175 million, respectively, and is shown within interest income in the consolidated statement of income (note 17).

6. **Investments at fair value through profit or loss and available-for-sale**

As of December 31, this caption comprises the following:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Unrealized results | | | | Unrealized results | | |
| | Amortized cost S/(000) | Gains S/(000) | Losses S/(000) | Estimated fair value S/(000) | Amortized cost S/(000) | Gains S/(000) | Losses S/(000) | Estimated fair value S/(000) |
| **Investments at fair value through profit or loss:** | | | | | | | | |
| Certificates of deposit with BCRP (a) | | | | 2,837,641 | | | | 2,691,234 |
| Peruvian Public Treasury bonds (b) | | | | 1,549,360 | | | | 587,625 |
| U.S. Treasury bills (c) | | | | 391 | | | | - |
| **Subtotal** | | | | 4,387,392 | | | | 3,278,859 |
| **Available-for-sale investments (g)** | | | | | | | | |
| **Debt instruments:** | | | | | | | | |
| Peruvian Public Treasury bonds (b) | 3,954,338 | 123,934 | - | 4,078,272 | 3,049,769 | - | (67,628) | 2,982,141 |
| U.S. Treasury bills (c) | 6,125,090 | - | (6,546) | 6,118,544 | 3,659,533 | - | (11,777) | 3,647,756 |
| Certificates of deposit with BCRP (a) | 539,889 | 505 | - | 540,394 | 1,583,830 | - | (1,135) | 1,582,695 |
| Corporate bonds (d) | - | - | - | - | 68,689 | - | (177) | 68,512 |
| | 10,619,317 | 124,439 | (6,546) | 10,737,210 | 8,361,821 | - | (80,717) | 8,281,104 |
| - | | | | | | | | |
| **Shares:** | | | | | | | | |
| Shares of local and foreign companies (e) and (f) | 26,024 | - | (2.031) | 23,993 | 31,760 | - | - | 31,760 |
| | 26,024 | - | (2.031) | 23,993 | 31,760 | - | - | 31,760 |
| **Subtotal** | 10,645,341 | 124,439 | (8,577) | 10,761,203 | 8,393,581 | - | (80,717) | 8,312,864 |
| **Total** | | | | 15,148,595 | | | | 11,591,723 |

(a) As of December 31, 2023, the certificates of deposit issued by the BCRP consist of negotiable instruments obtained in public auctions held by the BCRP or traded in the secondary market with maturities up until December 2024 (September 2023, as of December 31, 2022). As of December 31, 2023 the balance includes certificates of deposit of S/305 million that secure repo transactions (S/ 204 million as of December 31, 2022).

As of December 31, 2023, annual return in local currency on these instruments ranged from 6.41% to 6.86% (from 7.00% to 8.06% in local currency as of December 31, 2022).

(b) Peruvian Public Treasury Bonds include sovereign bonds of the Republic of Peru in local currency and global bonds in foreign currency issued by the Ministry of Economy and Finance of Peru (MEF), which represent public internal debt securities of the Republic of Peru.

As of December 31, 2023, these bonds bore interest at an annual interest rates ranging from 5.35% and 8.20% in local currency (from 5.20% and 8.20% as of December 31, 2022) and 7.35% in foreign currency in both periods. As of December 31, 2023 and 2022, local currency bonds have maturities up until February 2055 and February 2042, respectively, and foreign currency bonds up until July 2025, in both periods.

As of December 31, 2023 and 2022, a portion of the balance of global bonds Peru of US$30 million are hedged with a cash flow hedge (note 8(ii)).

(c) As of December 31, 2023, the U.S. Treasury Bills bear interest ranging from 3% y 5.29% in foreign currency (ranging from 0.75% and 4.42% as of December 31, 2022) and with maturities up until November 2033 (July 2024 as of December 31, 2022). As of December 31, 2023 and 2022, a portion of the U.S. Treasury Bills are used as collateral for S/23 million and S/57 million, respectively.

(d) As of December 31, 2022 this balance included corporate bonds issued by financial institutions in Peru in foreign currency and bear interest ranging from 3.50% and 4.25%.

(e) As of December 31, 2023 the amounts include a provision for impairment for S/4 million over the investments held on Pagos Digitales Peruanos (S/12 million on the Lima Stock Exchange and S/4 million on Pagos Digitales Peruanos, as of December 31, 2022).

(f) It includes shares of Holding Bursatil Chilena S.A., established as a result of the integration process of the stock exchanges of Chile, Peru and Colombia. This stock exchanges integration process involved the exchange of shares held by the Bank and its subsidiary BBVA Bolsa Sociedad Agente de Bolsa S.A., on the Lima Stock Exchange for S/25 million and S/10 million, respectively; by those of Holding Bursatil Chilena S.A. with balance as of December 31, 2023 amounts to S/17 million and S/6 million, respectively.

(g) As of December 31, 2023, unrealized gains on the valuation of available-for-sale investments, net of the related deferred income tax amounts to S/114 million (unrealized losses of S/ 79 million as of December 31, 2022), note 15(c).

During the course of 2023 and 2022, the interest accrued of the Bank´s investment portfolio amounts to S/590 million and S/441 million, respectively (note 17).

## 7. Loan portfolio, net

As of December 31, this caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Direct loans: | | |
| Loans (c) | 26,845,471 | 27,672,810 |
| Mortgage loans (d) | 14,768,114 | 13,959,809 |
| Consumer loans | 11,868,127 | 9,798,074 |
| Foreign trade | 5,797,177 | 6,010,104 |
| Finance lease | 3,259,775 | 3,180,799 |
| Factoring | 1,707,092 | 1,585,012 |
| Project financing | 1,109,191 | 1,372,565 |
| Discounts | 1,102,234 | 1,229,437 |
| Others | 3,049,856 | 3,499,414 |
| | 69,507,037 | 68,308,024 |
| Loans past due and loans under legal collection | 3,536,302 | 3,207,132 |
| Refinanced loans | 1,856,072 | 1,672,801 |
| | 74,899,411 | 73,187,957 |
| Plus (less): | | |
| Accrued interest on performing loans | 746,092 | 683,399 |
| Deferred interest | (99,710) | (86,431) |
| Provisions for direct loan losses | (4,898,555) | (4,662,538) |
| | 70,647,238 | 69,122,387 |
| Contingent or indirect loans, note 16 | 18,441,493 | 17,913,038 |

(a) As of December 31, 2023 and 2022, 51.00% of the direct loan portfolio is concentrated in 4,919 customers which amounts to S/38,505 million and 4,718 customers which amounts to S/37,653 million, respectively.

(b) Direct loan portfolio with guarantees received from customers, which comprise mortgages, deposits, letters of guarantees, collaterals and warrants, amounts to S/49,237 million as of December 31, 2023 (S/44,992 million as of December 31, 2022).

(c) As of December 31, 2023 and 2022, part of the loan portfolio belongs to the Reactiva Peru program (note 2(f)(iii) with a balance for S/1,900 million (S/5,801 million as of December 31, 2022). The detail of such loans are detailed as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Types of loans** | | |
| Medium-business loans | 1,247,444 | 3,838,459 |
| Small-business loans | 343,745 | 838,921 |
| Large-business loans | 301,258 | 1,109,798 |
| Micro-business loans | 5,213 | 7,554 |
| Corporate loans | 2,396 | 6,152 |
| **Total of Reactiva Peru program loans** | 1,900,056 | 5,800,884 |

As of December 31, 2023, the Bank holds repo transactions involving the loan portfolio with the BCRP (note 14(a)) for S/1,579 million (S/5,408 million as of December 31, 2022) that relate to the Reactiva Peru program.

As of December 31, 2023, the balances of the loans and payables on repo transactions involving loan portfolio with the BCRP (note 14(a)) totaled S/5,019 million and S/4,898 million, respectively (as of December 31, 2022, these balances totaled S/5,793 million and S/4,901 million, respectively).

As of December 31, 2023, loans that under the Crecer program totaled S/118 million (S/133 million as of December 31, 2022), note 2(f)(iv).

As of December 31, 2023 and 2022, the rescheduled loans totaled S/3,620 million and S/4,516 million, respectively. Includes rescheduled loans in accordance with Official Letter N°5345-2010-SBS, due to the public health emergency, Reactiva Peru program, social unrest and climate effects, in accordance with the provisions of the SBS. Balances by the type of loan are broken down as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Types of loans** | | |
| Medium-sized entity loans | 1,716,668 | 2,833,401 |
| Large-business loans | 696,134 | 864,347 |
| Small-business loans | 525,830 | 552,790 |
| Consumer loans | 415,303 | 35,078 |
| Mortgage loans | 252,887 | 216,575 |
| Micro-business loans | 5,647 | 4,045 |
| Public sector | 5,166 | - |
| Corporate loans | 2,396 | 10,134 |
| **Total rescheduled loans** | 3,620,031 | 4,516,370 |

(d) As of December 31, 2023, a portion of the balance of the mortgage loan portfolio is securing a debt with Fondo MIVIVIENDA – Programa MIHOGAR for up to S/926 million (S/664 million as of December 31, 2022), note 13 (c).

(e) As of December 31, 2023 and 2022, the balances of the direct loan portfolio segmented by type of customer, in accordance with the provisions of SBS Resolution N° 11356-2008, is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Mortgage | 15,379,908 | 14,613,415 |
| Medium-sized entities | 15,319,759 | 17,614,995 |
| Corporate | 13,135,920 | 11,963,605 |
| Large entities | 12,524,795 | 12,737,814 |
| Consumer | 12,385,722 | 10,153,888 |
| Small entities | 3,969,382 | 3,785,178 |
| Financial system entities | 1,033,572 | 808,890 |
| Public sector entities | 503,254 | 862,688 |
| Security brokerage | 466,486 | 486,041 |
| Micro businesses | 180,613 | 161,443 |
| **Total loans** | 74,899,411 | 73,187,957 |

(f) During 2023 and 2022, the interest earned on the loan portfolio were mutually agreed based on the prevailing market rates.

In March 2021, the Peruvian Congress enacted Law No31143 that establishes that the BCRP is charged with setting the maximum and minimum interest rates for financial institutions. In April 2021, BCRP set the methodology for the calculation of the maximum interest rate on consumer loans, and loans to microbusinesses and small entities, which is to be updated semiannually in May and November. As of December 31, 2023, the maximum annual interest rate is 101.86% in local currency (87.91% as of December 31, 2022) and 82.94% in foreign currency (68.27% as of December 31, 2022).

As of December 31, 2023 and 2022, in accordance with current SBS regulations, the BBVA Peru Group's loan portfolio is classified by risk as follows:

| | 2023 | | | | | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct S/(000) | % | Contingent S/(000) | % | Total S/(000) | % | Direct S/(000) | % | Contingent S/(000) | % | Total S/(000) | % |
| **Risk category** | | | | | | | | | | | | |
| Normal | 66,439,876 | 89 | 16,711,692 | 91 | 83,151,568 | 89 | 65,824,886 | 90 | 16,223,261 | 90 | 82,048,147 | 90 |
| With potential problems | 2,552,171 | 3 | 1,150,292 | 6 | 3,702,463 | 4 | 2,382,750 | 3 | 1,202,558 | 7 | 3,585,308 | 4 |
| Substandard | 1,403,383 | 2 | 264,754 | 1 | 1,668,137 | 2 | 1,117,219 | 2 | 236,992 | 1 | 1,354,211 | 1 |
| Doubtful | 1,756,633 | 2 | 136,493 | 1 | 1,893,126 | 2 | 1,263,460 | 2 | 124,124 | 1 | 1,387,584 | 2 |
| Loss | 2,647,638 | 4 | 178,262 | 1 | 2,825,900 | 3 | 2,513,211 | 3 | 126,103 | 1 | 2,639,314 | 3 |
| | 74,799,701 | 100 | 18,441,493 | 100 | 93,241,194 | 100 | 73,101,526 | 100 | 17,913,038 | 100 | 91,014,564 | 100 |
| Deferred interest | 99,710 | | - | | 99,710 | | 86,431 | | - | | 86,431 | |
| **Total** | 74,899,411 | | 18,441,493 | | 93,340,904 | | 73,187,957 | | 17,913,038 | | 91,100,995 | |

(*) For the purpose of recording provisions, pursuant to Resolution SBS N° 3922-2021, rescheduled loans due to COVID-19 that were rated as "Normal" will be given a classification of "CPP"; for loans that were rated as "Normal" and "CPP" given by the Bank, for which one full installment has not been paid, including the principal over the last 6 months, will be given a classification of "Substandard"; and for those rescheduled loans rated as normal, CPP and substandard, for which one full installment has not been paid, including the principal over the last 12 months, they will be considered as "Doubtful". As of December 31, 2023 and 2022, the balance of these provisions for rescheduled loans is S/ 3 million and S/ 7 million, respectively.

(g) The movement of the provision for direct loan losses is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Balance at the beginning of the year** | (4,662,538) | (4,658,162) |
| Additions debited to profit or loss | (3,635,074) | (2,382,251) |
| Recovery of provisions | 1,644,837 | 1,371,455 |
| Sale of loan portfolio | 878,499 | 430,517 |
| Write-off | 780,134 | 448,669 |
| Waiver | 77,385 | 55,703 |
| Exchange difference, net | 18,202 | 71,531 |
| **Closing balance** | (4,898,555) | (4,662,538) |

Below is the composition of the provisions for direct loan losses, net, presented in the consolidated statement of income:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Provisions for loan losses | (3,635,074) | (2,382,251) |
| Recovery of provisions for loan losses | 1,644,837 | 1,371,455 |
| Recovery of provisions for country risk | 4,666 | 12,643 |
| Income from recovery of loan portfolio | 22,088 | 13,541 |
| **Provision for loan losses, net of recoveries** | (1,963,483) | (984,612) |

The balance of the provisions for direct loan losses involving direct loans is broken down as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Specific | (3,487,433) | (3,021,965) |
| Specific – COVID-19 | (2,698) | (8,646) |
| Generic | (763,517) | (735,777) |
| Voluntary | (644,465) | (895,657) |
| Provision for country risk | (442) | (493) |
| **Closing balance** | (4,898,555) | (4,662,538) |

The provisions for indirect loan losses is shown within "Payables, provisions, and other liabilities" in the consolidated statement of financial position (note 14).

BBVA Peru Group, in compliance with current standards and regulations, has identified those customers that are exposed to the credit risk and currency risk and no additional provision has been deemed necessary to be made.

Management of BBVA Peru Group considers that the provision for loans losses recorded as of December 31, 2023 and 2022 has been made in accordance with the SBS standards effective at those dates.

## 8. Trading and hedging derivatives

As of December 31, 2023 and 2022, the Bank holds foreign-exchange forward contracts, cross-currency swaps (CCS), interest rate swaps (IRS) and options. As of December 31, 2023 and 2022, changes in the fair value of these derivatives are presented as accounts receivable (assets) or accounts payable (liabilities), as appropriate:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **Underlying** | **Maturity date** | **Nominal** S/(000) | **Assets** S/(000) | **Liabilities** S/(000) |
| **Trading derivatives** | | | | | |
| Currency forwards | | Between 2024 and 2029 | 27,351,685 | 424,120 | 322,995 |
| Currency swaps | | Between 2024 and 2042 | 18,674,946 | 418,360 | 444,617 |
| Interest rate swaps | | Between 2024 and 2050 | 14,430,450 | 397,838 | 294,226 |
| Options of shares, changes and others | | Between 2024 and 2026 | 2,018,215 | 15,134 | 15,134 |
| Provision for country risk | | - | - | (17,956) | - |
| | | | 62,475,296 | 1,237,496 | 1,076,972 |
| **Hedging derivatives (note 5, 6, 12 and 13)** | | | | | |
| **At fair value (i)** | | | | | |
| Interest rate swaps | Bonds issue | 2024 | 1,112,700 | - | 42,318 |
| **Cash flows (ii)** | | | | | |
| Interest rate swaps | Legal reserve | Between 2024 and 2026 | 4,450,800 | - | 17,678 |
| Currency swaps | Borrowing | 2027 | 222,540 | - | 22,601 |
| Currency swaps | Global Peru bonds | 2025 | 111,270 | - | 10,294 |
| Currency forwards | Time deposits | 2024 | 18,083 | - | 595 |
| | | | 5,915,393 | - | 93,486 |
| | | | 68,390,690 | 1,237,496 | 1,170,458 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Underlying | Maturity date | Nominal S/(000) | Assets S/(000) | Liabilities S/(000) |
| **Trading derivatives** | | | | | |
| Currency forwards | | Between 2023 and 2029 | 21,636,906 | 330,171 | 112,740 |
| Interest rate swaps | | Between 2023 and 2050 | 17,944,373 | 532,972 | 384,954 |
| Currency swaps | | Between 2023 and 2042 | 16,645,992 | 482,709 | 736,333 |
| Options of shares, changes and others | | Between 2023 and 2026 | 871,648 | 11,816 | 11,816 |
| Provision for country risk | | - | - | (8,049) | - |
| | | | 57,098,919 | 1,349,619 | 1,245,843 |
| **Hedging derivatives (note 5, 6 and 13)** | | | | | |
| **At fair value (i)** | | | | | |
| Interest rate swaps | Bonds issue | 2024 | 1,144,200 | - | 67,398 |
| Interest rate swaps | Borrowing | 2026 | 762,800 | 2,974 | - |
| **Cash flows (ii)** | | | | | |
| Interest rate swaps | Legal reserve | Between 2024 and 2025 | 3,051,200 | 685 | 2,750 |
| Currency swaps | Borrowing | 2027 | 228,840 | - | 15,125 |
| Currency swaps | Global Peru bonds | 2025 | 114,420 | - | 15,274 |
| Currency forwards | Time deposits | 2023 | 90,814 | - | 3,081 |
| | | | 5,392,274 | 3,659 | 103,628 |
| | | | 62,491,193 | 1,353,278 | 1,349,471 |

(i) Fair value – hedging derivatives

*Interest rate swap (IRS)*

As of December 31, 2023, BBVA Peru Group holds interest rate swaps contracts at face value for S/1,113 million to hedge bonds issue (S/1,907 million to hedge borrowings and bonds issue as of December 31, 2022). Through IRS, the BBVA Peru Group receives a fixed interest rate in U.S. dollars and pays a variable interest rate in that same currency. In 2023, changes in the fair value of the IRS amounts to a gain of S/31 million and is presented in "Profit or loss from financial transactions" of the consolidated statement of income (S/92 million loss in 2022).

The table below shows the detail of hedged items and their hedging instruments as of December 31, 2023 and 2022:

| Hedged item | Hedging instrument | Face value of the hedging instrument | | Fair value of the hedging instrument | |
|---|---|---|---|---|---|
| | | 2023 S/(000) | 2022 S/(000) | 2023 S/(000) | 2022 S/(000) |
| **Fair value hedge** | | | | | |
| | *Interest rate swap (IRS)* | | | | |
| First international issuance of subordinated bonds for US$ 300 million | The Bank receives fixed interest rate and pays variable interest rate. | 1,112,700 | 1,144,200 | (42,318) | (67,398) |
| | *Interest rate swap (IRS)* | | | | |
| BBVA borrowing for US$ 200 million | The Bank receives fixed interest rate and pays variable interest rate. | - | 762,800 | - | 2,974 |
| Total fair value hedge | | 1,112,700 | 1,907,000 | (42,318) | (64,424) |

(ii) Cash flow – hedging derivatives

*Currency forward contracts*
As of December 31, 2023, the Bank has foreign exchange forward contracts with a face value of S/18 million to hedge time deposits of US$5 million (S/91 million for hedging the time deposits for US$ 24 million as of December 31 2022). By means of this foreign exchange forward contract, the Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.

During 2023, the fair value of the forward contracts amounts to S/0.2 million of loss, recorded in equity accounts net of its deferred income tax (gain of S/2 million net of its deferred income tax of during 2022).

*Currency swap*
As of December 31, 2023 and 2022, the Bank holds currency swaps with a face value of S/334 million and S/343 million, respectively, to hedge bonds accounted for as available-for-sale investments (US$30 million of a Global Bond) and a borrowing (US$60 million). By means of the CCS on Global Bonds, the Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars; while by means of the CCS on borrowings, the Bank receives a fixed interest rate in U.S. dollars and pays a fixed interest rate in soles.

During 2023, the fair value of the CCS amounts to S/9 million of loss, recorded in equity accounts net of its deferred income tax (loss of S/22 million net of deferred income tax of during 2022).

*Interest rate swap – IRS*

As of December 31, 2023 and 2022, the Bank has an interest rate swap (IRS) contract with face value of S/4,451 million and S/3,051 million, respectively, to hedge legal reserve funds in U.S. dollars in BCRP. The Bank receives a fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency.

During 2023, the fair value of IRS amounts to S/ 10 million of loss, recorded in equity accounts net of deferred income tax (loss of S/ 1 million net of deferred income tax during 2022).

The table below shows the detail of hedged elements and their hedging instruments as of December 31, 2023 and 2022:

| Hedge element | Hedging instrument | Face value of the hedging instrument | | Fair value of the hedging instrument | |
|---|---|---|---|---|---|
| | | 2023 S/(000) | 2022 S/(000) | 2023 S/(000) | 2022 S/(000) |
| **Cash flows hedges** | | | | | |
| | *Interest rate swap (IRS)* | | | | |
| Additional legal reserve funds for US$1,200 million | The Bank receives a fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency. | 4,450,800 | - | (17,678) | - |
| | *Cross currency swap (CCS)* | | | | |
| Borrowing with IFC (Institute Finance Corporation) for US$60 million | The Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars. | 222,540 | 228,840 | (22,601) | (15,125) |
| | *Cross currency swap (CCS)* | | | | |
| Global bonds for US$30 million | The Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars. | 111,270 | 114,420 | (10,294) | (15,274) |
| | *Currency forward* | | | | |
| Time deposits for US$5 million | The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles. | 18,083 | - | (594) | - |
| | *Interest rate swap (IRS)* | | | | |
| Additional legal reserve funds for US$800 million | The Bank receives fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency. | - | 3,051,200 | - | (2,065) |
| | *Foreign exchange forward* | | | | |
| Time deposits for US$24 million | The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles. | - | 90,814 | - | (3,081) |
| **Total cash flows hedges** | | 4,802,693 | 3,485,274 | (51,167) | (35,545) |

## 9. Interests in associates

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| TFP S.A.C. (a) | 5,215 | 4,798 |
| Compañía Peruana de Medios de Pagos S.A.C. (b) | 519 | 7,350 |
| | 5,734 | 12,148 |

(a) As of December 31, 2023 and 2022, BBVA Peru Group, through the Bank, maintains share of 24.30% in the share capital of TFP S.A.C., for both periods.

(b) As of December 31, 2023 and 2022, the BBVA Peru Group, through the Bank holds share of 20.20% and 21.15% in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Niubiz), respectively.

During 2023, the Bank recognized net loss on investments in associates for S/5 million (net gains of S/8 million in 2022), (note 20.)

**10. Property, furniture and equipment, net**

Below is the movement of the item as of December 31, 2023 and 2022:

| | Land S/(000) | Buildings and premises S/(000) | Furniture and equipment S/(000) | Vehicles S/(000) | Installations and improvements to rental property S/(000) | Work-in progress S/(000) | Goods in transit and replacement parts S/(000) | Total S/(000) |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **Balance as of January 1, 2022** | 118,224 | 925,717 | 853,488 | 7,722 | 354,087 | 207,236 | 255 | 2,466,729 |
| Additions | - | 13,821 | 69,618 | 1,823 | 8,547 | 50,369 | - | 144,178 |
| Disposals and other | - | (293) | (15,174) | - | (8) | - | - | (15,475) |
| Transfers | - | 154,816 | 13,019 | - | 38,592 | (206,427) | - | - |
| **As of December 31, 2022** | 118,224 | 1,094,061 | 920,951 | 9,545 | 401,218 | 51,178 | 255 | 2,595,432 |
| Additions | - | 25,296 | 114,641 | - | 15,852 | 99,702 | - | 255,491 |
| Disposals and other | (6,277) | (8,964) | (40,674) | (1,174) | (35) | - | - | (57,124) |
| Transfers | - | 29,628 | 10,904 | - | 9,949 | (50,481) | - | - |
| **As of December 31, 2023** | 111,947 | 1,140,021 | 1,005,822 | 8,371 | 426,984 | 100,399 | 255 | 2,793,799 |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as of January 1, 2022** | - | 609,591 | 566,426 | 7,343 | 211,890 | - | - | 1,395,250 |
| Additions | - | 32,243 | 75,204 | 404 | 11,911 | - | - | 119,762 |
| Impairment | - | - | - | - | 17,926 | - | - | 17,926 |
| Disposals and other | - | (293) | (14,939) | - | - | - | - | (15,232) |
| Transfers | - | (4) | - | - | 4 | - | - | - |
| **As of December 31, 2022** | - | 641,537 | 626,691 | 7,747 | 241,731 | - | - | 1,517,706 |
| Additions | - | 35,384 | 79,949 | 460 | 14,466 | - | - | 130,259 |
| Impairment | - | - | - | - | - | - | - | - |
| Disposals and other | - | (6,192) | (39,720) | (1,174) | (19) | - | - | (47,105) |
| Transfers | - | 1 | - | - | (1) | - | - | - |
| **As of December 31, 2023** | - | 670,730 | 666,920 | 7,033 | 256,177 | - | - | 1,600,860 |
| **Net carrying amount** | | | | | | | | |
| **As of December 31, 2023** | 111,947 | 469,291 | 338,902 | 1,338 | 170,807 | 100,399 | 255 | 1,192,939 |
| **As of December 31, 2022** | 118,224 | 452,524 | 294,260 | 1,798 | 159,487 | 51,178 | 255 | 1,077,726 |

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

(b) Management performs a periodic review the method of depreciation used to ensure it is consistent with the economic benefit assessed for the fixed assets. BBVA Peru Group Management considers that there is no indicator of impairment of the Bank´s fixed assets as of December 31, 2023 and 2022, additional to the registered.

## 11. Other assets, net

As of December 31, this caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Financial instruments -** | | |
| Transactions in progress (a) | 4,314,888 | 973,083 |
| Others | 4,847 | 3,679 |
| Other assets, note 28 | 4,319,735 | 976,762 |
| Other accounts receivable | 125,031 | 39,601 |
| Accounts receivable for sale of assets, services and trust | 5,037 | 6,194 |
| Receivables, note 28 | 130,068 | 45,795 |
| **Non-financial instruments -** | | |
| Sales and income tax credit, net | 602,700 | 239,323 |
| Intangible assets (b) | 399,088 | 378,061 |
| Prepaid expenses (c) | 191,791 | 175,312 |
| | 1,193,579 | 792,696 |
| | 5,643,382 | 1,815,253 |

(a) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not affect the BBVA Peru Group's net profit. As of December 31, 2023, it mainly correspond to treasury transactions: i) purchase and sale of currency for S/2,749 million (S/291 million as of December 31, 2022), and ii) sale of securities for S/1,514 million (S/646 million as of December 31, 2022).

# Notes to the consolidated financial statements (continued)

(b) The movement of intangible assets as of December 31, 2023 and 2022 is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Cost** | | |
| Balances as of January 1 | 869,955 | 690,545 |
| Additions | 166,681 | 179,414 |
| Disposal and other | (315,624) | (4) |
| **Balances as of December 31** | 721,012 | 869,955 |
| **Accumulated amortization and impairment** | | |
| Balances as of January 1 | (491,894) | (371,638) |
| Amortization | (100,598) | (107,066) |
| Impairment (*) | (45,056) | (45,536) |
| Disposals and other | 315,624 | 32,346 |
| **Balances as of December 31** | (321,924) | (491,894) |
| **Net carrying amount** | 399,088 | 378,061 |

(*) The carrying amounts of applications acquired or software developed that are not used or do not generate future economic benefits are stated as a provision for impairment.

(c) As of December 31, 2023 and 2022, prepaid expenses mainly include prepaid insurance contracts and deferred loan origination costs related to fees paid to the external sales force.

**12. Obligations with the public and deposits from financial institutions**

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Obligations with the public | | |
| Time deposits | 23,522,635 | 18,222,052 |
| Savings accounts | 22,741,991 | 25,112,300 |
| Demand deposits | 22,733,172 | 22,483,924 |
| Other liabilities | 210,319 | 235,476 |
| | 69,208,117 | 66,053,752 |
| Deposits from financial institutions | | |
| Demand deposits | 1,077,220 | 603,166 |
| Time deposits | 330,219 | 192,859 |
| Savings accounts | 111,221 | 51,769 |
| | 1,518,660 | 847,794 |
| | 70,726,777 | 66,901,546 |

Interest rates for liability transactions are stated by the Bank, based on market interest rates.

As of December 31, 2023 and 2022, deposits and obligations include deposits received as guarantees of direct and indirect loan for S/1,291 million and S/822 million, respectively.

As of December 31, 2023, from the total deposits and obligations from individuals and non-profit entities and legal entities, S/24,383 million are hedge by the Deposit Insurance Fund and are obtained from the closing balances of the month according with SBS Resolution N° 2448-2020 (S/25,520 million as of December 31, 2022). The maximum amount subject to coverage per person amounts to S/123,810 as of December 31, 2023 (S/125,603 at the end of December 2022).

As of December 31, 2023, a portion of the time deposit balances of US$5 million have a cash flow hedge (US$24 million as of December 31, 2022), (note 8(ii).)

On May 25, 2022 and April 8, 2021, by means of Law No 31480 and Law No31171, "Law that authorizes the provision of compensation for time of service in order to cover the economic needs caused by the COVID-19 pandemic", the Peruvian Government authorized workers to make free use of their full employees' severance indemnities (CTS) until December 31, 2023, deposited with financial institutions and accumulated at the date of disposal, including the deposits that were made in May and November 2022 and 2021 and the deposits that will be made in May and November 2023 to enable workers to meet their economic needs arising from the COVID-19 pandemic.

## 13. Debts and financial obligations

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Debts and financial obligations: | | |
| Foreign financial institutions (a) | 2,315,514 | 956,420 |
| International financial organizations (b) | 964,340 | 228,840 |
| MIVIVIENDA Program - MIHOGAR loan - Local financial system (c) | 930,192 | 672,155 |
| Corporación Financiera de Desarrollo – COFIDE | 5,092 | 5,143 |
| Accrued interest payable | 41,276 | 23,094 |
| | 4,256,414 | 1,885,652 |
| Securities and obligations (d): | | |
| Subordinated bonds | 1,385,420 | 1,703,278 |
| Corporate bonds | 246,550 | 420,015 |
| Accrued interest payable | 18,943 | 27,992 |
| Negotiable certificates of deposit | - | 41 |
| | 1,650,913 | 2,151,326 |
| | 5,907,327 | 4,036,978 |

Certain loan agreements include standard clauses regarding compliance with financial ratios, use of funds and other administrative matters. As of December 31, 2023 and 2022, in management's opinion, these clauses are being met in all aspects, and do not represent any restriction to the BBVA Peru Group activities.

(a) As of December 31, 2023 and 2022, the BBVA Peru Group maintains the following debt agreements with foreign financial institutions:

| | 2023 | | | 2022 | | | Maturity date |
|---|---|---|---|---|---|---|---|
| | US$(000) | S/(000) | Rate | US$(000) | S/(000) | Rate | |
| BBVA S.A. (i) | 200,000 | 741,800 | 3.18% | 200,765 | 765,720 | 3.18% | February 2031 |
| China Development Bank | 180,000 | 667,620 | SOFR + 1.37% | - | - | - | December 2026 |
| ICO - Instituto de Crédito | 54,381 | 201,699 | SOFR + 0.64% | - | - | - | March 2030 |
| ICO - Instituto de Crédito | 29,915 | 110,955 | SOFR + 0.81% | | | - | July 2030 |
| Wells Fargo Bank | 60,000 | 222,540 | SOFR + 0.68% | - | - | - | June 2024 |
| Caixa Bank | 50,000 | 185,450 | SOFR + 0.51% | - | - | - | January 2024 |
| Bank of America | 50,000 | 185,450 | SOFR + 0.70% | - | - | - | May 2024 |
| Mizuho Corporate Bank | - | - | - | 50,000 | 190,700 | SOFR + 1.56% | November 2023 |
| | 624,296 | 2,315,514 | | 250,765 | 956,420 | | |
| Accrued interest payable | 9,099 | 33,748 | | 5,555 | 21,187 | | |
| | 633,395 | 2,349,262 | | 256,320 | 977,607 | | |

(i) It corresponds to a subordinated debt in foreign currency for US$200 million agreed at an annual interest rate of 3.18% for the first 5 years, and for the remaining years a new rate will be set with maturity on February 2031. Such a borrowing is accounted for as a Tier 2 regulatory capital. As of December 31, 2022 this borrowing is hedged by a fair value hedge through an interest rate swap, which has resulted in accumulated losses of S/3 million.

As of December 31, 2023 and 2022, BBVA Peru Group has deferred issuance expenses in accounts payable for S/1 million and S/2 million, respectively.

(b) As of December 31, 2023 and 2022, this balance includes two borrowings for US$150 million and US$60 million with International Finance Corporation (IFC) with maturity on June 2029 and December 2027, and a borrowing for US$50 million with CAF (Corporación Andina de Fomento) with maturity on May 2024. For the borrowing of US$150 million the annual interest rate is SOFR + 1.65%, for the borrowing of US$60 million the annual interest rate is 3.11% and for the borrowing of US$50 million the annual interest rate is SOFR + 0.55%. Also, cash flows of the borrowing of US$60 million are hedged with a cross currency swap – CCS (note 8(ii)) and this transaction reflects a balance of payables of S/2 million comprising deferred issuance expenses for both period.

(c) As of December 31, 2023, it corresponds to resources obtained from Fondo MIVIVIENDA for the financing of the acquisition of houses under the MIVIVIENDA program (Credito MI HOGAR) for S/926 million in local currency and US$0.1 million in foreign currency (S/664 million in local currency and US$0.2 million in foreign currency as of December 31, 2022). As of December 31, 2023 and 2022, this borrowing accrues interest at an effective annual rate in US dollars of 7.75% and 6.25% in soles over the principal plus the constant update value ("VAC", by its Spanish acronym) in both periods, and has maturities until December 2043 and December 2042, respectively.

As of December 31, 2023 and 2022, the borrowings with Fondo MIVIVIENDA are guaranteed with mortgage loan portfolio up to S/926 million and S/664 million, respectively (note 7). These loans include specific agreements on how the funds should be used, the financial conditions that the final borrower must maintain, as well as other administrative matters.

(d) As of December 31, 2023 and 2022, securities and bonds are as follows:

| | Amount authorized by program | Currency | Original amount placed | 2023 | 2022 | Maturity date |
|---|---|---|---|---|---|---|
| **Corporate bonds** | | | | | | |
| 2nd issuance series A - Fifth Program | US$250 million | PEN | 150,000 | 150,000 | 150,000 | December 2026 |
| 2nd issuance series A - Seventh Program | | PEN | 100,000 | - | 100,000 | June 2023 |
| 2nd issuance series B - Seventh Program | | PEN | 73,465 | - | 73,465 | August 2023 |
| 2nd issuance series C - Seventh Program | US$1,000 million | PEN | 96,550 | 96,550 | 96,550 | December 2024 |
| | | | | 246,550 | 420,015 | |
| **Subordinated bonds** | | | | | | |
| 3rd issuance series A - First Program | | PEN | 55,000 | 97,425 | 93,580 | June 2032 |
| 2nd issuance series A - Second Program | US$50 million or S/158.30 million | PEN | 50,000 | 86,740 | 83,317 | November 2032 |
| 3rd issuance series A - Second Program | | USD | 20,000 | 74,180 | 76,280 | February 2028 |
| 4th issuance single series - Second Program | | PEN | 45,000 | - | 72,363 | July 2023 |
| 5th issuance single series - Second Program | | PEN | 50,000 | - | 79,366 | September 2023 |
| 6th issuance series A - Second Program | US$100 million | PEN | 30,000 | 48,722 | 46,799 | December 2033 |
| 1st issuance single series - Third Program | US$55 million | USD | 45,000 | - | 171,630 | October 2028 |
| First Program of international Issuance I - Single issuance (i) | US$300 million | USD | 300,000 | 1,078,353 | 1,079,943 | September 2029 |
| | | | | 1,385,420 | 1,703,278 | |
| **Negotiable certificates of deposit** | | | | - | 41 | |
| **Accrued interest payable** | | | | 18,943 | 27,992 | |
| | | | | 1,650,913 | 2,151,326 | |

(i) In September 2014, the Bank issued subordinated bonds in the international market for a nominal amount of US$300 million, at an annual fixed rate of 5.25%, and with maturity in September 2029, the payment of the principal shall be carried out in full on its maturity date. These bonds are hedged by a fair value hedge through an interest rate swap, which has resulted in accumulated gains of S/31 million as of December 31, 2023 (accumulated gains of S/60 million as of December 31, 2022).

As of December 31, 2023, corporate bonds do not have specific collaterals and accrue interest at effective annual interest rates ranging in local currency from 4.44% and 7.47% (4.40% and 7.50% as of December 31, 2022).

Subordinated bonds have been issued in accordance with the Banking Law, and accrue interest at a rate ranging from the constant update value (VAC) plus a spread for local currency, and from 5.3% and 6.5% for foreign currency, as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, el Bank records in accounts payable a balance of S/10 million and S/5 million, respectively, which corresponds to deferred issuance expenses.

## 14. Accounts payable, provisions and other liabilities

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Accounts payable, note 30** | | |
| Repurchase agreements with BCRP (a) | 6,775,261 | 10,505,016 |
| Accounts payable to suppliers | 1,018,563 | 878,397 |
| Other accounts payable (b) | 476,753 | 478,266 |
| Premium to deposit insurance fund, contributions and obligations with tax collecting institutions | 238,520 | 203,842 |
| Dividends, interest and remunerations payable | 116,637 | 147,698 |
| Interest payable | 114,148 | 74,023 |
| | 8,739,882 | 12,287,242 |
| **Provisions** | | |
| Labor provisions and others | 672,269 | 632,031 |
| Provision for litigations, claims and other contingencies (c) | 317,095 | 281,321 |
| Provisions for indirect loan losses (d) | 267,159 | 251,427 |
| | 1,256,523 | 1,164,779 |
| **Other liabilities** | | |
| Transactions in progress (e) | 3,699,384 | 974,957 |
| Deferred income and others | 75,332 | 77,099 |
| | 3,774,716 | 1,052,056 |
| | 13,771,121 | 14,504,077 |

(a) As of December 31, 2023, it corresponds to repurchase agreements of the loan portfolio of the Reactiva Peru program for S/1,579 million (S/5,408 million as of December 31, 2022), repurchase agreements of rescheduled loans for S/4,898 million (S/4,901 million as of December 31, 2022) and repurchase agreements of certificates of deposits with the BCRP for S/298 million (S/196 million as of December 31, 2022).

As of December 31, 2023 and 2022, repurchase agreements of the loan portfolio of the Reactiva Peru program have a maturity until December 2025 and accrue interest at annual interest rates of 0.50%, repurchase agreements of rescheduled loans have a maturity until September 2025 and accrue interest at annual interest rates ranging from 0.50% to 3.50% for both periods.

(b) As of December 31, 2023, it mainly includes S/16 million for insurance on behalf of borrowers (S/74 million as of December 31, 2022) and S/366 million for short sale transactions (S/279 million as of December 31, 2022).

(c) BBVA Peru Group has several pending court claims, litigation and other processes that are related to the activities it develops, and in the opinion of Management and its legal advisors, they will not result in additional liabilities to those registered.

(d) Movement in the provisions for indirect loan losses is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Balance at the beginning of the year | 251,427 | 244,106 |
| Provisions | 97,078 | 114,069 |
| Recovery and reversals | (78,582) | (100,908) |
| Exchange difference and other adjustments | (2,764) | (5,840) |
| | 267,159 | 251,427 |

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

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Specific | 146,575 | 129,753 |
| Generic | 103,529 | 108,182 |
| Provision for country risk | 17,055 | 13,492 |
| | 267,159 | 251,427 |

(e) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not have an impact on the BBVA Peru Group's net profit. As of December 31, 2023, liability transactions in progress mainly include treasury transactions for S/3,488 million (S/647 million as of December 31, 2022).

## 15. Equity

(a) Share capital -

As of December 31, 2023 and 2022, the Bank's authorized, subscribed, and paid-in capital is represented by 8,147,211 and 7,382,184 thousand of ordinary shares outstanding, respectively, with a nominal value of S/1.00 per share.

The General Shareholders' Meeting held on March 30, 2023 and March 31, 2022 approved the increase in share capital for S/765 million and S/624 million, respectively, through the capitalization of retained earnings.

As of December 31, 2023 and 2022, shareholding on the Bank's share capital is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | N° of shareholders | Interests % | N° of shareholders | Interests % |
| Up to 1 | 9,995 | 6.59 | 8,601 | 6.62 |
| From 1.01 to 5 | 1 | 1.17 | 1 | 1.14 |
| From 45.01 to 100 | 2 | 92.24 | 2 | 92.24 |
| | 9,998 | 100.00 | 8,604 | 100.00 |

(b) Reserves -

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

The General Shareholders' Meeting, held on March 30, 2023 and March 31, 2022, approved to record the legal reserve for the amount equivalent to 10% of 2022 profits (S/191 million) and 2021 (S/156 million), respectively.

(c) Unrealized results -

As of December 31, 2023 and 2022, unrealized gain or loss, net of deferred income tax, is as detailed below:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Available-for-sale investments, note 6(g) | 114,460 | (79,310) |
| Cash flows hedges, note 8 | (18,980) | (26,016) |
| Interest on associates | 130 | 195 |
| Actuarial liabilities for long-term employee benefits | 11,803 | 14,079 |
| | 107,413 | (91,052) |

(d) Retained earnings -

The General Shareholders' Meeting, held on March 30, 2023 and March 31, 2022, approved the capitalization of retained earnings for S/765 million and S/624 million, respectively, and dividend distribution for S/956 million and S/780 million, respectively.

(e) Regulatory capital and legal limits -

In accordance with the Banking Law, the regulatory capital amount could not be less than 10% of risk - weighted assets for credit risk, market risk and operational risk, which are calculated by the Bank using the standardized approach.

By means of Legislative Decree N° 1531 dated March 19, 2022, the Peruvian banking law was amended to adopt the Basel III capital standards and approach; major changes include: composition of regulatory capital, requirement of minimum ratios, powers in the event of noncompliance with solvency requirements, among others. The SBS, by means of general purpose standards, set the form and due dates for adequacy. By means of SBS resolution N° 03952-2022 dated December 27, 2022 and then modified by the SBS resolution N° 2192-2023 dated June 23, 2023, the minimum solvency requirements were set in article 199 of the General Banking Law with the following adequacy due dates.

| Period | Common equity Tier 1 requirement | Tier 1 Regulatory Capital requirement | Minimum total regulatory capital ratio |
|---|---|---|---|
| January 2023 to March 2023 | 3.825% | 5.10% | 8.50% |
| April 2023 to February 2024 | 4.05% | 5.40% | 9.00% |
| March 2024 to August 2024 | 4.275% | 5.70% | 9.50% |
| September 2024 onwards | 4.50% | 6.00% | 10.00% |

As of December 31, 2023, the regulatory capital of the Bank, determined according to current legal regulations, is S/14,912 million (S/12,885 million as of December 31, 2022):

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Common Equity Tier 1** | | |
| **Plus** | | |
| Common shares | 8,147,211 | 7,382,184 |
| Profit or loss of the year | 1,869,103 | - |
| Unrealized gains from available-for-sale investments | 130,940 | - |
| Legal reserve | 2,245,122 | 2,244,747 |
| **Less** | | |
| Regulatory adjustments | (594,612) | (39,692) |
| | **11,797,764** | 9,587,239 |
| **Tier 2** | | |
| **Plus** | | |
| Subordinated debt | 741,800 | 762,800 |
| Subordinated bonds | 1,299,444 | 1,519,295 |
| Generic provisions for loans | 1,073,253 | 1,055,237 |
| **Less** | | |
| Regulatory adjustments | - | (39,692) |
| | **3,114,497** | 3,297,640 |
| **Total regulatory capital** | **14,912,261** | 12,884,879 |

Pursuant to the Rules to meet the Requirement of Regulatory Capital for Additional Risk, as approved under Resolution SBS N° 03953-2022 (published on December 22, 2022), the requirement for additional regulatory capital is set to be the sum of the regulatory capital requirements each of which is calculated based on the following components: credit concentration risk and interest rate risk stated in the banking book. As of December 31, 2023 the requirement of regulatory capital for additional risks for the Bank amounts to S/486 million. Pursuant to the Rules to meet the Requirement of Conservation Buffers per Economic Cycle and for the Market Concentration Risk of, as approved under Resolution SBS N° 03954-2022 (published December 22, 2022), the methodologies were set to calculate the conservation buffer requirements per economic cycle, activation and operation of this buffer per economic cycle, the requirement for a buffer for market concentration risk, requirement for capital conservation buffer, and the restrictions applicable to non-compliance buffer requirements and other measures. As of December 31, 2023, the balance of the buffer requirement is S/1,555 million.

As of December 31, 2023 and 2022, by means of Letter N° 7850-2023-SBS dated February 17, 2023 and Letter No 2097-2022 dated January 19, 2022, the SBS established that the Bank should maintain Tier 1 Capital Level above the 10% of the total risk-weighted assets. According these letters, as of December 31, 2023, Tier 1 Capital is measured considering share capital, retained earnings, net profit, unrealized gains on available-for-sale investments, legal reserve and deductions on Tier 1 Capital, while, as of December 31, 2022, Tier 1 Capital is measured considering share capital, legal reserve and deductions on regulatory capital. As of December 31, 2023 and 2022, the Bank's solvency ratio is 12.33% and 10.34%, respectively, in consistency with the requirements of the above mentioned letters.

As of December 31, 2023, the contingent asset and liabilities weighted by credit risk, market risk and operational risk under current regulations amounts to S/95,668 million (S/92,296 million as of December 31, 2022). Also, the Bank's global capital ratio by credit risk, market risk and operational risk is 15.59% (13.96% as of December 31, 2022).

It should be noted that the regulatory capital is a figure also used to calculate certain limits and restrictions applicable to the Bank and which Management considers the Bank has fully complied with.

## 16. Contingent risks and commitments

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Indirect loans:** | | |
| Guarantees and letters of guarantee | 17,387,246 | 16,603,204 |
| Letters of credit and banker's acceptance | 1,054,247 | 1,309,834 |
| | 18,441,493 | 17,913,038 |
| Unused credit lines and undisbursed loans granted | 18,545,229 | 18,320,926 |
| Various responsibilities | 5,935 | 6,102 |
| | 36,992,657 | 36,240,066 |

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

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

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

Management estimates that no significant losses will arise, for current contingent transactions as of December 31, 2023 and 2022.

## 17. Interest income

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Direct loan portfolio | 6,520,042 | 5,019,347 |
| Cash and due from banks, note 5 (c) | 457,129 | 175,312 |
| Available-for-sale investments | 302,640 | 216,645 |
| Investments at fair value through profit or loss | 286,908 | 224,683 |
| Interbank funds | 15,057 | 6,753 |
| Other finance income | 4,119 | 4,312 |
| Net gain result on hedge transactions | - | 92,111 |
| | 7,585,895 | 5,739,163 |

## 18. Interest expenses

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Obligations with the public | (1,567,138) | (627,030) |
| Debts and financial obligations | (289,920) | (312,358) |
| Accounts payable | (169,887) | (116,181) |
| Net loss result on hedge transactions | (100,063) | - |
| Deposits from financial institutions | (68,951) | (20,560) |
| Interbank funds | (15,372) | (13,522) |
| Other financial expenses | (17,564) | (36,195) |
| | (2,228,895) | (1,125,846) |

# Notes to the consolidated financial statements (continued)

## 19. Income from financial services, net

This caption comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Income** | | |
| Income from fees of credit cards | 399,262 | 374,933 |
| Income from indirect loans | 288,101 | 263,715 |
| Transfer fees | 256,854 | 286,404 |
| Income from fees for collections services | 193,080 | 157,961 |
| Income from online banking services for business | 76,610 | 70,670 |
| Income from services and maintenance of checking accounts | 64,852 | 53,761 |
| Income from technical and legal studies | 29,542 | 12,351 |
| Income from advisory services | 19,845 | 25,551 |
| Income from cash services | 12,102 | 8,885 |
| Income from trust and trust fees | 1,372 | 1,220 |
| Other income from services | 370,841 | 313,565 |
| | 1,712,461 | 1,569,016 |
| **Expenses** | | |
| Expenses from operating with Visa, Mastercard and Plin | (197,561) | (164,612) |
| Customer loyalty program | (173,438) | (148,802) |
| Premiums to the Deposit Insurance Fund | (107,635) | (114,443) |
| Financial product sponsors | (87,684) | (73,220) |
| Transfers | (52,145) | (42,722) |
| Purchase of foreign currency - spot transaction | (11,492) | (9,615) |
| Government fund guarantee | (18,355) | (76,771) |
| Expenses of maintenance of checking accounts | (4,468) | (5,465) |
| Other expenses from services | (46,013) | (39,958) |
| | (698,791) | (675,609) |
| | 1,013,670 | 893,408 |

## 20. Profit or loss from financial transactions

This caption comprises the following:

| | 2023 S/(000) | 2022 S/(000) |
|---|---|---|
| Foreign exchange differences, note 4 | 707,071 | 934,505 |
| Investments at fair value through profit or loss | 35,353 | 3,944 |
| Hedging derivatives | 31,608 | (91,939) |
| Trading derivatives | 23,192 | (277,628) |
| Available-for-sale investments | (5,172) | 823 |
| Income from interest in associates, nota 9 | (5,086) | 7,846 |
| Other | 59,973 | 42,945 |
| | 846,939 | 620,496 |

## 21. Administrative expenses

This caption comprises the following:

| | 2023 S/(000) | 2022 S/(000) |
|---|---|---|
| Personnel and Board of Directors expenses | (1,125,848) | (1,024,888) |
| Third party service expenses | (1,296,488) | (1,071,086) |
| Tax and contributions | (52,295) | (50,378) |
| | (2,474,631) | (2,146,352) |

## 22. Other income and expenses, net

This caption comprises the following:

| | 2023 S/(000) | 2022 S/(000) |
|---|---|---|
| Income tax recovery from previous years | 84,279 | - |
| Reversal of tax provisions, lawsuits and others | 48,496 | 56,847 |
| Profit on sale of non-current assets held for sale | 4,705 | 631 |
| Realizable, received in payment and seized assets | (29,659) | (21,101) |
| Loss in cards | (9,072) | (2,762) |
| Administrative and fiscal sanctions | (8,296) | (7,857) |
| Donations made | (3,770) | (4,153) |
| Other income and expenses | (12,656) | (7,599) |
| | 74,027 | 14,006 |

**23. Tax situation**

Tax rates

(a) BBVA Peru Group is subject to the Peruvian tax regime. As of December 31, 2023 and 2022, the corporate income tax rate in Peru is 29.50% on the net taxable income determined individually by each of the companies that make up the Group.

Through Legislative Decree Nº1261, published December 10, 2016 and effective January 1, 2017, the rate applicable to corporate income is amended to 29.50%.

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

(b) In accordance with current tax legislation in Peru, non-resident subjects are taxed only on their Peruvian source income. Thus, in general terms, the income obtained by subjects not domiciled for services rendered in our country are taxed with income tax at a rate of 30% on a gross basis, as long as does not require the application of an Agreement to avoid the double taxation (CDI) that the country has signed and that is in force. Currently, Peru has CDIs in force with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea and Japan.

For the purposes of technical assistance services or digital services provided by non-resident subjects in favor of domiciled subjects, the place of provision will be indistinct, and in all cases they will be taxed with income tax at a rate of 15% and 30 % on gross basis, respectively. The rate applicable to technical assistance services will be 15.%, provided that the requirements indicated in the Income Tax Law. As indicated in the previous paragraph, the withholding rate in these cases may vary or the withholding may even be inapplicable if the provisions of a current CDI are used.

On June 30, 2023, Supreme Decree No. 137-20223-EF was published, by which Article 30 of the Regulations of the Income Tax Law is modified, an article that regulates the applicable rates for operations with non-domiciled residents. The amendment updates the use of the SOFR rate as the predominant prime rate for purposes of applying the reduced rate of 4.99 percent. It should be noted that the aforementioned rule came into force on June 30, 2023.

(c) Income tax determination -

BBVA Peru Group computed its tax base as of December 31, 2023 and 2022 and determined consolidated current income tax for S/560 million and S/754 million, respectively.

Income tax expense per company comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **Entities** | | |
| Banco BBVA Perú | 551,028 | 733,717 |
| BBVA Bolsa Sociedad Agente de Bolsa S.A. | 166 | 1,100 |
| BBVA Asset Management S.A. SAF | 2,786 | 2,408 |
| BBVA Sociedad Titulizadora S.A. | 162 | 279 |
| Inmuebles y Recuperaciones BBVA S.A. | 2,184 | 4,001 |
| BBVA Consumer Finance Edpyme en liquidación | 2,019 | 10,912 |
| Forum Comercializadora del Perú S.A. en liquidación | 36 | 2 |
| Forum Distribuidora del Perú S.A. | 1,445 | 1,444 |
| | 559,826 | 753,863 |

Income tax expense comprises the following:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Current income tax | 558,402 | 791,089 |
| Deferred income tax: | | |
| Profit or loss | (16,629) | (51,952) |
| Income tax (adjustment/provision recovery) | 18,053 | 14,726 |
| | 559,826 | 753,863 |

(d) Temporary tax on net assets -

BBVA Peru Group are subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.40% for the years 2023 and 2022 and is applied to the amount of net assets exceeding S/1 million. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against payments on account of income tax for taxable periods from March to December of the taxable year in which the tax was paid until maturity date of each of the payments on account, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested. BBVA Peru Group has computed temporary tax on net assets for the year 2023 at S/343 million (S/359 million at 2022).

(e) Financial transaction tax -
For the years 2023 and 2022, the Financial Transaction Tax rate has been set at 0.005% and is applicable to charges and credits in bank accounts or movements of funds through the financial system, unless it is exempt.

(f) Transfer pricing -
For purposes of determining income tax, the transfer prices of transactions with related companies and with companies resident in territories with low or no taxation, or with subjects or permanent establishments whose income, income or gains from said contracts are are subject to a preferential tax regime, they must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. The Tax Administration is authorized to request this information from the Company..

Until the 2016 taxable year, the formal Transfer Pricing obligations were given by the obligation to present the informative affidavit and have the technical study. As of January 1, 2017, through Legislative Decree N° 1312, published on December 31, 2016, the following formal obligations are established that replace the previous ones: i) submit the Local Report affidavit (as long as have incomeaccrued over 2,300 UIT); ii) submit the Master Report affidavit (as long as the taxpayer has accrued income greater than 20,000 UIT); and, (iii) present the Country by Country Report affidavit (as long as the consolidated accrued income of the parent company of the multinational group for the previous year is greater than or equal to S/2,700 million). Both the Master Report and the Country by Country Report are required as of the 2018 taxable year. It should be noted that the Master Report is only on international operations and that Banco BBVA Perú is not subject to submitting the Country by Country Report in accordance with the exceptions established in Superintendence Resolution N° 163-2018/SUNAT and the Regulations of the Income Tax Law.

Also, under the provisions of the above-mentioned Legislative Decree N° 1312 low valued-added intragroup services are not allowed to have a margin of more than 5% over cost; in respect to services rendered between related parties, taxpayers must meet the benefit test requirement and provide the requested documentation to support conditions and have with the information requested that are needed for tax deduction of costs or expense.

Legislative Decree N° 1116 established that Transfer Pricing standards are not applicable to sales tax (IGV, by its Spanish acronym) purposes.

Through Legislative Decree N° 1381 published on August 24, 2018, the concept of "non-cooperative" countries or territories and preferential tax regimes are incorporated into the Income Tax Law, in respect of which the already existing defensive measures are imposed for countries and territories with low or no taxation.

Based on an analysis of the Bank's transactions, Management and its legal counsel consider that no significant contingencies arose from the application of these standards as of December 31, 2023 and 2022.

(g) Tax assessment by Tax Authority -
The Tax Authority (SUNAT, by its Spanish acronym) has the power to review and, if applicable, correct the income tax calculated by the Bank and its subsidiaries in the four years after the year of the tax return filing.

The income tax returns open for review by the tax administration of BBVA Peru Group's entities are the following:

| **Entities** | **Years openfor review** |
|---|---|
| Banco BBVA Perú | 2018 - 2022 |
| BBVA Bolsa Sociedad Agente de Bolsa S.A. | 2019 - 2023 |
| BBVA Asset Management Continental S.A. S.A.F. | 2019 – 2023 |
| BBVA Sociedad Titulizadora S.A. | 2019 – 2023 |
| Inmuebles y Recuperaciones BBVA S.A. | 2019 – 2023 |
| BBVA Consumer Finance EDPYME en liquidación | 2019 – 2023 |
| Forum Comercializadora del Perú S.A. en liquidación | 2019 – 2023 |
| Forum Distribuidora del Perú S.A. | 2019 - 2023 |

In management's opinion, the tax processes and the tax returns not yet reviewed will not generate significant liabilities that would impact on the results of the Bank and its subsidiaries, in accordance with IFRIC 23.

Due to the possibility of various interpretations of the current legal regulations by the Tax Authorities, it is not possible to determine, to date, whether a future tax audit will or will not result in liabilities for the Bank and its subsidiaries; therefore, any major tax, surcharges, and sanctions that might arise from eventual tax audits would be applied to profit or loss of the period in which they are recognized. However, it is the opinion of Management and its internal legal advisors that any possible additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2023 and 2022.

As of December 27, 2023, the Bank has been notified by the Tax Court where it orders the tax authority to re-assess the Income Tax for the 2016 financial year and return the corresponding balance in favor, an amount that will be received during 2024 and for which S/84 million is recognized.

(h) Tax regime applicable to sales tax (Value-added tax - VAT or IGV) -
Regarding the IGV, interest arising on securities issued by public or private offering by legal entities incorporated or established in Peru is not subject to IGV; and neither are the interest on the securities not placed via public offering, when they were acquired via a centralized mechanism of trading as described in the Peruvian Securities Market Law.

Dated December 30, 2021 Legislative Decree N° 1519 was enacted to extend the effective of Legislative Decree N° 783 that approves the refund of taxes levied on acquisitions with foreign grants and imports of diplomatic missions and other as well as the VAT exemption on electronic money issuance by issuers of electronic money up until December 31, 2024.

In addition, dated December 29, 2022 Law Nº 31651 was enacted to amendment of Article 7 to the Peruvian VAT Law establishing that exemptions contained in Appendices I and II will be effective until December 31, 2025. It should be noted that this standard became effective on January 1, 2023.

(i) Uncertainty over income tax treatments -
In accordance with IFRIC 23, the BBVA Peru Group has assessed its uncertain positions over tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authority will accept its tax treatment. The interpretation did not have an effect on the Bank and Subsidiaries consolidated financial statements as of December 31, 2023 and 2022.

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

In general, the new criteria for Income Tax determination will matter if the substantial facts underlying revenue-earning or expense-incurring activities occur as agreed by the parties, facts that are not subject to a suspensive condition; in which case, revenue shall be recognized when that condition is met regardless of the timing of collection or payment; and, whenever the determination of the consideration depends on a future event or fact, the proportional portion or total revenue or expense would be deferred until the relevant event or fact actually occurs.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with lease arrangements regulated by IFRS 16.

The new "legal accrual" concept requires the necessary reconciliation between the financial recognition of revenue, costs and/or expenses and their related recognition for tax purposes because the "legal accrual" concept differs from the accrual accounting concept.
Finally, it is worth indicating that this new concept shall not be applicable by those entities which accrue revenue or expenses for income tax purposes under the provisions of a special tax regime (industry-specific) of accrual.

(k) Thin capitalization -
From January 1, 2021, borrowing costs shall be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. If there is any financial expense balance that is not expected to be absorbed as an expense over a given year under the new rule of thin capitalization effective from January 1, 2021, it can be offset against the entity's income that is obtained over the four (4) following fiscal years (for example, four year carry forward) at the end of which, the balance will be considered expired and give rise to permanent differences. There are some exemptions regarding this limit for banks, taxpayers whose income is lower than 2,500 Peruvian tax units, infrastructure, public utilities, etc.

Through the Supreme Decree N° 402-2021 published on December 30, 2021 and with effective date since December 31, 2021, it was modified the Regulation on the Income Tax Law that governs the calculation of tax-EBITDA for the purpose of setting interest rate limits.

For the fiscal 2019 and 2020, finance costs arising from debts of independent and related parties are subject to the thin capitalization limit of three times the net equity as of December 31 of the prior period.

(l) Deduction of expenses or costs incurred in transactions with non-domiciled parties -
Legislative Decree N° 1369 requires that costs and/or expenses (including "outbound" interest) incurred with non-resident counterparties must have been effectively paid in order to be deductible in the year in which they were incurred up to before the expiration of the term for the presentation of the annual affidavit. Otherwise, its impact on the determination of the net income will be deferred to the year in which cash is paid, opportunity in which the corresponding withholding will be applied.

Such piece of regulation removed the obligation to pay the amount of the withholding on the amount accounted for as cost and/or expense.

(m) Indirect tax credit -
Effective January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct tax credit the income tax that may have been levied foreign dividends and the corporate income tax (indirect tax credit) paid by the tier 1 and tier 2 non-domiciled entity (provided that they are in the same jurisdiction) that distributed the dividends from abroad.

(n) Permanent establishments -
Effective January 1, 2019, new assumptions of permanent establishments have been included, such as, the service completed in Peru to the same project, service or for a related one for a period not exceeding 183 calendar days within any given period of twelve months.

(o) Measures for the enforcement of the anti-tax-avoidance general clause contained in Standard XVI of the Peruvian Tax Code -
Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012 are reviewed; (ii) it is applicable only if there is a favorable opinion from a review committee composed of SUNAT's officers; and (iii) final tax audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a 1-year term to request information from the audited parties

It should be noted that, at the reporting date, the General Anti-avoidance Rule is in full effect together with the application of Standard XVI of the Peruvian Tax Code.

Dated May 6, 2019 Supreme Decree 145-2019-EF, was published on the official newspaper of Peru "El Peruano," approving all the formal and substantial parameters for the application of the General Anti-avoidance Rule provided in the Standard XVI of the Peruvian Tax Code. Consequently, the requirement to end the suspension of the application for such rule, established by Law 30230, is deemed fulfilled. Likewise, the Regulation for Tax Audits performed by SUNAT has been modified accordingly.

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

(p) Joint and several liability of legal representatives and directors of entities -
Since September 14, 2018, through Legislative Decree N°1422, it was established that when an audited individual is subject to the General Anti-Tax-Avoidance Rule, there is joint and several liability of legal representatives due to fraud, gross negligence or misuse of powers, unless proven otherwise. The aforementioned joint and several liability shall be attributable to such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with a tax-avoidance purpose.

The regulation also involves the members of the Board of Directors of companies, by noting that these subjects are responsible for defining the tax strategy of the companies in which they are directors, and they must decide whether or not to approve acts, situations or economic relations to be carried out in the framework of tax planning, being non-delegable - according to the norm in comment - this attribution of the Directors.

Members of domiciled entities' Board of Directors were granted until March 29, 2019 to ratify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that have tax effect up to the current date.

Nonetheless the aforementioned maximum term for complying with this formal requirement and considering that such joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be critical for entities to review any act, situation or economic relationship that has: (i) increased tax liabilities; and/or (ii) generated a lower payment of taxes for such periods, in order to prevent any joint and several liability from arising, both from an administratively and criminal level, depending on the tax audit criteria, in case the General Anti-Tax-Avoidance Rule is applied to the entity on the occasion of a tax audit by SUNAT.

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

Note that on December 23, 2022, Superintendence Resolution Nº 000278 2022/SUNAT was published, establishing that legal entities must submit the Declaration of Final Beneficiary up to the dates established for compliance with the monthly obligations corresponding to the period of December 2023, modifying the original presentation date corresponding to December 2022.

On the other hand, it should be noted that Superintendence Resolution N° 000041-2022/SUNAT established that entities which reported net revenue in 2021 of more than of 300 UIT (S/1,380,000.00) and up to 500 UIT (S/2,300,000.00), and which were not required to filethe Sworn Statement on Beneficial Owner previously in fiscal 2022, shall file such a statement for fiscal period May 2023, based on the last digit of the Peruvian taxpayer number (RUC) of the entities subject to the requirement, in line with the timetable of monthly tax obligations of fiscal 2023.

It should be noted that if the informative sworn statement containing the information about the beneficial owner is not submitted, the legal representatives of the entity that failed to comply with that filing will be considered jointly and severally liable.

On December 16, 2019 and June 20, 2022, the Bank comply with filing the sworn statement on beneficial owner on the date set in the monthly tax obligation timetable.

On December 10, 2023, Superintendence Resolution No. 000236-2023/SUNAT was published establishing the possibility of using the format that contains the information of the final beneficiary, for the purpose of reporting their identification, through a different means. to the physical. In this sense, it is provided that the format of the natural person who qualifies as a final beneficiary established in the Annex to the Regulation of the Law of the Final Beneficiary may appear in an electronic document that has a digital signature of the final beneficiary, in accordance with the provisions of the Regulations of the Law on Digital Signatures and Digital Certificates.

The aforementioned may not apply to persons or legal entities supervised by the SMV or SBS, provided that said subjects required to declare their final beneficiaries use any of the mechanisms that, in accordance with the provisions of said superintendencies, they implement to interact with their users. , provided that they allow the final beneficiary to be reliably identified.

(r) Indirect disposal of shares -
As of January 1, 2019, an anti-avoidance rule is incorporated to avoid the division of operations, through which, indirectly, shares of companies domiciled in Peru are sold. In this sense, Peruvian source income is considered to be that obtained from the indirect sale of shares or participations representing the capital of legal persons domiciled in the country. For such purposes, it must be considered that an indirect sale occurs when shares or participations representing the capital of a legal person not domiciled in the country are sold, which, in turn, is the owner directly or through another person or persons of shares or participations representing the capital of one or more legal entities domiciled in the country, provided that the conditions established by Law N° 30341 occur concurrently.

Currently, the Income Tax Law states that a case of indirect transfer of shares is configured when, in any of the 12 months prior to the sale, the market value of the shares or participations of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or participations of the non-domiciled legal entity, this requirement is automatically met if the market value threshold of Peruvian companies is exceeded.

Finally, as a concurrent condition, it is established that in any 12-month period, shares or participations that represent 10% or more of the capital of a non-domiciled legal entity are sold.

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

Further, from the effective date stated above, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly severally liable party. Thus, the latter is required to provide, among other information, that about the transferred shares or interests of the non-domiciled legal person.

Per Legislative Decree N°. 1262 amending Law N°. 30341, the law promoting the integration of the securities market and by means of Emergency Decree N° 005-2019, the income obtained from the disposal of the following securities is exempted from income tax until December 31, 2022: a) common shares and investment shares b) American Depositary Receipts (ADR) and Global Depositary Receipts (GDR), c) Units of Exchange Trade Fund (ETF) with underlying items such as shares and debt instruments, d) Debt instruments, e) Certificates of ownership interest in mutual funds for investments in securities, f) Certificates of ownership interest in Investment Fund of Real- Estate Assets (Fondo de Inversión en Renta de Bienes Inmuebles - FIRBI) and certificates of ownership interest in securitization trusts (Fideicomiso de Titulización para Inversión en Renta de Bienes Raíces - FIBRA).

For common shares and investment shares, ADRs, GDRs and bonds convertible in shares, the following requirements should be met:

1. Disposal should be carried out via a centralized trading mechanism under the oversight of the securities market regulator (Superintendence of the Securities Market).

2. Over a period of 12 months, a taxpayer and related parties do not transfer via one or more simultaneous or successive transactions, the ownership of 10 percent or more of the securities issued by the entity. For ADR and GDR, this requirement is determined based on the underlying shares.
   If this requirement is not met, the taxable income is determined based on the transfers that that would had been exempted over the12 months prior to the disposal. The relatedness is determined base d on the provisions in subsection b, article 32-A of the Law.
3. Securities should be listed.

For all the securities involved, disposal is required to be completed via a centralized trading mechanism under the oversight of the SMV and they should be listed. With respect to negotiable invoices, the only requirement is that the disposal be completed via a centralized trading mechanism under the oversight of the SMV.

Finally, one cause for loss of exemption includes the fact an issuer delist its securities from the local stock exchange registry, either fully or partially, in one single act or progressively within a time span of 12 months following the date of disposal. Exemptions are to be determined under the relevant regulations.

Without prejudice of the above, on December 30, 2022 Law N° 31662 was published to extend until December 31, 2023 an income tax exemption on the disposal of securities carried out on the local stock exchange (BVL) as previously instated and set forth the following:

1. The income tax exemption is applicable to capital gains earned by an individual, undivided succession or matrimonial regime who opted to be pay taxes as such.
2. The income tax exemption is applicable to the first 100 UITs of capital gains earned in each taxable fiscal year.

The requirements originally set in Law N° 30341, Law promoting the liquidity and integration of the securities market are kept unchanged regarding the listed status of the securities and keeping ownership of at least 10% of the securities issued by the entity.

As of the date of this report, it should be noted that the aforementioned exemptions have not been renewed, therefore, as of January 1, 2024, they are not valid.

(s) Information to be provided to SUNAT -

By means of Supreme Decree N° 430-2020-EF, published on December 31, 2020, the relevant Rules were approved stating the financial information that financial system entities must furnish to SUNAT for the fight against tax evasion and tax avoidance under the provisions of Legislative Decree N° 1434. Such Rules became effective on January 1, 2021.

In addition, the aforementioned Rules specified that the items on which the Bank should, report to SUNAT are, among others, the cumulative balances and/or amounts, average or the highest balances and the return obtained on accounts for the reporting period and which equal or exceed S/30,800 over that period. The information will be submitted to SUNAT on a semiannual basis, via informative tax returns that will contain information for monthly periods.

(t) Income Tax Exemptions -
Through Legislative Decree N° 1549, the validity of all the exemptions in force to date contained in article 19 of the Income Tax Law is extended until December 31, 2026.

In this regard, some of the aforementioned extended exemptions applicable or related to the Bank's operations to benefit individual taxpayers are the following:

- Subsection i) article 19 states that the exemption covers any type of fixed rate or floating rate interest, in local o foreign currency, that is paid on a deposit or balance pursuant to the General Law of the Financial System and the Insurance System and Comprehensive Law of the Peruvian Banking and Insurance Regulator, Law N° 26702, as well as any capital increases in those deposits or balances in local or foreign currency, excepted when those inflows are third category income.

(u) Bancarization Law -
On March 3, 2022 Legislative Decree N° 1529 was published amending the Bancarization Law to promote the use of formal means of payment and reduce the amount at which formal means of payments are required to be used, as follows:

- The minimum amount at which formal Means of Payments should be used is two thousand soles (S/2,000) or five hundred U.S. dollars (US$500).

- In order to improve the coverage of Means of Payment and thus expand the set of traceable operations, article 3 of the Banking Law was modified in order to indicate that the payment of sums of money from the operations indicated in Said article, for amounts equal to or greater than 1 UIT, even when it is partially carried out, can only be made using Means of Payment provided for in the Law.

- Payment of obligations to non-domiciled individuals and/or legal entities that need to be made using the statutory Means of Payment can be made effective using non-domiciled financial institutions; in those cases in which the payer makes foreign trade transactions, including obligations derived from the acquisition of land and rights to shares and other securities.

- The requirement to use Means of Payment is considered met if the payment is made directly to the creditor, supplier and/or service provider, or whenever such payment is made to a third party designated by one of the above, as long as such designation is reported to SUNAT prior to payment.

- The requirement to use Means of Payment will not be considered met in any case when the payments are made effective via financial institutions or banks that are based in or have permanent establishments in territories or countries considered as tax havens.

This piece of legislation became effective on April 1, 2022, except for the amendment related to payments via the non-domiciled financial system entities that are based in tax havens, which would become effective on January 1, 2023.

(v) On March 26, 2022 Legislative Decree N° 1539 was published amending the Peruvian Income Tax Law to include new methods to determine the market value of securities in transactions between unrelated third parties. This legislation would become effective in January 1, 2023.

Through Supreme Decree No. 326-2022-EF, published on December 29, 2022, Article 19 of the Regulations of the Income Tax Law was modified regarding the determination of the Market Value of securities in order to adapt it to the modifications introduced by Legislative Decree No. 1539. In that sense, the Decree establishes the following:

- In cases in which the quoted value is not applied, the market value will be the highest value resulting from comparing the transaction value and the discounted cash flow value or the equity participation value, as applicable.

- If there are securities listed on more than one exchange or centralized trading mechanism, the highest daily value recorded on the transaction date will be considered.

- Securities representing debt that are not listed on the Stock Exchange or in any centralized trading mechanism will be valued in accordance with the Price Vector. If there is no published Price Vector for said value, the one determined by a Price Provider Company, supervised by the SMV, will be used.

- The discounted cash flow method must be applied when the value of all the company's future flows discounted to their current value is established. If the company has several business units, the aforementioned value will take into account the projection made by each business unit that involves a foreseeable horizon of future flows.

- When the value of the assets of the legal entity is calculated on the basis of the last audited balance sheet closed prior to the date of the sale of shares or participations representing the capital, in the case of legal entities that are under the control and supervision of the Superintendency of the Securities Market, said balance sheet must have been closed within the 90 days prior to the aforementioned sale, and must be audited by an audit company domiciled in the country that has its current registration in the Registry of Audit Companies in a College of Public Accountants.

(w) Filing the Common Standard Reporting for fiscal 2023 with SUNAT should be made in in adherence to the timetable set for monthly tax obligations for the period of April 2024.

It should be noted that on the due dates contained in that timetable, financial institutions are required to report all required financial information to SUNAT as follows:

- Preexisting accounts of individuals (high and low value) as of December 31, 2023.
- Preexisting accounts of (reportable) entities as of December 31, 2023.
- New accounts of individuals as of December 31, 2023.
- New accounts of entities as of December 31, 2023.

(x) Deducibility of provisions for loans -
In 2020, Ministry Resolution N° 387-2020-EF/15 was published to state that the provisions made for COVID-19 rescheduled loans, as described in the Resolution No. 11356-2008, and modified by SBS Resolution No. 3155-2020, jointly meet altogether the requirements set out in subsection h), Article 37 of the Peruvian Income Tax Law, with regulations per subsection e), Article 21 of the Rules. In this sense, these provisions must be treated as specific provisions and must be accepted for tax purposes by SUNAT.

On December 31, 2021, the Ministry Resolution N°. 394-2021-EF/15 was publish to state that provisions for COVID-19 rescheduled loans, as described in the relevant regulations, meet altogether the requirements set out in subsection h), Article 37 of the Peruvian Income Tax Law. In this respect, subsection h), Article 37 of the Peruvian Income Tax Law states that financial system entities are allowed to deduct from its gross incomes those provisions that meet all the following requirements:

- these are specific provisions
- these are provisions that are not part of the regulatory capital, and
- these are provisions solely related to credit risk, classified into the categories of with potential problems, substandard, doubtful and loss.

(y) On March 15, 2023, Legislative Decree No. 1545 was published, by which the first paragraph of article 26 of the Income Tax Law, on presumed interest income, is modified, establishing the following:

1. Regarding loans in national currency, it is presumed that they accrue interest no less than the monthly average active market rate in national currency (TAMN) published by the SBS multiplied by an adjustment factor of 0.42.
2. Regarding loans in foreign currency, it is presumed that they accrue interest no less than the monthly average active market rate in foreign currency (TAMEX) published by the SBS multiplied by an adjustment factor of 0.65.

It should be noted that the provisions indicated above came into force as of January 1, 2024.

(z) On September 30, 2023, Superintendency Resolution No. 000204-2023/SUNAT was published, postponing the period from October 2023 to January 2024, the opportunity from which they must carry the Sales and Income Registry and the Purchase Registry through the Integrated System of Electronic Records (SIRE), the subjects who are obliged to keep the aforementioned records. It should be noted that by Superintendency Resolution No. 000258-2023/SUNAT, the use of the SIRE was postponed from January 2024 to the period April 2024.

(a.1) On November 10, 2023, the Resolution of the Deputy National Superintendency of Internal Taxes No. 039-2023-SUNAT/700000 was published, which provides for the application of the discretionary power of the SUNAT to not sanction the infractions classified in the numerals 2 and 10 of article 175 of the Tax Code related to the keeping of books and records linked to tax matters electronically, provided that the criteria established in the Annex of the aforementioned Resolution are met, until April 30, 2024.

(a2) The SBS through SBS Resolution No. 4342-2023 dated December 29, 2023, modified procedure No. 32 referring to the "Proof of irrecoverability for tax punishment of credits and/or accounts receivable from operating companies multiple and specialized companies" of the TUPA of the Superintendency of Banking and Insurance.

In this regard, it is pertinent to highlight the following:

- According to our tax legislation, in order for the entities of the financial system to carry out the write-off of doubtful debts that exceed 3 UITs (S/ 15,450 for 2024), they must previously provision said debts, according to the parameters established for for this purpose, as well as demonstrating the impossibility of taking legal action for bad debts, when the Board of Directors of said entities declares the futility of initiating the corresponding judicial actions.

- Said agreement must be ratified by the SBS, through a certificate certifying that the aforementioned companies have demonstrated the existence of real and verifiable evidence on the unrecoverability of the credits that are subject to punishment, which must be issued. within the deadline for the presentation of the annual sworn declaration of the year to which the punishment corresponds or until the date on which the company had submitted said declaration, whichever occurs first.

- As can be seen, our tax regulations provide that financial entities must process the certificate of unrecoverability before the SBS, in order to support the admissibility of the write-off of bad debts within the deadlines established for this purpose, that is, the presentation of the declaration. annual sworn, and at the discretion of the tax authority, failure to comply with such requirement generates a permanent objection, as seen in SUNAT Official Letter No. 009-2004-2B0000.

(a3) On December 19, 2023, Law No. 31962 was published, by means of which the interest rates applicable to refunds of tax payments made improperly or in excess, refunds for withholdings or perceptions not applied of the general sales tax and the corresponding amount for updating fines. In this sense, the following modifications are established:

The most important changes are:
Refunds of payments made improperly and/or in excess will be made applying the Default Interest Rate published by SUNAT (currently 10.8% annually), which is the same Rate that applies to unpaid taxes that are not paid on time. With this, the distinction of the interest rate is eliminated depending on whether the payment had been made voluntarily (5.04% annually, currently) or as a consequence of a requirement from the Tax Administration (10.8% annually, currently).

- In the case of the restitution of returns that become improper, the Average Passive Market Rate for operations in National Currency (TIPMN) published by the SBS will be applied.

- Interest applicable to tax fines: i) Unpaid tax fines will be updated by applying the legal interest rate set by the BCRP, in accordance with the provisions of article 1244 of the Civil Code (currently 3.7% annually). ii) Said interest will be applied from the date on which payment of the fine is required from the debtor by the Tax Administration., iii) Regarding the return of withholdings or perceptions not applied, the interest rate will be the same as It is applied to the unpaid tax, in accordance with article 33 of the Tax Code (10.8% annually).

In the opinion of management, as of December 31, 2023 and 2022, the BBVA Perú Group complies with the applicable regulations.

## 24. Deferred income tax

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

| | Balance as of January 01,2022 S/(000) | Credit (debit) to equity S/(000) | Credit (debit) to income S/(000) | Balance as of December 31, 2022 S/(000) | Credit (debit) to equity S/(000) | Credit (debit) to income S/(000) | Balance as of December 31, 2023 S/(000) |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Generic provision for direct loans | 495,196 | - | (23,059) | 472,137 | - | (66,358) | 405,779 |
| Generic provision for indirect loans | 39,448 | - | 63 | 39,511 | - | 1,688 | 41,199 |
| Provision for Realizable, received in payment and seized assets | 41,445 | - | (4,331) | 37,114 | - | (817) | 36,297 |
| Specific provision for indirect loans | 39,389 | - | 1,725 | 41,114 | - | 4,963 | 46,077 |
| Provision for other expenses and others | 143,668 | - | 107,968 | 251,636 | - | 66,191 | 317,827 |
| Labor provisions | 107,784 | (250) | 13,412 | 120,946 | 952 | 12,033 | 133,931 |
| Interest in suspense | 278 | - | - | 278 | - | - | 278 |
| Available-for-sale investments | 6,052 | 9 | - | 6,061 | (724) | - | 5,337 |
| Cash flow hedges | 2,131 | 8,878 | - | 11,009 | - | - | 11,009 |
| Valuation of hedge of debt | 10,958 | - | - | 10,958 | - | 8,632 | 19,590 |
| | 886,349 | 8,637 | 95,778 | 990,764 | 228 | 26,332 | 1,017,324 |
| **Liabilities** | | | | | | | |
| Valuation of hedge of debt | - | - | (28,627) | (28,627) | - | - | (28,627) |
| Cash flow hedges | (123) | - | - | (123) | (2,944) | - | (3,067) |
| Intangible assets / deferred charges | (122,440) | - | (24,944) | (147,384) | - | (12,381) | (159,765) |
| Available-for-sale investments | (5,075) | 3,368 | - | (1,707) | (1,099) | - | (2,806) |
| Tax depreciation of property, furniture and equipment | (9,341) | - | (888) | (10,229) | - | (1,284) | (11,513) |
| Balancing of assets and liabilities due to exchange difference | (39,279) | - | 10,633 | (28,646) | - | 3,962 | (24,684) |
| | (176,258) | 3,368 | (43,826) | (216,716) | (4,043) | (9,703) | (230,462) |
| **Net deferred tax asset** | 710,091 | 12,005 | 51,952 | 774,048 | (3,815) | 16,629 | 786,862 |

## 25. Earnings per share

The calculation of the weighted average number of shares outstanding and earnings per share as of December 31 2023 and 2022, is as follows:

| | Shares outstanding | Base shares in determining weighted average | Effective days to period-end | Weighted average number of common shares |
|---|---|---|---|---|
| 2023 | | | | |
| Balance as of January 1, 2023 | 7,382,184 | 7,382,184 | 360 | 7,382,184 |
| Capitalization of 2022 profit | 765,027 | 765,027 | 360 | 765,027 |
| **Balance as of December 31, 2023** | 8,147,211 | 8,147,211 | | 8,147,211 |
| **Net profit as of December 31, 2023** | | | | 1,873,736 |
| **Basic and diluted earnings per share** | | | | 0.2300 |
| 2022 | | | | |
| Balance as of January 1, 2022 | 6,758,467 | 6,758,467 | 360 | 6,758,467 |
| Capitalization of 2021 profit | 623,717 | 623,717 | 360 | 623,717 |
| Capitalization of 2022 profit | - | 765,027 | 360 | 765,027 |
| **Balance as of December 31, 2022** | 7,382,184 | 8,147,211 | | 8,147,211 |
| **Net profit as of December 31, 2022** | | | | 1,921,759 |
| **Basic and diluted earnings per share** | | | | 0.2359 |

## 26. Related party transactions

As of December 31, 2023 and 2022, the BBVA Peru Group's consolidated financial statements include related party transactions, which, under IAS 24 and SBS regulations, comprise the Parent Company, subsidiaries, related parties, associates, other related parties, and the Bank's directors and key management. All transactions with related parties are carry out under the available market conditions for unbound third parties.

(a) The balances of the BBVA Peru Group's consolidated statement of financial position arising from related parties as of December 31, 2023 and 2022 were as follows:

| | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Controlling party S/(000) | Related parties (*) S/(000) | Associates S/(000) | Key personnel and directors S/(000) | Total S/(000) | Controlling party S/(000) | Related parties (*) S/(000) | Associates S/(000) | Key personnel and directors S/(000) | Total S/(000) |
| **Assets:** | | | | | | | | | | |
| Cash and due from banks | 373,364 | 159 | - | - | 373,523 | 386,470 | 1,475 | - | - | 387,945 |
| Loan portfolio, net | - | 584,169 | 29,009 | 23,412 | 636,590 | - | 242,643 | 27,279 | 24,886 | 294,808 |
| Trading derivatives | 504,693 | 50,876 | - | - | 555,569 | 485,210 | 49,732 | - | - | 534,942 |
| Other assets, net | 49,908 | 272,454 | - | - | 322,362 | 214,896 | 28,886 | - | - | 243,782 |
| **Total assets** | 927,965 | 907,658 | 29,009 | 23,412 | 1,888,044 | 1,086,576 | 322,736 | 27,279 | 24,886 | 1,461,477 |
| **Liabilities:** | | | | | | | | | | |
| Obligations with the public and deposits from financial institutions | 406,410 | 809,416 | 34,595 | 31,687 | 1,282,108 | 225,055 | 292,060 | 1,096 | 39,574 | 557,785 |
| Debts and financial obligations | 761,950 | - | - | - | 761,950 | 783,588 | - | - | - | 783,588 |
| Trading derivatives | 307,309 | 3,917 | - | - | 311,226 | 485,466 | 190 | - | - | 485,656 |
| Provisions and other liabilities | 186,850 | 362,556 | - | - | 549,406 | 271,976 | 303,343 | - | - | 575,319 |
| **Total liabilities** | 1,662,519 | 1,175,889 | 34,595 | 31,687 | 2,904,690 | 1,766,085 | 595,593 | 1,096 | 39,574 | 2,402,348 |
| **Off-balance sheet accounts:** | | | | | | | | | | |
| Indirect loans | - | 168,392 | 193 | - | 168,585 | - | 70,287 | 13,385 | - | 83,672 |
| Derivative instruments | 19,274,866 | 413,900 | - | - | 19,688,766 | 18,579,416 | 16,400 | - | - | 18,595,816 |

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

(b) The effects of related party transactions in the BBVA Peru Group's consolidated statement of financial position are detailed below for the years ended December 31, 2023 and 2022:

| | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Controlling party S/(000) | Related parties (*) S/(000) | Associates S/(000) | Key personnel and directors S/(000) | Total S/(000) | Controlling party S/(000) | Related parties (*) S/(000) | Associates S/(000) | Key personnel and directors S/(000) | Total S/(000) |
| Interest income | - | 1,404 | 219 | 110 | 1,733 | - | 951 | 181 | 112 | 1,244 |
| Interest expense | (25,584) | (20,877) | (63) | (17) | (46,541) | (25,021) | (19,207) | - | (27) | (44,255) |
| **Financial margin** | (25,584) | (19,473) | 156 | 93 | (44,808) | (25,021) | (18,256) | 181 | 85 | (43,011) |
| Financial service income | 8,038 | 741 | - | 28 | 8,807 | 6,945 | 545 | - | 23 | 7,513 |
| **Net commissions** | 8,038 | 741 | - | 28 | 8,807 | 6,945 | 545 | - | 23 | 7,513 |
| Profit or loss from financial transactions, net | (7,587) | (6,235) | - | 6 | (13,816) | (11,623) | (1,878) | - | 2 | (13,499) |
| Administrative expenses | (127,003) | (227,063) | - | - | (354,066) | (140,501) | (166,623) | - | - | (307,124) |
| Other income and expenses, net | 11 | - | - | - | 11 | - | 16 | - | - | 16 |
| **Other income and expenses** | (134,579) | (233,298) | - | 6 | (367,871) | (152,124) | (168,485) | - | 2 | (320,607) |

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

(c) Loans to personnel and remunerations to key personnel -
As of December 31, 2023 and 2022, Board of Directors, executives and employees of BBVA Peru Group hold allowed loan transactions pursuant to the Banking Law, which regulates and establishes certain limits to transactions with members of the Board of Directors, executives and employees of the banks in Peru. As of December 31, 2023 and 2022, direct loans granted to employees, directors, executives and key personnel amount to S/879 million and S/709 million, respectively.

Likewise, as of December 31, 2023 and 2022, remuneration to key personnel and expenses allowance for the board of Director amounts to S/15 million and S/16 million, respectively.

## 27. Trust activities

The Bank offers structuring and management services of trust transactions and trust fees and is in charge of the preparation of the underlying contractual agreements. Assets held in trust are not included in the Bank's financial statements. The Bank is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2023, the allocated value of assets in trusts and trust fees amount to S/11,201 million (S/10,288 million, as of December 31, 2022).

## 28. Classification of financial instruments

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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | At fair value through profit or loss | | | Available-for-sale | | |
| | Held for trading S/(000) | Allocated at inception S/(000) | Loans and accounts receivable S/(000) | At amortized cost (*) S/(000) | Fair value S/(000) | Hedging derivatives S/(000) |
| **Assets** | | | | | | |
| Cash and due from banks | - | - | 9,431,609 | - | - | - |
| Interbank funds | - | - | 17,009 | - | - | - |
| Investments | 4,387,392 | - | - | 1,122 | 10,760,082 | - |
| Equity instruments | - | - | - | 1,122 | 22,872 | - |
| Debt instruments | 4,387,392 | - | - | - | 10,737,210 | - |
| Loan portfolio | - | - | 70,647,238 | - | - | - |
| Trading derivatives | 1,237,496 | - | - | - | - | - |
| Accounts receivable, note 11 | - | - | 130,068 | - | - | - |
| Other assets, note 11 | - | - | 4,319,735 | - | - | - |
| | 5,624,888 | - | 84,545,659 | 1,122 | 10,760,082 | - |

(*) It includes investments measured at cost.

| | 2023 | | | | |
|---|---|---|---|---|---|
| | At fair value through profit or loss | | | Other liabilities | Hedging derivatives |
| | Held for trading S/(000) | Allocated at inception S/(000) | At amortized cost S/(000) | S/(000) | S/(000) |
| **Liabilities** | | | | | |
| Obligations with the public | - | - | 69,208,117 | - | - |
| Interbank funds | - | - | 378,451 | - | - |
| Deposits from financial institutions | - | - | 1,518,660 | - | - |
| Debts and financial obligations | - | - | 5,907,327 | - | - |
| Trading derivatives | 1,076,972 | - | - | - | - |
| Hedging derivatives | - | - | - | - | 93,486 |
| Accounts payable, note 14 | - | - | 8,739,882 | - | - |
| | 1,076,972 | - | 85,752,437 | - | 93,486 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | At fair value through profit or loss | | | Available-for-sale | | |
| | Held for trading S/(000) | Allocated at inception S/(000) | Loans and accounts receivable S/(000) | At amortized cost (*) S/(000) | Fair value S/(000) | Hedging derivatives S/(000) |
| **Assets** | | | | | | |
| Cash and due from banks | - | - | 12,145,003 | - | - | - |
| Investments | 3,278,859 | - | - | 1,121 | 8,311,743 | - |
| Equity instruments | - | - | - | 1,121 | 30,639 | - |
| Debt instruments | 3,278,859 | - | - | - | 8,281,104 | - |
| Loan portfolio | - | - | 69,122,387 | - | - | - |
| Trading derivatives | 1,349,619 | - | - | - | - | - |
| Hedging derivatives | - | - | - | - | - | 3,659 |
| Accounts receivable, note 11 | - | - | 45,795 | - | - | - |
| Other assets, note 11 | - | - | 976,762 | - | - | - |
| | 4,628,478 | - | 82,289,947 | 1,121 | 8,311,743 | 3,659 |

(*) It includes investments measured at cost.

| | 2023 | | | | |
|---|---|---|---|---|---|
| | At fair value through profit or loss | | | Other liabilities | Hedging derivatives |
| | Held for trading S/(000) | Allocated at inception S/(000) | At amortized cost S/(000) | S/(000) | S/(000) |
| **Liabilities** | | | | | |
| Obligations with the public | - | - | 66,053,752 | - | - |
| Interbank funds | - | - | - | - | - |
| Deposits from financial institutions | - | - | 847,794 | - | - |
| Debts and financial obligations | - | - | 4,036,978 | - | - |
| Trading derivatives | 1,245,843 | - | - | - | - |
| Hedging derivatives | - | - | - | - | 103,628 |
| Accounts payable, nota 14 | - | - | 12,287,242 | - | - |
| | 1,245,843 | | 83,225,766 | | 103,628 |

**29. Financial risk management**

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

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

This risk management area centralizes and concentrates management of the credit and market risk by means of 5 units that provide core services: (i) Retail Risk, (ii) Wholesale Risk, iii) Market & Structural Risk, (iv) Recoveries and (v) Portfolio Management, Risk Reporting & Sustainability, and 2 units that provide cross-cutting functions: (i) Strategy, Transformation & Performance and (ii) GRM Data & Analytics.

This structure provides the adequate environment for synergies to be created in work teams and higher integration to be obtained in all business processes, from strategy, planning, to modeling and management tools.

Supplemental to this management, the Unit of Internal Control of Risks, part of the Internal Control and Compliance function, is charged with verifying that the relevant process controls and most important deliverables prepared by the Risk area.

In a highly complex juncture, in which the new reality demands us to keep making containment efforts as well as focusing on special groups of population for the bank to be able to provide the best support to those geographical areas most affected by social unrest and climate change effects, the risk management function is fully focused on managing portfolios from all fronts:

- Portfolio management under the guidelines defined by the SBS and the Government, customizing management and monitoring reports to meet the new needs of the ongoing juncture.

- From the Wholesale and Retail Admission, ongoing review and adjustment of the admission policies, rescheduling modalities carrying out the portfolio diagnosis, segmentation and action plans according to the identified criticality.

- Collections continue with follow-up and management efforts under a preventive and anticipatory approach, with a focus on special groups and the potential impact of impairment off the different portfolios always oriented to the most vulnerable and hardest-hit sectors. Specialized teams have been set up to manage collections by implementing differentiated strategies according to the portfolio to implement special containment efforts.

The functions of the 2 transversal service units are described below:

- GRM Data & Analytics: Its purpose is to lead the Data Driven culture in Risk, promoting the achievement of strategic objectives with reliable data and advanced analytics. The subunits that make it up are the following:

Analytics Expertise Center: Has the responsibility of defining and executing the development plan of credit risk models and parameters for natural and legal persons. Likewise, it has the function of permanent monitoring of the models, generating the necessary alerts to redirect and re-estimate the models if needed.

Risk Data: The function includes promoting the appropriate governance of data in the Risk area, as well as the interrelation between areas to seek the best quality of the data used. Likewise, it is responsible for supervising the definition, construction and monitoring of quality rules in prioritized critical processes.

- Strategy; Transformation & Performance: Provides services for strategic and transversal management in the Risk area. This allows to manage synergies between internal units and be a link with external areas to ensure operational excellence and transformation of the area. The subunits they make up are the following:

Strategy & Portfolio: Articulate strategic planning and transversal vision of the area. Promote the main levers of transformation and develop strategic communication. Manage the area's project portfolio to ensure adequate planning, execution and monitoring of progress and impacts.

Risk Control Assurance: Ensure adequate mitigation of operational risks of the assigned area in the first line of defense. Coordinate the admission and monitoring of control frameworks for new processes and projects. Coordination with control model partners and external auditors.

Process Improvement: Manage continuous improvement projects with a focus on the efficiency, quality and profitability of internal Risk services. Monitor the maturity and transformation of processes in order to achieve operational excellence objectives.

Solution Development: Manage technological transformation projects (platforms, engines, data infrastructure, analytical models, automations, etc.). Manage work teams to be able to execute projects that achieve strategic objectives.

Risk Tools: Manage the governance and functional management of productive Risk tools, offering support to users and monitoring their availability. Coordinate the execution of minor evolutionary changes that allow improvement and secure optimal performance of the tools.

**Credit risk**

The Bank's risk management system is supported by a corporate governance scheme in which the BBVA Peru Group determines the policies for the management and control of retail and wholesale credit risks, which adapt to local regulation and circumstances.

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

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

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

  The Measurement & Guarantees team concentrates the calculation processes of the main risk metrics, integrating measurement processes of credit risk indicators related to provisions, regulatory capital, economic capital and risk-adjusted profitability. In addition, the guarantee management function has recently been incorporated with the measurement of impacts on the regulatory processes of provisions and capital.

  The Risk Sustainability team has the objective of ensuring the correct execution of the calculation processes related to ESG (Environmental Social and Governance) metrics in scope of the Risk area, emphasizing the importance of this information being included in the clients' analysis to the appropriate management of ESG risks of the entire portfolio.

- Retail Credit: Manages retail credit risk, according to the strategic objectives established by the Bank and monitoring the quality of the risk of the operations generated. This management involves:

  - Define the guidelines for the admission of clients from the retail segment: natural person and "Business Banking".
  - Monitor the results of the behavior of products, segments and origination channel (massive campaigns or individual evaluation), analyzing their respective evolutions and developments.

- Evaluation of the level of debt, disseminating and strengthening the Bank's risk culture.
- Disseminate and strengthen the risk culture throughout the Organization, with special focus on continuous training programs, the development of capabilities in commercial areas and Risk specialists.
- Detect warning signs of high-risk groups based on statistical information and portfolio monitoring. Establish corrective measures by making adjustments to internal policy and guidelines.
- Ensure, through interrelation with the different business areas and attention to internal and external supervisory bodies, compliance with credit risk policies, guaranteeing adequate compliance with the Bank's Risk Appetite Framework.
- Maintaining a comprehensive credit risk policy that underlies the quality of the loan portfolio based on an intensive interaction of the several business areas and attention to the internal and external overseeing bodies.
- Proposing and promoting continuing improvements in business processes, tools, and standards for an efficient
  management of the Credit Risk.
- Overseeing compliance with policies in the process of analysis and admission of the credit risk on transactions arising in the commercial areas.

There are 5 sub-units supporting management: Individual Admission; Individual Admission Pymes, Campaign Natural Person (generate campaigns to individuals), Campaign Pymes (campaigns to small business), Strategies & Governance (responsible for policies and standards intended to ensure compliance with corporate and local rules and analysis and diagnostics of portfolio).

- Wholesale Credit: A unit charged with managing the wholesale loan portfolio oriented to maximize the economic benefits to be earned from the risk positioning and the limits set in the Asset Allocation framework, as derived from the definition of the Group' risk profile and risk appetite, and in compliance with the applicable laws and regulations and corporate and local policies.

  Within its structure, there is a sub-unit called Wholesale Credit Strategies, charged with management of the wholesale portfolio, control of the Asset Allocation limits as well as definition of the growth and disinvestment policies and strategies.

  On the other hand, there is the sub-unit called Wholesale Credit Governance, charged with updating and implementing the overall policies, standards and procedures as well as the following up on observations raised by Internal Audit, External Audit, Internal Control, Holding and the SBS. It services consultations made regarding standards and delegations. It also leads the Technical Office of the Credit Technical Committee (CTO).

In addition, as a way to keep an agile structure, there are two subunits in Admission:

Wholesale Admission Stage 1: This is a primary axis of analysis under industry groupings and keeps expertise by segment.
Admission & Monitoring Stage 2: Operating under a preventive management approach, involving strategies to hold and/or reduce the risk of portfolio, and stop impairment by structuring pertinent financial solutions.

Real Estate Risk: a team specialized in the real-estate sector; it has two subunits.

Wholesale Admission Real Estate: Charged with assessing the economic and financial aspects of the credit proposals of entities in the real-estate industry.
Wholesale Monitoring Real Estate: Charged with following up on the portfolio of real-estate projects in progress (monthly valuation of work progress, updating sales dashboard, matching cash flows, etc); until work satisfaction is obtained and sponsor debt is settled.

It should be noted that the tools Rating and Early Warnings are an important support for decision making. Further, the digital platforms "Programa Financiero ARCE" and "Programa Financiero Digital", used in the BEC (Banca Empresa y Corporativa) and CIB (Corporate Investment Banking) segments, respectively, allow to prepare and analyze credit proposals.

Both the Wholesale Credit Governance team and Wholesale Credit Strategies have been working on initiatives to improve management. The Governance team continues with the review of local regulations for the respective updates. Likewise, together with Risk Transformation, they established a new model for assigning delegations for the Wholesale Admission part. The Strategies team promoted the Valida + rating validation initiative, having most of the portfolio qualified; Furthermore, ensuring the care of the Portfolio, containment plans are being generated to identify groups of vulnerable clients, either due to alerts specific to the sector or due to the situation (road closures, social mobilizations, FEN, etc.) that could activate preventive management actions that allow us to avoid future contingencies. Likewise, the Master Plan has been created as a long-term strategic plan to segment the portfolio and identify the best profiles, and guide the network's growth actions.

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

    - Retail Credit Early Default, a team charged with the recovery of the preventive and unpaid retail portfolio.

- Wholesale Credit Early Default, a team charged with managing the wholesale portfolio with payment difficulties and leading the sub-unit of Individual Classification, which assesses the Bank's non-retail customer portfolio to determine its rating and required level of provision, in consistency with the SBS and BBVA Group standards.
- Strategy, Governance & Management, a team that articulates collections and recoveries by means of initiatives, pilots and other projects that support data-processing an analysis.
- Retail Credit Late Default, a team charged with the court-ordered secured and off-court recovery and write-off of the retail portfolio.
- Wholesale Credit Late Default, a team charged with highest number of loans via court-ordered recoveries of the wholesale portfolio.
- IRBSA & Guarantees, a team charged with management and administration of commercialization of real-estate properties and other properties and setting the policies for the comprehensive management of guarantees.

The management of the portfolio with problems is articulated based on a centralized strategy that defines the differentiated actions for each of the segments and for each stage of the life cycle of the credit leveraged on policies of rescheduling, refinancing, adjudication and payment agreements with clients, in the search to provide solutions to clients in viable cases and minimize the expense of supplies. Finally, the divestment lever allows you to focus on the recoverable portfolio and control delinquency levels.

During 2023, the execution of the Comprehensive Collection Plan continued, with improvements in processes and information management scheduled within this transformation project that began in 2018, as well as solution products such as "commitment loan" and "refinanced with period of grace", the customer experience and the collection management platform that will allow greater traceability of the procedures carried out today, in line with good market practices. These actions consolidated the Recoveries team into a Collection and Recovery Center of Excellence.

# Notes to the consolidated financial statements (continued)

Maximum exposure to credit risk

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

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| Cash and due from banks | 9,431,609 | 12,145,003 |
| Interbank funds | 17,009 | - |
| Investments at fair value through profit or loss | 4,387,392 | 3,278,859 |
| Available-for-sale investments | 10,761,203 | 8,312,864 |
| Loan portfolio | 70,647,238 | 69,122,387 |
| Trading derivatives | 1,237,496 | 1,349,619 |
| Hedging derivatives | - | 3,659 |
| Accounts receivable, note 11 | 130,068 | 45,795 |
| Other assets, note 11 | 4,319,735 | 976,762 |
| | 100,931,750 | 95,234,948 |

Guarantees received

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

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

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

Below is the detail of the guarantees as of December 31, 2023 and 2022:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | S/(000) | % | S/(000) | % |
| Mortgages | 26,044,979 | 34 | 25,940,643 | 35 |
| Endorsements and letters of guarantee received | 3,606,263 | 5 | 6,490,818 | 9 |
| Finance lease | 3,529,543 | 5 | 3,511,965 | 5 |
| Self-liquidating collaterals | 647,150 | 1 | 518,081 | 1 |
| Vehicle, industrial, agricultural pledges and others | 54,312 | - | 74,435 | - |
| Rest of guarantees | 15,444,785 | 21 | 8,386,321 | 11 |
| Guaranteed loans | 49,327,032 | 66 | 44,922,263 | 61 |
| Non-guaranteed loans | 25,572,379 | 34 | 28,265,694 | 39 |
| **Total** | 74,899,411 | 100 | 73,187,957 | 100 |

Credit quality of the loan portfolio

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

| | 2023 | | | | | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of soles* | Wholesale loans | Small and micro- business | Consumer loans | Mortgage loans | Total | % | Wholesale loans | Small and micro- business | Consumer loans | Mortgage loans | Total | % |
| **Neither-past-due nor impaired loans** | 38,972,843 | 3,488,395 | 11,366,953 | 14,515,416 | 68,343,607 | 97 | 40,592,109 | 3,588,256 | 9,523,521 | 13,824,143 | 67,528,029 | 99 |
| Normal | 37,738,214 | 3,308,362 | 11,064,690 | 14,274,873 | 66,386,139 | 94 | 39,339,331 | 3,463,410 | 9,319,661 | 13,648,634 | 65,771,036 | 96 |
| With potential problems | 1,234,629 | 180,033 | 302,263 | 240,543 | 1,957,468 | 3 | 1,252,778 | 124,846 | 203,860 | 175,509 | 1,756,993 | 3 |
| Substandard | - | - | - | - | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - | - | - | - | - |
| Loss | - | - | - | - | - | - | - | - | - | - | - | - |
| **Past due but not impaired loans** | 136,316 | 1,311 | 51 | 653 | 138,331 | - | 174,159 | 2 | 2 | 516 | 174,679 | - |
| Normal | 40,623 | 745 | 12 | - | 41,380 | - | 38,453 | 1 | 2 | 4 | 38,460 | - |
| With potential problems | 95,693 | 566 | 39 | 653 | 96,951 | - | 135,706 | 1 | - | 512 | 136,219 | - |
| Substandard | - | - | - | - | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - | - | - | - | - |
| Loss | - | - | - | - | - | - | - | - | - | - | - | - |
| **Impaired loans** | 3,874,625 | 660,291 | 1,018,718 | 863,839 | 6,417,473 | 10 | 3,707,764 | 358,364 | 630,365 | 788,756 | 5,485,249 | 8 |
| Normal | 16,453 | 4 | 31 | - | 16,488 | - | 15,666 | 4 | 39 | - | 15,709 | - |
| With potential problems | 513,990 | 1 | 16 | 135 | 514,142 | 1 | 493,770 | - | 143 | - | 493,913 | 1 |
| Substandard | 741,623 | 147,124 | 253,436 | 273,358 | 1,415,541 | 2 | 699,869 | 73,298 | 148,548 | 205,967 | 1,127,682 | 2 |
| Doubtful | 880,072 | 185,951 | 463,026 | 252,888 | 1,781,937 | 3 | 761,235 | 93,200 | 236,629 | 189,595 | 1,280,659 | 2 |
| Loss | 1,722,487 | 327,211 | 302,209 | 337,458 | 2,689,365 | 4 | 1,737,224 | 191,862 | 245,006 | 393,194 | 2,567,286 | 3 |
| **Gross portfolio** | 42,983,784 | 4,149,997 | 12,385,722 | 15,379,908 | 74,899,411 | 107 | 44,474,032 | 3,946,622 | 10,153,888 | 14,613,415 | 73,187,957 | 107 |
| Less: Provisions | (2,997,281) | (522,914) | (824,746) | (553,614) | (4,898,555) | (7) | (3,028,156) | (277,028) | (753,770) | (603,584) | (4,662,538) | (7) |
| **Total net portfolio** | 39,986,503 | 3,627,083 | 11,560,976 | 14,826,294 | 70,000,856 | 100 | 41,445,876 | 3,669,594 | 9,400,118 | 14,009,831 | 68,525,419 | 100 |

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

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

During 2023 and 2022, customer transactions that throughout said periods were classified as past due and not impaired loans and as impaired loans have generated finance revenue of S/171 million and S/198 million, respectively.

As of December 31, 2023 and 2022, the guarantees of past due and non-impaired loans and impaired loans amount to S/3,257 million and S/2,659 million, respectively, of which S/3,255 million and S/2,523 million correspond to mortgage loans.

As of December 31, 2023 and 2022, past due and non-impaired loans amounts to S/138 million and S/175 million, respectively. The breakdown of the referred credits according to days of arrears is shown below:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 16- 30 S/(000) | 31- 60 S/(000) | 61 - 90 S/(000) | Total S/(000) | 16- 30 S/(000) | 31- 60 S/(000) | 61 - 90 S/(000) | Total S/(000) |
| **Day in arrear** | | | | | | | | |
| **Type of loans** | | | | | | | | |
| Corporate loans | - | - | - | - | 41 | 1,663 | 674 | 2,378 |
| Large–business loans | 2,438 | 1,447 | 653 | 4,538 | 8,153 | 15,949 | 1,321 | 25,423 |
| Medium-sized entity loans | 53,950 | 57,464 | 20,364 | 131,778 | 60,980 | 65,511 | 19,867 | 146,358 |
| | 56,388 | 58,911 | 21,017 | 136,316 | 69,174 | 83,123 | 21,862 | 174,159 |
| Small-business loans | - | 1,309 | 1 | 1,310 | - | 2 | - | 2 |
| Micro-business loans | - | 1 | - | 1 | - | - | - | - |
| Consumer loans | - | 51 | - | 51 | - | 2 | - | 2 |
| Mortgage loans | - | 653 | - | 653 | - | 516 | - | 516 |
| | - | 2,014 | 1 | 2,015 | - | 520 | - | 520 |
| **Total** | 56,388 | 60,925 | 21,018 | 138,331 | 69,174 | 83,643 | 21,862 | 174,679 |

Risk concentrations

The loan portfolio is distributed in the following economic sectors:

| | 2023 S/(000) | 2022 S/(000) |
|---|---|---|
| Mortgage and consumer loans | 27,765,630 | 24,767,302 |
| Commerce | 12,907,348 | 13,889,067 |
| Manufacture | 10,306,904 | 10,691,306 |
| Transportation, storage and communications | 7,313,152 | 6,299,939 |
| Real estate, business and rental companies | 3,745,360 | 3,809,945 |
| Agriculture and Livestock | 2,803,778 | 3,144,823 |
| Financial intermediation | 2,335,228 | 2,278,990 |
| Hotels and restaurants | 1,469,431 | 1,623,101 |
| Mining | 1,466,553 | 1,136,403 |
| Construction | 950,420 | 1,063,506 |
| Electricity, gas and water companies | 788,699 | 1,233,808 |
| Others | 3,046,908 | 3,249,767 |
| | 74,899,411 | 73,187,957 |

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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | At fair value through profit or loss | | Loans and accounts receivable | Available-for sale | Hedging derivatives | Total |
| | Held-for-trading S/(000) | Allocated at inception S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| **Financial instruments** | | | | | | |
| Peru | 4,804,124 | - | 75,168,097 | 4,624,279 | - | 84,596,500 |
| Rest of South America | - | - | 19,780 | 18,350 | - | 38,130 |
| Rest of world | - | - | 18,170 | - | - | 18,170 |
| Mexico | 4,124 | - | 739 | - | - | 4,863 |
| United States of America | 391 | - | 7,976 | 6,118,544 | - | 6,126,911 |
| Europe | 834,205 | - | 5,055 | 30 | - | 839,290 |
| | 5,642,844 | - | 75,219,817 | 10,761,203 | - | 91,623,864 |
| Provisions | (17,956) | - | (5,088,893) | - | - | (5,106,849) |
| Accrued interest on performing loans, note 7 | - | - | 746,092 | - | - | 746,092 |
| Deferred interest, note 7 | - | - | (99,710) | - | - | (99,710) |
| | 5,624,888 | - | 70,777,306 | 10,761,203 | - | 87,163,397 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | At fair value through profit or loss | | Loans and accounts receivable | Available-for sale | Hedging derivatives | Total |
| | Held-for-trading S/(000) | Allocated at inception S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| **Financial instruments** | | | | | | |
| Peru | 3,706,864 | - | 73,362,413 | 4,664,098 | - | 81,733,375 |
| Rest of South America | - | - | 25,685 | 980 | - | 26,665 |
| Rest of world | - | - | 9,572 | - | - | 9,572 |
| Mexico | 314 | - | 1,163 | - | - | 1,477 |
| United States of America | - | - | 9,188 | 3,647,756 | - | 3,656,944 |
| Europe | 929,349 | - | 3,000 | 30 | 3,659 | 936,038 |
| | 4,636,527 | - | 73,411,021 | 8,312,864 | 3,659 | 86,364,071 |
| Provisions | (8,049) | - | (4,839,806) | - | - | (4,847,855) |
| Accrued interest on performing loans, note 7 | - | - | 683,399 | - | - | 683,399 |
| Deferred interest, note 7 | - | - | (86,431) | - | - | (86,431) |
| | 4,628,478 | - | 69,168,183 | 8,312,864 | 3,659 | 82,113,184 |

**Market risk**

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

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

- Interest rate risk: It arises as a consequence of variations in the term structure of market interest rates for the different currencies

- Exchange rate risk: It arises due to fluctuations in the exchange rates for the different currencies.

- Price risk: It arises as a result of changes in the market prices, either by specific factors of the instrument itself or by factors affecting all the instruments traded in the market.

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

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

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

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

As of December 31, 2023 and 2022 the detail of the VaR for risk factors is as follows:

| | 2023<br>S/(000) | 2022<br>S/(000) |
|---|---|---|
| **VaR for risk factors** | | |
| VaR without smoothing | 16,838 | 7,547 |
| VaR interest | 17,080 | 7,673 |
| VaR exchange | 568 | 1,451 |
| VaR weighted | 11,923 | 8,678 |
| VaR maximum | 20,272 | 12,498 |
| VaR minimum | 3,941 | 5,435 |

***Structural interest risk***

Structural interest risk is defined as the potential alteration that occurs in the interest income and/or in the equity value of an entity due to the variation in interest rates.

Considering the impact variable, we can see the following typologies of risk in the Group and the Bank:

- Interest margin risk: potential adverse deviation in the interest margin projected over a given horizon.
- Equity economic value risks: potential impact on the economic value of the financial institution's balance sheet.
- Risk of carrying amount of instruments accounted for at fair value in the banking book: potential impact on equity given the effect on the carrying amount of the portfolios of fixed income and derivatives classified as "Held to Collect and Sell" (HtC&S).

Structural interest rate risk management is aimed at maintaining the stability of the interest margin in the face of interest rate variations, contributing to the generation of recurring results, and controlling the potential impacts on equity due to the mark-to-market of instruments classified as "held to collect and sale" (in local accounting as "available for sale") as well as limiting capital needs for structural interest risk.

The Asset & Liability Management & Capital unit, supported by the Assets and Liabilities Committee (hereinafter ALCO) conducts active management of the banking book through operations to optimize the level of risk assumed, in relation to the expected results, and allow compliance with the maximum levels of tolerable risk.

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

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

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

The consumption of the structural interest risk levels of the BBVA Peru Group during the years 2023 and 2022 are presented as follows:

| 2023 | | Dec-23 | Nov-23 | Oct-23 | Sep-23 | Aug-23 | Jul-23 | Jun-23 | May-23 | Apr-23 | Mar-23 | Feb-23 | Jan-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Limit consumption** | | | | | | | | | | | | | |
| Financial margin sensitivity | 9.5% | 1.88% | 1.74% | 2.49% | 2.65% | 3.28% | 3.41% | 3.64% | 3.83% | 4.38% | 4.66% | 4.78% | 4.66% |
| **Alert consumption** | | | | | | | | | | | | | |
| Economic value sensitivity (*) | 750 | 754 | 761 | 720 | 712 | 698 | 683 | 665 | 582 | 535 | 538 | 494 | 499 |
| Economic capita (EC) (*) | 950 | 976 | 989 | 941 | 934 | 938 | 922 | 903 | 779 | 749 | 715 | 666 | 669 |
| Earnings at risk (EaR) | 4.5% | 2.01% | 1.74% | 1.64% | 1.80% | 2.00% | 1.97% | 2.38% | 2.24% | 2.47% | 2.71% | 2.46% | 2.70% |

| 2022 | | Dec-22 | Nov-22 | Oct-22 | Sep-22 | Aug-22 | Jul-22 | Jun-22 | May-22 | Apr-22 | Mar-22 | Feb-22 | Jan-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Limit consumption** | | | | | | | | | | | | | |
| Financial margin sensitivity | 9.5% | N/D | 4.5% | 4.9% | 5.9% | 6.2% | 6.6% | 6.6% | 7.9% | 7.5% | 7.4% | 8.5% | 7.7% |
| **Alert consumption** | | | | | | | | | | | | | |
| Economic value sensitivity | 750 | N/D | 501 | 484 | 485 | 503 | 512 | 517 | 506 | 332 | 329 | 399 | 285 |
| Economic capital (EC) | 900 | N/D | 753 | 735 | 744 | 743 | 700 | 725 | 689 | 659 | 716 | 612 | 445 |
| Earnings at risk (EaR) | 4.5% | N/D | 2.5% | 2.4% | 3.0% | 3.1% | 3.1% | 3.2% | 3.6% | 3.9% | 4.0% | 3.2% | 3.0% |

(*) Since November 2023, there has been an exceedance of the Economic Value Sensitivity limit (PEN 750 MM) and the Economic Capital limit (PEN 950 MM) explained mainly by the balance of soles due to a longer duration of the asset and by decrease in market interest rates.

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

**Liquidity risk:**

The liquidity and financing risk is defined as the inability of a financial institution to honor its payment obligations due to a lack of funds or whenever a financial institution has to resort to financing under especially severe conditions to be able to honor those obligations.

As part of this risk and considering a temporary horizon over which the payment obligation occurs, we can distinguish:

- Liquidity risk: The risk of suffer losses in the short-term resulting from events that affect their ability to use cash resources to meet its more immediate payment obligations, either because of the impossibility to sell assets or an unexpected reduction of trade liabilities, or because the regular financing sources are shut down bot in normal or stress situation, and including the potential outflow of additional resources for contingent reasons.
- Intraday liquidity risk: Risks that a financial institution is not able to meet its daily settlement obligations; for example, because of timing mismatches in payment, settlement systems or other relevant.
- Financing risk: This risk reflects the increase in the exposure of balance sheet of a financial institution, medium and short-term resulting from its deviation from its target to keep stable resources inherent to its activity, together with other wholesale stable financing resources to enable a diversification by due dates and sources, as a way to concentration of counterparties that sharpen the exposure or vulnerability of the financial institution in a stress scenario. In a context of higher exposure to this risk, a higher probability exists of incurring in higher short-term financing, higher use of collaterals, and in any case, an intensified short-term liquidity risk.

The Group and Banco BBVA Peru aim at promoting a sound financing structure to contribute with the sustainability of the business model. For that purpose, the risk model promotes maintaining an adequate number of stable resources in a wholesale diversified financing model that restrict the weight of short-term financing, ensure access to several markets, optimize the costs of financing, and creates a buffer of liquid assets for the Bank to be able to survive under stress scenarios.

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

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

The periodic measurements of the risk incurred and the monitoring of the consumption of limits are carried out by the Structural, Markets and Fiduciary Risks Unit, which monthly reports the liquidity risks level to the ALCO; as well as more frequently to the management units. It should be noted that during the beginning of the state of emergency due to the COVID-19 pandemic, the Structural Risks unit increased the measurement frequency of the main liquidity indicators in order to carry out a daily monitoring that allows anticipating any contingency and supporting the management areas.

Moreover, the Basel Committee on Banking Supervision (BCBS) has proposed a new liquidity regulation scheme based on two ratios: "Liquidity Coverage Ratio" (LCR) that entered into force in 2015 and the "Net Stable Funding Ratio" (NSFR) has been implemented since 2018. Both the Bank and the BBVA Group as a whole participated in the corresponding impact study (QIS) that has included the new regulatory challenges in its new general framework of action in the field of liquidity and financing. At the local level, the SBS has also implemented monitoring of the Liquidity Coverage Ratio (RCL), following the general guidelines of the Basel Committee, although adapting it to the Peruvian reality. This RCL indicator began to be measured from December 2013 and its calculation is daily. The limit established for the RCL is 80% for the period 2014 - 2017, 90% for 2018 and 100% for 2019 onwards, which is being met with ease.

In accordance with SBS regulations, the maturities of assets and liabilities as of December 31, 2023 and 2022, including accrued interest on loans and deposits, are as follows. Other accounts receivable and other financial assets are not included.

| | Up to 1 month S/(000) | 1-3 months S/(000) | Between 3 and 6 months S/(000) | Between 6 months and 1 year S/(000) | Between1 year and 5 years S/(000) | More than 5 years S/(000) | Sold and under court collection S/(000) | No contractual maturity S/(000) | Total S/(000) |
|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Cash and due from banks | 9,094,778 | 51,351 | 24,849 | 17,363 | 242,865 | 403 | - | - | 9,431,609 |
| Interbank funds | 17,009 | - | - | - | - | - | - | - | 17,009 |
| Investments at fair value through profit or loss | 4,387,392 | - | - | - | - | - | - | - | 4,387,392 |
| Available-for-sale investments | 9,455,308 | 7,675 | 2,856 | 737,931 | 220,087 | 337,346 | - | - | 10,761,203 |
| Loan portfolio | 6,224,730 | 6,205,973 | 6,171,406 | 11,980,234 | 27,677,721 | 13,849,137 | 3,536,302 | - | 75,645,503 |
| Trading derivatives | 190,592 | 77,396 | 92,081 | 191,103 | 217,462 | 468,862 | - | - | 1,237,496 |
| | 29,369,809 | 6,342,395 | 6,291,192 | 12,926,631 | 28,358,135 | 14,655,748 | 3,536,302 | - | 101,480,212 |
| **Liabilities** | | | | | | | | | |
| Obligations with the public | 13,362,892 | 8,599,552 | 4,041,765 | 2,916,947 | 40,205,961 | 81,000 | - | - | 69,208,117 |
| Demand deposits | 2,626,640 | 1,922,862 | - | - | 18,183,670 | - | - | - | 22,733,172 |
| Saving accounts | 2,404,859 | 1,049,403 | - | - | 19,287,729 | - | - | - | 22,741,991 |
| Time deposits | 8,121,074 | 5,627,287 | 4,041,765 | 2,916,947 | 2,734,562 | 81,000 | - | - | 23,522,635 |
| Others | 210,319 | - | - | - | - | - | - | - | 210,319 |
| Interbank funds | 378,451 | - | - | - | - | - | - | - | 378,451 |
| Deposits from financial institutions | 1,407,873 | 65,313 | 34,131 | 3,406 | 7,937 | - | - | - | 1,518,660 |
| Debts and financial obligations | 229,013 | 22,483 | 599,018 | 105,423 | 1,414,799 | 3,536,591 | - | - | 5,907,327 |
| Trading derivatives | 353,660 | 50,182 | 96,830 | 91,799 | 228,949 | 255,552 | - | - | 1,076,972 |
| Hedging derivatives | - | - | 594 | 42,318 | 50,574 | - | - | - | 93,486 |
| Accounts payable | 2,355,281 | 180,216 | 463,900 | 3,136,024 | 2,604,461 | - | - | - | 8,739,882 |
| Other liabilities | 3,774,716 | - | - | - | - | - | - | - | 3,774,716 |
| | 21,861,886 | 8,917,746 | 5,236,238 | 6,295,917 | 44,512,681 | 3,873,143 | - | - | 90,697,611 |

| | Up to 1 month S/(000) | 1-3 months S/(000) | Between 3 and 6 months S/(000) | Between 6 months and 1 year S/(000) | Between1 year and 5 years S/(000) | More than 5 years S/(000) | Sold and under court collection S/(000) | Total S/(000) |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and due from banks | 9,598,572 | 250,930 | 159,722 | 145,085 | 1,990,474 | 220 | - | 12,145,003 |
| Investments at fair value through profit or loss | 3,278,859 | - | - | - | - | - | - | 3,278,859 |
| Available-for-sale investments | 6,871,164 | 70,508 | 45,786 | 20,214 | 986,580 | 318,612 | - | 8,312,864 |
| Loan portfolio | 8,276,036 | 8,727,045 | 7,430,104 | 8,876,959 | 27,406,847 | 9,947,233 | 3,207,132 | 73,871,356 |
| Trading derivatives | 81,384 | 125,626 | 88,827 | 160,245 | 287,151 | 606,386 | - | 1,349,619 |
| Hedging derivatives | - | - | - | - | 3,659 | - | - | 3,659 |
| | 28,106,015 | 9,174,109 | 7,724,439 | 9,202,503 | 30,674,711 | 10,872,451 | 3,207,132 | 98,961,360 |
| **Liabilities** | | | | | | | | |
| Obligations with the public | 9,463,766 | 5,979,509 | 3,819,413 | 3,411,417 | 43,278,647 | 101,000 | - | 66,053,752 |
| Demand deposits | 2,556,312 | 1,871,329 | - | - | 18,056,283 | - | - | 22,483,924 |
| Saving accounts | 1,836,092 | 1,338,309 | - | - | 21,937,899 | - | - | 25,112,300 |
| Time deposits | 4,835,886 | 2,769,871 | 3,819,413 | 3,411,417 | 3,284,465 | 101,000 | - | 18,222,052 |
| Others | 235,476 | - | - | - | - | - | - | 235,476 |
| Deposits from financial institutions | 302,109 | 167,176 | 32,607 | 103 | 345,799 | - | - | 847,794 |
| Debts and financial obligations | 30,191 | 32,402 | 11,148 | 533,740 | 401,736 | 3,027,761 | - | 4,036,978 |
| Trading derivatives | 383,109 | 106,631 | 51,200 | 87,052 | 269,152 | 348,699 | - | 1,245,843 |
| Hedging derivatives | - | - | 3,081 | 15,125 | 85,422 | - | - | 103,628 |
| Accounts payable | 2,210,414 | 1,068,505 | 1,204,232 | 1,033,142 | 6,770,938 | 11 | - | 12,287,242 |
| Other liabilities | 1,052,056 | - | - | - | - | - | - | 1,052,056 |
| | 13,441,645 | 7,354,223 | 5,121,681 | 5,080,579 | 51,151,694 | 3,477,471 | - | 85,627,293 |

*Operational risk*

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

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

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

In connection with qualitative management, the Support Tool for Operational Risk Management (MIGRO tool) makes it possible to record the operational risks identified by associating them with a taxonomy of processes and their quantification, as well as recording the evaluation periodical controls associated with critical risks. Throughout 2023, because of the risks and controls are being updated, the operational risk management model remained valid.

In addition, there is a database which is a fundamental quantitative tool for operational risk management (Integrated Operational Risk System - SIRO), that collects every operational risk event that represents a loss for the Bank and its subsidiaries.

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

The effective equity requirement for operational risk based on the alternative standard method as of December 31, 2023 amounts to S/735 million (S/665 million as of December 31, 2022).

## 30. Fair value

Fair value is the amount for which an asset could be exchanged between duly informed buyer and seller, or a liability settled, between knowledgeable between duly informed debtor and creditor, in an arm's length transaction.

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

Although Management uses its best judgment to estimate the fair value of the financial instruments of the BBVA Peru Group, there are weaknesses inherent to any valuation technique. As a result, the fair value may not be an approximate estimate of the net realizable value or the liquidation value.

The following considerations may be applied to the methodology and assumptions used in the fair value estimates of the BBVA Peru Group's financial instruments.

(i) Assets and liabilities whose fair value is similar to the carrying amount
This assumption applies to those assets and liabilities with current maturity, arranged at a floating rate and to those included in Official Letter N° 43078-2014-SBS, where the SBS determined that their fair value corresponded to the carrying amount.

(ii) Assets and liabilities at fixed rate
Uses the methodology of projection of future cash flows discounted at market interest rates for instruments with similar characteristics.

(iii) Assets and liabilities measured at fair value

In the determination of fair value, three levels are distinguished:

Level 1:
For instruments quoted in active markets, the fair value is determined by the price observed in those markets; and for instruments whose market price is not available but that of its components is, the fair value will be determined based on the relevant market prices of such components.

Level 2:
For instruments quoted in non-active markets, the fair value is determined by valuation techniques or models that mostly uses data from the market and minimizing the use of data calculated internally.

Level 3:
For unquoted instruments, fair value is determined using valuation techniques or models.

# Notes to the consolidated financial statements (continued)

The fair value of held-for-trading and available-for-sale investments has been determined based on their market prices or the quotations of the underlying assets (sovereign risk rates) on the date of the consolidated financial statements.

In the case of derivatives, their fair value is determined through the use of valuation techniques.

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

Taking into account fair value considerations and the Official Letter 43078-2014-SBS, in which the SBS determined that fair value corresponds to the carrying amount in the case of loans and deposits, as of December 31, 2023 and 2022, the carrying amounts and fair values of the Bank's financial assets and liabilities are presented as follows:

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2023<br>S/(000) | 2022<br>S/(000) | 2023<br>S/(000) | 2022<br>S/(000) |
| **Assets** | | | | |
| Cash and due from banks | 9,431,609 | 12,145,003 | 9,431,609 | 12,145,003 |
| Interbank funds | 17,009 | - | 17,009 | - |
| Investments at fair value through profit or loss and investment available-for-sale | 15,148,595 | 11,591,723 | 15,148,595 | 11,591,723 |
| Loan portfolio | 70,647,238 | 69,122,387 | 70,647,238 | 69,122,387 |
| Trading derivatives | 1,237,496 | 1,349,619 | 1,237,496 | 1,349,619 |
| Hedging derivatives | - | 3,659 | - | 3,659 |
| Accounts receivable, note 11 | 130,068 | 45,795 | 130,068 | 45,795 |
| Other assets, note 11 | 4,319,735 | 976,762 | 4,319,735 | 976,762 |
| **Total** | 100,931,750 | 95,234,948 | 100,931,750 | 95,234,948 |
| **Liabilities** | | | | |
| Obligations with the public and deposits from financial institutions | 70,726,777 | 66,901,546 | 70,726,777 | 66,901,546 |
| Interbank funds | 378,451 | - | 378,451 | - |
| Debts and financial obligations | 5,907,327 | 4,036,978 | 5,931,770 | 3,943,359 |
| Trading derivatives | 1,076,972 | 1,245,843 | 1,076,972 | 1,245,843 |
| Hedging derivatives | 93,486 | 103,628 | 93,486 | 103,628 |
| Accounts payable, note 14 | 8,739,882 | 12,287,242 | 8,739,882 | 12,287,242 |
| **Total** | 86,922,895 | 84,575,237 | 86,947,338 | 84,481,618 |

Assets and liabilities recorded at fair value according to the hierarchy level are presented as follows:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value S/(000) | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Fair value S/(000) | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) |
| **Assets** | | | | | | | | |
| **Investments at fair value through profit or loss** | | | | | | | | |
| Debt instruments | 4,387,392 | 692,675 | 3,694,717 | - | 3,278,859 | 316,774 | 2,962,085 | - |
| **Available-for-sale investments** | | | | | | | | |
| Instruments representing capital | 22,872 | 22,872 | - | - | 30,639 | 30,639 | - | - |
| Instruments representing debt | 10,737,210 | 7,438,877 | 3,298,333 | - | 8,281,104 | 4,307,377 | 3,973,727 | - |
| Trading derivatives | 1,237,496 | - | 1,237,496 | - | 1,349,619 | - | 1,349,619 | - |
| Hedging derivatives | - | - | - | - | 3,659 | - | 3,659 | - |
| | 16,384,970 | 8,154,424 | 8,230,546 | - | 12,943,880 | 4,654,790 | 8,289,090 | - |
| **Liabilities** | | | | | | | | |
| Borrowings and financial obligations | 1,124,258 | - | 1,124,258 | - | 1,845,663 | - | 1,845,663 | - |
| Trading derivatives | 1,076,972 | - | 1,076,972 | - | 1,245,843 | - | 1,245,843 | - |
| Hedging derivatives | 93,486 | - | 93,486 | - | 103,628 | - | 103,628 | - |
| | 2,294,716 | - | 2,294,716 | - | 3,195,134 | - | 3,195,134 | - |

Description of the valuation techniques for instruments recorded at fair value

| Level 2 | | Valuation technique / Hypothesis | Main inputs used |
|---|---|---|---|
| Fixed and variable income | | Fixed income: Present value of cash flows from bonds (coupons and face value): $$Price_{bond} = \sum_{n=1}^{N} \frac{Coupon}{(1+YTM)^n} + \frac{Face\ value}{(1+YTM)^N}$$ These cash flows are discounted at Yield to Maturity (YTM)<br>**Variable income:** The closing price is taken from a public source of information (Price Vendors). Does not have trading portfolio of variable income. | – Fixed income: Bond information (coupon rate, coupons payment frequency, face value)<br>– *Yield to Maturity (YTM)*: Obtained from operations traded in Datatec so that the transaction is greater than or equal to S/2 million (internally defined condition).<br>– Variable income: closing price of Bloomberg, Reuters or the Lima Stock Exchange website. |
| Derivatives | (a) Forwards, IRS and CCS | Calculation of the present value of each component of the derivative (fixed/variable) considering the market interest rates and converting into soles at the exchange rate of that day (if necessary). It takes into account the variable flows (if any), flow projection, discount curves for each underlying, and current market interest rates. | – Forward points.<br>– Fixed vs variable price.<br>– Closing exchange rates.<br>– Market interest rate curves. |
| | (b) Options | **For options on shares, currency and raw materials**<br>The hypothesis derived from the use of the Black-Scholes model takes into account the possible adjustments to convexity.<br>**For derivatives on interest rates**<br>The hypothesis derived from the use of the Black-Scholes assumes a lognormal process of forward rates and model takes into account the possible adjustment to convexity. | **Derivatives on shares, currency and raw materials**<br>– Forward structure of the underlying.<br>– Volatility of options.<br>– Observable correlations between the underlyings.<br>**Derivatives on interest rates**<br>– Term structure of interest rate curve.<br>– Volatility of the underlying. |

**31. Subsequent events**

The Bank is not aware of any subsequent events occurring between the closing date of these consolidated financial statements and the authorization date for their issuance, which may affect them significantly.

**32. Additional explanation for English translation**

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

COLEGIO DE
CONTADORES PÚBLICOS
DE LIMA

**E002-0035**

# Constancia de Habilitación

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

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

N.º MATRICULA: S0761

Se encuentra **HABIL**, para el ejercicio de las funciones profesionales que le faculta la Ley N.º 13253 y su modificación Ley N.º 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente.
Esta constancia tiene vigencia hasta el 31 DICIEMBRE 2024.

**Lima, 20 DE JULIO 2023.**

CPC. RAFAEL ENRIQUE VELASQUEZ SORIANO
DECANO

CPC. DAVID EDUARDO BAUTISTA IZQUIERDO
DIRECTOR SECRETARIO

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EY is the global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies over the world. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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