



**INCOME STATEMENT**  
 from January 1 to December 31, 2022  
 (In Thousands of Soles)

	<u>National Currency</u>	<u>Equivalent in FC</u>	<u>TOTAL</u>
<b>INTEREST INCOME</b>	<b>289,226</b>	<b>176,913</b>	<b>466,139</b>
Available	2,151	3,733	5,884
Investments Available for Sale	43,773	81,588	125,361
Direct Credit Portfolio	243,302	80,312	323,614
Accounts Receivable	0	11,280	11,280
<b>INTEREST EXPENSES</b>	<b>169,321</b>	<b>257,039</b>	<b>426,360</b>
<b>Public Liabilities</b>	<b>752</b>	<b>2,461</b>	<b>3,213</b>
<b>Deposits of Companies of the Financial System and International Financial Organization</b>	<b>7,838</b>	<b>211</b>	<b>8,049</b>
<b>Debts and Financial Obligations</b>	<b>148,758</b>	<b>253,141</b>	<b>401,899</b>
Debts and the Country's Financial System Liabilities	64,059	216	64,275
Debts and Liabilities with Financial Institutions. of the Outer. and Org.Financ.Intemac.	0	17,991	17,991
Other debts and liabilities of the country and abroad	0	14,460	14,460
Commissions and other charges for debts and financial liabilities	0	4,821	4,821
Outstanding Securities, Titles and Liabilities	84,699	215,653	300,352
<b>Accounts payable</b>	<b>2,815</b>	<b>0</b>	<b>2,815</b>
Accounts Payable Interest	2,815	0	2,815
<b>Result from Hedging Operations</b>	<b>0</b>	<b>1,226</b>	<b>1,226</b>
<b>Other Financial Expenses</b>	<b>9,158</b>	<b>0</b>	<b>9,158</b>
<b>GROSS FINANCIAL INCOME</b>	<b>119,905</b>	<b>(80,126)</b>	<b>39,779</b>
<b>PROVISIONS FOR DIRECT LOANS</b>	<b>(7)</b>	<b>15,962</b>	<b>15,955</b>
<b>NET FINANCIAL INCOME</b>	<b>119,912</b>	<b>(96,088)</b>	<b>23,824</b>
<b>INCOME FROM FINANCIAL SERVICES</b>	<b>97,756</b>	<b>5,828</b>	<b>103,584</b>
Income from Indirect Credits	487	1,068	1,555
Income from Trusts and Trust Commissions	97,237	4,748	101,985
Miscellaneous Income	32	12	44
<b>EXPENSES FOR FINANCIAL SERVICES</b>	<b>6,120</b>	<b>1,798</b>	<b>7,918</b>
Miscellaneous expense	6,120	1,798	7,918
<b>FINANCIAL NET INCOME AND EXPENSES FROM FINANCIAL SERVICES</b>	<b>211,548</b>	<b>(92,058)</b>	<b>119,490</b>
<b>RESULT ON FINANCIAL OPERATIONS (ROF)</b>	<b>4,156</b>	<b>(13,770)</b>	<b>(9,614)</b>
Investments Available for Sale	4,117	262	4,379
Trading Derivatives	0	(24,480)	(24,480)
Results from Hedge Operations	0	(5,031)	(5,031)
Profit (Loss) on Currency Exchange Difference	0	12,080	12,080
Others	39	3,399	3,438
<b>OPERATING MARGIN</b>	<b>215,704</b>	<b>(105,828)</b>	<b>109,876</b>
<b>ADMINISTRATION EXPENSES</b>	<b>57,853</b>	<b>7,739</b>	<b>65,592</b>
Personnel and Directory Expenses	34,864	527	35,391
Expenses for Services Received from Third Parties	18,576	7,211	25,787
Taxes and contributions	4,413	1	4,414
<b>DEPRECIATIONS AND AMORTIZATIONS</b>	<b>2,342</b>	<b>0</b>	<b>2,342</b>
<b>NET OPERATING MARGIN</b>	<b>155,509</b>	<b>(113,567)</b>	<b>41,942</b>
<b>VALUATION OF ASSETS AND PROVISIONS</b>	<b>843</b>	<b>3,215</b>	<b>4,058</b>
Provisions for Indirect Credits	0	(245)	(245)
Provisions for Uncollectibility of Accounts Receivable	(123)	3,458	3,335
Provisions for Litigation and Claims	719	0	719
Other Provisions	247	2	249
<b>OPERATING RESULT</b>	<b>154,666</b>	<b>(116,782)</b>	<b>37,884</b>
<b>OTHER INCOME AND EXPENSES</b>	<b>1,732</b>	<b>(4,238)</b>	<b>(2,506)</b>
Other income and expenses	1,732	(4,238)	(2,506)
<b>PROFIT AND LOSS FOR THE YEAR BEFORE INCOME TAX</b>	<b>156,398</b>	<b>(121,020)</b>	<b>35,378</b>
<b>INCOME TAX</b>	<b>1,685</b>	<b>0</b>	<b>1,685</b>
<b>PROFIT AND LOSS FOR THE YEAR</b>	<b>154,713</b>	<b>(121,020)</b>	<b>33,693</b>





FORM "B 2"

**INCOME STATEMENT and OTHER COMPREHENSIVE INCOME**  
 from January 1 to December 31, 2022  
 (In Thousands of Soles)

	<u>TOTAL</u>
<b>PROFIT AND LOSS OF THE YEAR :</b>	<b>33,693</b>
<b>Other Comprehensive Result:</b>	
Investments available for sale	(194,736)
Cash flow hedges	4,533
Income tax related to the components of Other Comprehensive Income	59,110
Other Comprehensive Income for the year, taxes net	<u>(134,093)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>(100,400)</u></b>



**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2022, AND DECEMBER 31, 2021**

**1. Incorporation and Economic Activity, and Approval of Financial Statements**

**A. Incorporation and Economic Activity**

Corporación Financiera de Desarrollo S.A. - COFIDE (hereinafter COFIDE) is a mixed capital company, in whose capital the State has a shareholding, represented by the Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado (National Fund for Financing State Business Activity) (hereinafter FONAFE), a dependency of the Ministry of Economy and Finance (hereinafter MEF) and the Corporación Andina de Fomento (Andean Development Corporation) (hereinafter CAF), with 99.4% and 0.5%, respectively. The 0.1% of the total capital stock corresponds to class B Preferred shares that are currently in COFIDE's portfolio.

COFIDE was created on March 18, 1971, through Decree-Law No. 18807, with administrative, economic, and financial autonomy and its purpose is to contribute to the integral development of the country, by raising funds and granting financing through Intermediary Financial Institutions (hereinafter IFIs), for the promotion and financing of productive investments and public and private infrastructure nationwide, as well as for the development of MSMEs and the national capital market.

Furthermore, it is dedicated to managing funds, programs, and securities received from financial entities and State entities, in its capacity as trustee, for which it receives commissions.

COFIDE's activities are regulated by various legal provisions included in its Statute, issued specifically to outline its framework of action. In addition, said activities are governed by the General Law of the Financial System and the Insurance and Organic System of the Superintendence of Banking, Insurance, and Private Pension Fund Administrators (hereinafter SBS) - Law No. 26702 (hereinafter the General Law), and its amending Legislative Decree No. 1028, dated June 21, 2008.

The legal address is Augusto Tamayo No. 160, San Isidro, Lima – Peru.

**B. Economic Activity in a State of Emergency (COVID-19)**

On March 15, 2020, through Supreme Decree 044-2020-PCM, the Peruvian Government declared a state of national emergency as a consequence of the COVID-19 outbreak. Consequently, national borders were closed, mandatory social isolation was required, and the closure of non-essential businesses was ordered. Only businesses that provide essential services (such as food-related services, health and medical care services, and financial services) are allowed to continue their economic activities. The Peruvian government issued other supreme decrees



to extend the national state of emergency to stop the spread of the COVID-19 outbreak in Peru. As of the date of this report, through Supreme Decree No. 143-2022-PCM of December 14, 2022, it was approved to extend the State of Emergency for a term of thirty (30) calendar days

Through Supreme Decree No. 015-2022-SA of August 15, 2022, the Declaration of Sanitary Emergency is extended as of August 29, 2022, for a period of one hundred and eighty (180) calendar days.

In this context, the Ministry of Economy and Finance (MEF), the Central Reserve Bank of Peru (BCRP), and the Superintendence of Banking, Insurance, and AFP - SBS adopted temporary measures to mitigate the financial and economic impacts of the COVID-19 pandemic. These measures are especially aimed at companies in the financial sector, which were affected by the closure of certain economic sectors. Some measures were also adopted to ensure the continuity of the payment chain in the Peruvian economy.

The main measures in the financial system include the rescheduling of credits (payment deferral), the suspension of overdue credit payments, the authorization to withdraw some funds from pension plans, and the establishment of credit programs.

COFIDE did not stop its activities, even during the quarantine periods dictated by the Peruvian Government. COFIDE was in charge of managing the financing programs of the Peruvian Government such as Reactiva and FAE to contribute with social support to the sectors with the greatest impact.

COFIDE implemented a surveillance plan, which includes the general guidelines for the prevention and control of COVID-19 at work following Supreme Decree No. 044-2020-PCM.

Regarding the management of business continuity plans, at the beginning of the declaration of the state of emergency, remote access to employees was gradually activated, initially for a group of 60 employees and later extended to the whole. The return to the COFIDE facilities is taking place progressively. Users who work remotely use computer services through secure connections (VPN) and with active directory access credentials, which allow them to maintain the same access assigned to them (applications, network drives, folders, etc.). Likewise, the information backup procedures kept working correctly.

Additionally, messages were disseminated to all users so that they apply good information security practices to protect the information in remote work: Good practices with remote work, being careful when receiving emails, safe Internet browsing, virtual meetings, and physical protection of the team.



With respect to the type of on-site, remote work or compensable leave that is applied to a group of collaborators, this type of work is in continuous evaluation and applied to collaborators who are within the risk group and according to the nature of their activities.

COFIDE, as part of the prevention and safety measures for employees who restarted work face-to-face, established the protocol for taking serological and molecular tests, the adaptation of our facilities, and strict compliance with our "Work Protocol at Headquarters".

This initiative to apply the taking of tests in COFIDE is aligned with the strengthening of the "Plan for surveillance, prevention, and control of employees' health in COFIDE", which is optional according to Ministerial Resolution No. 239-2020-MINSA.

During 2022, COFIDE continued its operations considering the general guidelines and sanitary and legal provisions in force, likewise implemented and updated internal regulations and directives, among which are "Work Protocols at the Headquarters", and "Safety Directives of the information". Additionally, COFIDE published the Regulations for "Remote work management at COFIDE during the health emergency".

As preventive measures against the effects of the pandemic, during 2022 and 2021, COFIDE approved that the personnel work in a mixed way (face-to-face and remote), and continued to conduct sanitary control measures to ensure the health of its employees.

### **C. Programs of the Peruvian Government for Economic Recovery**

Due to the State of Emergency by COVID-19, the Peruvian government established the following economic recovery programs:

#### **(i) Programs that are part of the COFIDE Financial Statements**

- **Business Support Fund for Micro and Small Companies (FAE - MYPE):** This Program involves funds from the Peruvian Government to guarantee working capital credits for micro and small companies. Access to credit under this Program will help cover costs and loss of income resulting from all activities suspended in the state of emergency by COVID-19, with working capital credits granted to micro and small businesses by financial institutions.

COFIDE administers this Program and grants loans to financial institutions, which will channel funds to micro and small businesses (MYPEs). Eligible micro and small businesses can request credits from their financial institution or credit cooperative, provided that said institution or cooperative has signed a credit



channeling agreement with COFIDE. These loans are granted under preferential conditions and for a term of up to 36 months, with a grace period of up to 12 months. First, the Program involved new loans for working capital, as well as the rescheduling and refinancing of loans, and the credit limit was up to S/ 90 thousand, with a 30%, 50%, and 70% guarantee. Currently, the Program only involves new credits for working capital and with a credit limit of up to S/ 30 thousand for each micro and small business, with a guarantee between 98% (credits of up to S/ 10 thousand) and 90% (credits over S/ 10 thousand up to S/30 thousand). The term of the Program was until December 31, 2026.

Through Emergency Decree No. 091-2021 of September 30, 2021, the acceptance period for the rescheduling of the credits guaranteed with the program was extended until December 31, 2021.

- Through the Aid Program for Micro and Small Businesses (FAE-MYPE), COFIDE has granted loans for a total of S/ 321,570 thousand as of December 31, 2022, and S/ 916,515 thousand as of December 31, 2021 (note 7.a) and with credit guarantees for a total of S/ 320,723 thousand as of December 31, 2022 and S/ 887,578 thousand as of December 31, 2021 (note 14 c.1).
- FAE-TURISMO Fund: This Program is aimed at micro and small companies that conduct lodging activities, interprovincial land passenger transport, tourist transport, travel and tourism agencies, restaurants, leisure activities, organization of congresses, conventions and events, guided tourism, and production and marketing of handicrafts. The Program applies to working capital loans and the credit limit is S/ 750 thousand per client, with coverage rates of 95% and 98%. For this Program, the amount disbursed by COFIDE corresponds to the same amount of coverage. The Program is in force since it has been exceptionally extended until December 31, 2022, for placements according to Emergency Decree 004-2022 released on March 30, 2022.

COFIDE has credits granted by the Business Support Fund for MYPEs in the Tourism Sector (FAE - Turismo) for a total of S/ 103,806 thousand as of December 31, 2022, and S/ 124,039 thousand as of December 31, 2021 (note 7.a) and with credit guarantees for a total of S/ 103,806 thousand as of December 31, 2022 and S/ 124,039 thousand as of December 31, 2021 (note 14 c.1).

- FAE-AGRO Fund: This Program is aimed at farmers who conduct family farming. This program implies guaranteed credit so that banks can grant credits for working capital. Consequently, the Program applies to working capital loans and the credit limit per client is S/ 30 thousand, with coverage rates of 95% and 98%. For this Program, the amount disbursed by COFIDE corresponds to the same amount of coverage. The Program is in force since it has been exceptionally



extended until March 31, 2022, for foster care according to Emergency Decree 091-2021 released on September 30, 2021.

COFIDE has granted loans provided by the National Government Guarantee Program for Business Agricultural Financing (FAE - Agro) for a total of S/ 1,136 thousand as of December 31, 2022, and S / 25,767 thousand as of December 31 of 2021 (note 7.a) and with credit guarantees for a total of S/ 1,136 thousand as of December 31, 2022, and S/ 25,767 thousand as of December 31, 2021 (note 14 c.1).

- PAE MYPE: Through Emergency Decree No. 019-2021, the Business Support Program for micro and small companies (PAE - MYPE) is created to grant the National Government Guarantee to the credit portfolios for working capital that meets the conditions and requirements to access the PAE-MYPE, up to the amount of two billion soles.

The MYPES that will be able to access the PAE-MYPE are those that obtain credits for working capital after the entry into force of the Operating Regulation of the PAE-MYPE (03/12/2021) and that have been most affected by the recent closures of activities or have had a subsequent or late restart of activities. The activities included within this criterion are found in the updated Annex No. 1 of the Operating Regulations. Capital loans within this program will have terms of up to 36 months, with grace periods of up to 12 months. The Program was in force until March 31, 2022, since it had been exceptionally extended for foster care according to Emergency Decree 091-2021 published on September 30, 2021.

COFIDE has credits that are granted by the Business Support Program for Micro and Small Companies (PAE-MYPE) for a total of S/ 105,347 thousand as of December 31, 2022 and S/ 62,429 thousand as of December 31, 2021 (note 7.a) and with credit guarantees for a total of S/ 105,347 thousand as of December 31, 2022 and S/ 62,429 thousand as of December 31, 2021 (note 14 c.1).

- FAE TEXCO: According to Emergency Decree No. 012-2022, published on May 19, 2022 and as provisioned in numerals 9.1 of article 9 where the Ministry of Economy and Finance was authorized, through the General Directorate of the Treasury Public, to irrevocably transfer in trust ownership, the uncommitted available balance of the FAE MYPE, in favor of COFIDE for the amount of S/ 200,000 thousand in numeral 9.2 provides that the trust patrimony will be used for the administration of the guarantee by COFIDE within the framework of FAE TEXCO, to promote the financing of micro and small enterprises (MYPE) in the textile and clothing sector, considering that they have been affected by the increase in cost and scarcity of inputs, as well as by the increase in the cost of financing; to promote their business strengthening and growth.





Likewise, according to the provisions of Article 11 of the [...] [N.T], Corporación Financiera de Desarrollo SA - COFIDE is authorized to participate as trust and trustee of FAE-TEXCO, as long as it does not modify its quality as a second-tier development bank, which implies a temporary exception to what is established in numeral 1 of article 258 of Law No. 26702, General Law of the Financial System and of the Insurance and Organic System of the Superintendence of Banking and Insurance, for which all acts conduct COFIDE, as a trust of FAE-TEXCO, for its own benefit as trustee of the aforementioned fund, is not restricted during the validity of FAE-TEXCO.

The term of the contract will be six (06) years from the maturity date of the foster care term of FAE TEXCO.

COFIDE has granted credits provided by the Business Support Fund for the textile and clothing sector (FAE-TEXCO) for a total of S/ 472 thousand (note 7.a), and with credit guarantees for a total of S/ 472 thousand (note 14 c.1) as of December 31, 2022.

**(ii) Programs in which COFIDE is involved as Administrator.**

- **Reactiva Perú Program:** This Program was established by the Peruvian Government through Legislative Decree No. 1455 and its amendments, for companies affected by the state of health emergency declared in response to COVID-19. Its objective is to promote financing for the replacement of working capital to companies that must comply with payments and short-term obligations, to ensure continuity in the payment chain. This Program involves a fund of up to S/ 60 billion to guarantee new loans granted by financial institutions and whose guarantees are managed by COFIDE. Through Supreme Decree No. 335-2020-EF, dated October 30, 2020, the validity of the Program was extended until November 30, 2020.

COFIDE does not grant credits directly to companies, which were able to request credits from financial institutions that had a guaranteed framework agreement or an adherence agreement to the constitutive act of securitization with COFIDE. The credit limit is determined in the credit evaluation conducted by the financial institution, considering the Operating Regulations of the Program. Likewise, the credit limit for each company may not exceed S/ 10,000 thousand, with coverage rates of 98% (credits up to S/ 90 thousand), 95% (credits over S/ 90 thousand to S/ 750 thousand), 90% (loans over S/ 750 thousand up to S/ 7,500 thousand) and 80% (loans over S/7,500 thousand up to S/ 10,000 thousand). The BCRP auctioned funds and financial institutions will participate in the auction offering final rates to the beneficiary.



As of December 31, 2022, the balance of guarantees granted through the REACTIVA Peru program was S/ 26,218,859 thousand (S/36,867,262 thousand as of December 31, 2021).

The guarantees related to this Program have a weighting risk factor of 0% for financial institutions, as they correspond to coverage granted by the Central Government. If the credits granted through the financial institutions under this Program become delinquent and the financial institutions need to honor the guarantee, the Peruvian State, through COFIDE, will pay the BCRP the amount owed and will subrogate the amount owed in favor of the financial institution. Subsequently, the financial institutions will continue with the corresponding collection and will pay COFIDE keeping the coverage ratio.

- **CRECER Fund:** Fund created to promote the strengthening of micro, small, and medium-sized companies through hedging, credit, and investment instruments. If the credits granted under this Program become delinquent and the financial institutions decide to honor the guarantee, the Peruvian State, through COFIDE, will pay for the coverage. Subsequently, the financial institutions will continue with the corresponding collection and will pay the Program, which is administered by COFIDE, the corresponding equivalent based on the agreed coverage. As of December 31, 2022, the balance of guarantees granted through the CRECER Fund was S/ 524,313 thousand in guarantees to EFS and S/ 16,671 thousand in guarantees to EF.
- **COVID-19 Guarantee Program:** Its objective is to guarantee rescheduled consumer, personal, and mortgage loans for housing, vehicles, and MYPEs, whether for natural persons or MYPEs, after interest rate reduction, the forgiveness of one or more installments in the payment schedule or a combination of both by the entities of the financial system (EFS), who must previously sign a guaranteed contract with COFIDE, which establishes the operational framework for granting guarantees within the scope of the Program. The coverage percentages are defined between 40% and 80% for consumer, MYPE and vehicle loans and between 50% and 80% for home mortgage loans. The terms are between 6 and 36 months depending on the type of credit and the limits for consumption and personal are up to S/10 thousand.; MYPE up to S/20 thousand; Vehicular up to S/50 thousand; Mortgage up to S/250 thousand, the balance of guarantees granted through the COVID-19 Guarantee Program was S/ 1,813 thousand as of December 31, 2021.



- **Reporting operations with loan portfolio rescheduling:** Approved by BCRP Circular No. 0021-2020, of June 7, 2020, through which the BCRP has established the possibility for companies in the financial system to obtain economic funding at a rate of 0.5% through Reporting Operations. Under this operation, the companies of the financial system agree to reschedule the credit portfolio of their clients, or the portfolio purchased from other financial entities, temporarily reducing the interest rate for the term of the operation with the BCRP.

As of December 31, 2022, the balance of this financing source was S/514,327 thousand, which includes principal and interest (S/ 1,000,621 thousand as of December 31, 2021) (note 12.b). These loans are mainly intended to finance the activities of the Micro and Small Business Aid Program (FAE -MYPE).

- **Equity Strengthening of Institutions Specialized in Microfinance:** Through Emergency Decree No. 037-2001, the Equity Strengthening Program of Specialized Microfinance Institutions was created, whose purpose is to establish complementary extraordinary measures in economic and financial matters, which allow the strengthening assets of specialized microfinance institutions, as well as facilitating their corporate reorganization, to protect public savings, preserve macroeconomic stability and maintain the continuity of the payment chain in the economy. This program would be financed through the issuance of bonds by the National Government.

The Program is made up of three subprograms: a) Strengthening of Municipal Savings Banks; b) Strengthening of private institutions specialized in microfinance; and c) Facilitation of the corporate reorganization of institutions specialized in microfinance. The Municipal Savings Banks adhered to December 31, 2022 in Sub Program 1 are: CMAC Sullana, CMAC Del Santa and CMAC Tacna; in Sub Program 2 are: Caja del Centro, Financiera Qapap, Financiera Credinka and CRAC Raíz.

COFIDE is monitoring the current situation related to the COVID-19 crisis, focusing on ensuring the continuity of operations and improving liquidity and solvency ratios. It also focuses on the management of economic recovery programs established by the Peruvian Government.

In addition to what was mentioned in previous paragraphs, the preventive measures adopted by the Peruvian government and the SBS had the following effects on the activities and financial statements of COFIDE:

- Rescheduling of loans for S/ 857,054 thousand as of December 31, 2022 (S/ 858,534 thousand as of December 31, 2021).



- Medium-term debts, in local currency, with Banco de la Nación. To the December 31, 2022, the balance of medium-term debts increased to S/ 1,211,003 thousand and S/ 1,146,167 thousand as of December 31, 2021 (note 11(a)).

## **D. Approval of the Financial Statements**

The financial statements for the period ended December 31, 2022, have been authorized for issuance by COFIDE Management on February 1, 2023. COFIDE Management considers that the financial statements, which are included in this report, will be approved by the Board of Directors without amendments. The financial statements for the year ended December 31, 2021, were approved by COFIDE's General Shareholders' Meeting, held on March 31, 2022.

## **2. Basis of Preparation of the Financial Statements**

### **A. Compliance Statement**

The attached financial statements have been prepared from COFIDE's accounting records and are presented under the legal regulations and accounting principles authorized by the SBS for financial entities in Peru and in the event of situations not provided for in said regulations, the provisions of the International Financial Reporting Standards (IFRS) are applied, made official in Peru by the Accounting Standards Council (hereinafter ASC).

Said standards comprise the standards and interpretations issued by the International Accounting Standards Board (IASB), which include IFRS, International Accounting Standards (IAS), and the pronouncements of the IFRS Interpretations Committee (IFRIC).

### **B. Measurement Bases**

The financial statements have been prepared under the historical cost principle, except for the following:

- Financial instruments are measured at fair value.
- Available-for-sale assets are measured at fair value.

### **C. Functional and Presentation Currency**

The financial statements are in soles (S/), according to SBS standards, which is COFIDE's functional and presentation currency. The information presented in soles (S/) has been rounded to the nearest unit in thousands (S/ 000), except when specified otherwise.



## **D. Use of Judgment and Estimates**

The information contained in these financial statements is the responsibility of COFIDE's Board of Directors and Management. To prepare them, certain estimates have been used to quantify some of the assets, liabilities, equity, income, expenses, and commitments that are recorded therein, based on experience and other relevant factors. Final results could vary from these estimates.

These estimates are reviewed on an ongoing basis. Amendments to accounting estimates are recognized prospectively, accounting for the effects of the change in the corresponding statement of profit or loss accounts for the year in which the corresponding revisions are made.

The estimates considered most important for the preparation of COFIDE's financial statements refer to:

- Provision for uncollectible direct and indirect loans.
- Fair value of derivative financial instruments.
- Provision for uncollectibility of accounts receivable
- Provision for legal contingencies and other liabilities.
- Investment impairment estimate.
- Current and deferred income tax.
- Classification and investment risk.

Management has exercised its critical judgment when applying accounting policies in the preparation of the attached financial statements, as described in note 3.

## **3. Main Accounting Policies**

The main accounting principles and practices used in the preparation of COFIDE's financial statements, which have been applied uniformly with those of the previous year, unless otherwise specified, are the following:

### **A. Financial Instruments**

#### **Recognition of Financial Instruments**

Financial instruments are defined as any contract that gives rise, simultaneously, to a financial asset in one company and to a financial liability or equity instrument in another company.

Financial instruments are recognized on the date they originated and are classified as assets, liabilities, or equity according to the substance of the contractual agreement that gave rise to them. Interest, dividends, gains, and losses generated by a financial instrument classified as an asset or liability are recorded as income or



expenses. Payments to holders of financial instruments recorded as equity are recorded directly in equity.

### **Classification of Financial Instruments**

COFIDE classifies its financial instruments in one of the categories defined by the SBS standard: (i) loans and accounts receivable, (ii) available-for-sale investments, and (iii) other financial liabilities. COFIDE determines the classification of financial instruments at the time of initial recognition and on an instrument-by-instrument basis.

The classification of financial instruments at their initial recognition depends on the purpose and intention of the Management for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognized at their fair value plus the incremental costs related to the transaction that are directly attributable to the purchase or issuance of the instrument, except in the case of financial assets or liabilities carried at fair value through profit or loss.

The purchases or sales of financial assets that require the delivery of the assets within a term established according to the regulations or conventions in the market (regular market terms) are recognized on the contract date.

### ***Derecognition of Financial Assets and Liabilities***

#### ***i. Financial Assets***

A financial asset (or when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have ended, or (ii) COFIDE has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay all cash flows received immediately to a third party under a transfer agreement; and (iii) COFIDE has transferred substantially all the risks and rewards of the asset or, if it has not transferred or retained substantially all the risks and rewards of the asset, its control has been transferred.

#### ***ii. Financial Liabilities***

A financial liability is written off when the payment obligation is terminated, canceled, or matures. When an existing financial liability is replaced by another from the same borrower under significantly different conditions, or the conditions are significantly amended, said replacement or amendment is treated as a derecognition of the original liability and a new liability is recognized, recognizing the difference between the two in the results of the period.



### **Impairment of financial assets**

COFIDE evaluates at the end of each period the objective existence that leads to conclude the impairment of an asset or a group of financial assets.

A financial asset or a group of financial assets is considered affected if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("loss event") and if said event loss has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably. Evidence of impairment may include indications of significant financial difficulties of the borrowers or group of borrowers, default or delays in interest or principal payments, probability of restructuring or bankruptcy of the company, or other financial legal reorganization process in which it is demonstrated that there will be a reduction in the estimated future flows, such as changes in circumstances or economic conditions that are correlated with payment defaults.

### **Clearing of financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legal right to offset them and Management intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## **B. Derivative Financial Instruments**

Derivative financial instruments are those that meet the following conditions:

- (a) Its fair value fluctuates in response to changes in the level or price of an underlying asset,
- (b) They do not require a net initial investment or only require a lower investment than the one that would be required in contracts that respond in a similar way to changes in market variables and
- (c) They are settled at a future date.

COFIDE classifies and records derivative financial instruments contracted following the provisions of the Accounting Manual and SBS Resolution No. 1737-2006 and its amendments. The accounting treatment provided by the SBS includes essential aspects provisioned by IAS 39 "Financial Instruments: Recognition and Measurement".

At the time of their initial registration on the trade date, derivative financial instruments must be classified into one of the following two categories:



### ***Derivative financial instruments for trading***

Derivative financial instruments held for trading are initially recorded at their fair value in the statement of financial position; subsequently, any change in the fair value of said derivative will affect the results of the year.

In addition to their registration in the statement of financial position, the derivative financial products described above are recorded in contingent accounts at their face value converted to starting spot prices.

### ***Derivative financial instruments for hedging purposes***

In the case of derivative financial instruments for hedging purposes, certain requirements established by the SBS must be met in terms of procedures, techniques to be applied, and adequate and timely documentation that supports the hedging strategy.

Interest rate and currency exchange operations ("Swaps") and mandatory future currency exchange contracts at an exchange rate previously agreed between the parties ("Forwards"), are initially recorded at their fair value.

Future cash flow hedges are recorded as hedging instruments in both assets and liabilities, as applicable in the statement of financial position, and are presented at their fair value. To the extent that these hedges are effective to offset the exchange and/or interest rate risk, changes in fair value are recorded directly under the heading "Adjustments to Equity" of equity. These amounts are transferred to the results of the year on the date the financial liability is settled and are presented in the item gain or loss in derivative financial instruments of the statement of profit or loss.

Regardless of the type of hedging derivative financial instrument, they must be evaluated periodically and considered highly effective in a range of 80% - 125% to reduce the risk associated with the exposure being hedged. If at any time the hedge ceases to be effective, the changes in fair value, from that moment, will be reflected in the results of the year.

Fair values are obtained based on exchange rates and market interest rates. Gains and losses from changes in fair value are recorded in the statement of profit or loss.

The face value of derivative financial instruments is recorded in their respective committed or agreed currency in contingent and memorandum accounts (note 14(d)).

### **c. Loan Portfolio and Provision for Bad Debts of the Loan Portfolio**





The loan portfolio is recorded when funds are disbursed in favor of clients. Indirect (contingent) credits are recorded when the documents that support said credit facilities are issued and could become direct credits in the event a payment is made to third parties. Likewise, any direct credit is considered as refinancing or restructuring, which produces variations in the term of the contract originated due to difficulties in the debtor's ability to pay.

According to Supreme Decree No. 113-2017/EF, dated April 29, 2017, COFIDE's financing policy is as follows:

- i. The minimum financing participation of both direct credits and indirect credits will be up to 25% of the total financing of the project.
- ii. Exceptionally, up to 50% of the total financing of the project may be financed provided that it is specialized financing, and that said the operation has been approved by the FONAFE Board of Directors.

Financial leasing operations, which come from portfolio assignment agreements, are accounted for as credits according to current SBS regulations.

#### ***i. Types of credits***

Under SBS Resolution No. 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions", loans are classified as: i) Corporate loans, ii) Loans to large companies, iii) Loans to medium-sized companies, iv) Loans to small businesses, v) Loans to microenterprises (MES), vi) Revolving consumer loans, vii) Non-revolving consumer loans, and viii) Mortgage loans for housing. These classifications consider the nature of the client (corporate, government or natural persons), the purpose of the credit, and the size of the business measured by income, and indebtedness, among other qualitative and quantitative indicators.

#### ***ii. Measures in the Context of COVID-19***

As a consequence of COVID-19 and the declaration of a State of National Emergency and mandatory social isolation (Note 1.B), the SBS adopted a series of exception measures with an accounting impact, which, in credit matters, are detailed below:

#### ***Rescheduled credits***

Credits in which, prior evaluation, their contractual conditions have been modified, without this constituting a refinancing, to the extent that the total term of the aforementioned credits does not extend for more than 6 (six) months from the original term or 12 months, depending on the type of credit, and that on the date of



the emergency declaration, the debtors are up to date with their payments. The principal balance and interest of the rescheduling are controlled in memorandum accounts.

The types of reprogrammed credits are the following:

- Massive rescheduling: Massive rescheduling of credits with or without customer approval and without a credit evaluation, has the following requirements:

The client must record a maximum of 15 days in arrears as of February 29, 2020, or March 15, 2020;

The maximum date to request the first rescheduling is May 30, 2020 (loans to large companies and corporate loans) and until June 30, 2020 (retail loans to medium-sized companies).

The maximum reprogramming term is 6 months for loans to large companies and corporate loans and 12 months for retail loans to medium-sized companies.

- Individual rescheduling: The deadline to request the first rescheduling was until May 30, 2020 (loans to large companies and corporate loans) and until June 30, 2020 (retail loans to medium-sized companies). The maximum reprogramming term is 6 months for loans to large companies and corporate loans and 12 months for retail loans to medium-sized companies.

For both modalities of rescheduling, as of July 1, in the case of rescheduling of revolving credits for credit cards, only the rescheduling of the debt will proceed in full on a payment schedule.



The companies of the financial system may apply the accrued criteria for the accounting record of the interest associated with retail loans that are subject to rescheduling. In the event these retail loans change to the past-due accounting situation after the payment obligation is resumed according to the new schedule, the company must proceed to return the uncollected accrued income, with six (6) months to make said return proportionally.

In the case of non-retail debtors with massively rescheduled credits, the accounting record of the interest associated with said placements must be made based on the criteria of what is received. If the rescheduling is conducted as a result of an individual analysis, the accrued criteria may be applied.

On December 17, 2020, SBS Resolution No. 3155-2020 was released, which provides that, as of the entry into force of the aforementioned resolution, the rescheduled credits of debtors with normal classification are considered debtors with higher-than-normal credit risk, corresponding to the CPP credit risk level. Specific provisions corresponding to the CPP category, applicable to the consumer, microenterprise, and small business loans, are applied to these loans.

For the interest accrued on the rescheduled loans, in current accounting status, corresponding to the consumer, microenterprise, and small enterprise loan portfolio, for which the client has not made the payment of at least one full installment that includes capital in the last six months at the closing of the accounting information, a requirement of provisions corresponding to the Deficient risk category will be applied.

The previously indicated provisions do not affect the classification of the debtor in the Credit Report of Debtors

The accrued interest not collected on the rescheduling date, recognized as income, that is capitalized as a result of the rescheduling, must be returned and recorded as deferred income, accounting as income based on the new term of the credit and as the payments of the respective quotas are made.

### **iii. Credit Risk Rating Categories**

The classification categories established by the SBS are the following: normal, with a potential problem, deficient, doubtful, and loss, the same as in the case of the non-retail loan portfolio (corporate, large, and medium-sized companies) are determined mainly by the payment capacity of the debtor, its cash flow, the degree of compliance with its obligations, the classification assigned by other entities of the financial system, the financial situation of the debtor and the quality of the client's management team; while for the retail loan portfolio (small business, microenterprise, consumer (revolving and non-revolving) and Mortgage for housing) the classification is determined based on credit payment compliance reflected in the



days of arrears and their classification in other companies in the financial system.

#### ***iv. Provision Requirements for Uncollectibility***

The provision for an uncollectible loan portfolio is determined following the criteria and percentages established in SBS Resolution No. 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions" and for its calculation, the types of credits, guarantees established and the debtor's classification categories are considered.

Through Official Letter SBS No. 712-2017, dated January 6, 2017, the SBS determined that the credits "Participations Agreements" should be considered as portfolio transfer operations, within the framework of the provisions of Article 4 of the Regulations for the transfer and acquisition of credit portfolio (SBS Resolution No. 1308-2013). In this sense, the credits "Participation Agreements" were recorded as of the 2017 period as direct debtors of COFIDE without considering the financial intermediary (foreign banks) as a debtor.

Under current regulations, COFIDE makes two types of provisions for the loan portfolio: generic and specific provisions.

The generic provision is recorded preventively for direct and indirect loans and additionally, the procyclical component when the SBS indicates its application. In COFIDE, the generic provision also includes voluntary provisions.

The specific provisions are those that are established on direct loans and the equivalent exposure to the credit risk of indirect loans of debtors that have been classified in a higher risk category than the normal category.

Following internal policies, permitted by the SBS, COFIDE establishes voluntary generic provisions for the loan portfolio, the level of which depends on the evaluation conducted by Management regarding the conditions of the country's macroeconomic variables and their impact on the IFIs and debtors in overall (note 7).

In this regard, the document "Guidelines for the allocation of voluntary provisions" (hereinafter the "guidelines") approved by the COFIDE Board of Directors on November 25, 2015, consolidates Board Agreements No. 066-2005, No. 003- 2007 and No. 095-2010, and establishes the operation of assigning voluntary provisions considering the following order of priority:

- (a) For credit risk derived from exchange risk-RCDRC: Calculated based on the classification by RCDRC obtained every six months by each final debtor and IFIs.



- (b) For final debtors of business, specialized or structured financing: Calculated based on the classification of final debtor and the provision rates associated with each classification in the following table:

<b>Classification</b>	<b>Minimum provision rate</b>
Normal	0.70%
With potential problems	5.00%
Deficient	25.00%
Doubtful	60.00%
Loss	100.00%

- (c) For the assigned portfolio: Calculated based on the balance of loans in the assigned portfolio classified in the substandard, doubtful, loss risk category, as well as in the restructured or refinanced accounting situation.

- (d) For financial institutions: Calculated based on credits net of guarantees from Rural Savings and Credit Banks, Municipal Savings and Credit Banks, Development Entities for Small and Microenterprises (Edpymes), Financial Institutions, Landlords, Cooperatives, and Banks:

<b>Subsystem, also in order of priority:</b>	<b>% Provision up to</b>
Rural Savings and Credit Banks	50%
Municipal Savings and Credit Banks	30%
Development Entities for Small and Microenterprise	30%
Financial entities	30%
Lessors	30%
Cooperatives	40%
Banks	35%

The requirements of the provisions are determined considering the risk classification of the financial intermediary, whether it is supported by guarantees or not, and depending on the type of guarantees established.

Additionally, in compliance with SBS Resolutions No. 041-2005 "Regulations for the management of Credit Exchange Risk", COFIDE evaluates the exposure to credit exchange risk for the loan portfolio in foreign currency and establishes provisions determined according to the requirements of the SBS.

COFIDE uses the criteria indicated above to establish the specific provision for accounts receivable for the assigned loan portfolio, included in the accounts receivable caption (note 8(a)).



As of December 31, 2022 and December 31, 2021, provisions are determined as provided by the SBS. The minimum percentages required for the constitution of provisions are shown below:

Risk Category	without	with preferred	With preferred	With self-liquidating
	guarantees	guarantees	guarantees of very	
	%	%	fast realization	guarantees
- Normal				
Corporate loans	0.70	0.70	0.70	0.70
Loans to large companies	0.70	0.70	0.70	0.70
Loans to medium-sized companies	1.00	1.00	1.00	1.00
Small business loans	1.00	1.00	1.00	1.00
Credits to microenterprises	1.00	1.00	1.00	1.00
Revolving consumer credits	1.00	1.00	1.00	1.00
Non-revolving consumer loans	1.00	1.00	1.00	1.00
Mortgage loans for housing	0.70	0.70	0.70	0.70
- Potential problems	5.00	2.50	1.25	1.00
- Deficient	25.00	12.50	6.25	1.00
- Doubtful	60.00	30.00	15.00	1.00
- Loss	100.00	60.00	30.00	1.00

As of December 31, 2022, and December 31, 2021, the procyclical rule for the loan portfolio provision is deactivated, according to SBS circular No. B-2224-2014.

Provisions for direct loans are presented by deducting the balance of the corresponding asset (note 7), while the provision for indirect loans is presented in liabilities (note 12).

The SBS exceptionally established to apply a provision rate for credit risk of zero percent to the part of the loans covered by the guarantee of the Reactiva Perú and FAE-MYPE program (note 1.C).

Through SBS Resolution No. 3155-2020, the SBS established that the rescheduled loans of debtors with a normal classification are considered debtors with a credit risk higher than Normal, corresponding to the level of credit risk With Potential Problems (CPP). Specific provisions corresponding to the CPP category are applied to these credits.

Likewise, SBS Resolution 3922-2021 indicates that the debtors of the rescheduled loans with Normal and CPP classification that have not made the payment of at least one full installment that includes capital in the last six months at the closing of the accounting information corresponds to the Poor credit risk level. Likewise, in the case of debtors with a Normal, CPP, and Deficient classification who have not made the payment of at least one full installment that includes capital in the last twelve months, they are assigned the Doubtful credit risk level. The specific provisions corresponding to the Deficient or Doubtful credit risk category are applied to these loans, respectively.



What is provisioned in the previous paragraph is applicable to consumer, micro, small, and medium-sized business loans.

#### **D. Investments**

COFIDE applies the criteria for registration and valuation of investments in securities established in SBS Resolution N. 7033-2012 "Regulations for the Classification and Valuation of Investments of the Financial System Company" and amendments.

Investments can be classified as investments at fair value through profit or loss, available-for-sale investments, and held-to-maturity investments.

COFIDE only presents investments classified in the following category:

##### ***Investments available for sale***

These comprise securities on which Management intends to negotiate and generate returns for their commercialization before their maturity. This category includes all investment instruments that are not classified as investments at fair value through profit or loss or held-to-maturity investments. According to the provisions of SBS Resolution No. 7033-2012 "Regulations for the Classification and Valuation of Investments of Financial System Companies" and amendments, the initial registration is made at fair value, including transaction costs that are attributable directly to the acquisition.

The valuation is conducted at fair value and the gain or loss originated by the fluctuation of fair value is recognized in equity until the instrument is sold or realized, at which time it is transferred to the results of the year, except for losses due to impairment of value recorded in results.

Likewise, gains or losses from fluctuations in the exchange rate on debt instruments denominated in foreign currency are recognized directly against the gain or loss of the period in which they occur.

##### ***Investment in the Andean Development Corporation – CAF***

Under IAS 39 and the Regulations for the Classification and Valuation of Investments of Financial System Companies (SBS Resolution No. 7033-2012), investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost.

Within the framework of the harmonization process to IFRS and taking as reference the Official Letter SBS No. 45853-2012 issued by the SBS on December 5, 2012, which indicates the treatment of investments based on IFRS, COFIDE maintains this investment as "Investments Available for Sale", taking as cost value, the



equivalent of the last value recorded in the books and that was reported by COFIDE to the SBS as of December 31, 2012. Likewise, the SBS authorized through Official Letter SBS No. 32034 - 2017 the realization of the unrealized gain until 2012, net of its deferred income tax (note 6).

### ***Impairment of Financial Investments***

If an available-for-sale investment is impaired, the cumulative loss (measured as the difference between the acquisition cost, net of any repayment and amortization, and its current fair value, less any impairment previously recognized in the separate statement results) will be removed from equity and recognized in the statement of profit or loss. In the event of unlisted shares, the value impairment corresponds to the difference between the carrying amount and this value of the estimated net cash flows, discounted using the prevailing rate for similar securities.

As of December 31, 2022, COFIDE has recognized an impairment loss on its investments in Commercial Papers of S/ 3,000 thousand (as of December 31, 2021, impairment loss of US\$ 1,620 thousand in Investment Funds for S/ 3,000 thousand in Commercial Papers). (note 6(b)).

### **E. Property, Furniture, and Equipment**

Property, furniture, and equipment are presented at historical acquisition cost, less accumulated depreciation, and accumulated recognized impairment losses. The initial disbursements, as well as those incurred later, related to goods whose cost can be reliably valued, and future economic benefits will probably be obtained from them, are recognized as property, furniture, and equipment.

Disbursements for maintenance and repairs are recognized as an expense in the period in which they are incurred. Gains or losses resulting from the sale or retirement of an item of property, furniture and equipment are determined as the difference between the product of the sale and the carrying amount of the asset, which are recognized in the profit or loss of the year at the moment the sale is considered made.

Depreciation is calculated based on the straight-line method over the estimated useful life of the different assets. The estimated useful lives are shown below:

<b>Item</b>	<b>Useful life</b>
Buildings	33 years
Facilities, furniture and fixtures	10 years
Transport units	5 years
Various equipment	4 and 10 years





**F. Realizable Assets received as Payment and Awarded.**

Assets received in payment and awarded are recorded at the lower amount resulting from the comparison between the award value or value agreed in the dation-in-payment contract, and the net realizable value. Assets recovered by the termination of the contract, if any, are initially recorded for the amount that is less from the comparison between the unpaid value of the debt and the net realizable value. If the unpaid balance of the debt is greater than that of the asset recovered, the difference is recognized as a loss, provided there are no probabilities of recovery.

Likewise, under SBS Resolution No. 1535-2005 "Regulations for the treatment of adjudicated and recovered assets and their provisions" and its amendments, COFIDE must establish the following provisions:

- 20% of the value on the award date or recovery for all assets received.
- For real estate, 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 carrying amount of the asset. On an annual basis, the net carrying amount of the real estate is compared with the realizable value determined by an independent appraiser and, if this value is lower, a provision for impairment is established.
- For assets other than real estate, the remaining balance is provisioned within a period of no more than 18 or 12 months, depending on whether the SBS extension is available.

Impairment is recognized when these assets suffer a decrease in their fair value (when the net realizable value is less than the net carrying amount) for which the carrying amount will be reduced, and the loss must be recognized in the separate statement of profit or loss. If the net realizable value is greater than the net carrying amount, the higher value cannot be recognized in accounting.

**G. Intangible Assets**

Intangible assets with finite useful lives acquired separately are recorded at acquisition cost net of their accumulated amortization and any accumulated loss due to impairment.

Amortization is calculated based on the straight-line method over the useful life estimated by COFIDE. Estimates of useful lives and amortization methods are reviewed at the end of each reporting period to assess possible significant changes in previous expectations or the expected pattern of future economic benefits of said assets, prospectively incorporating the effects of any change in these estimates against the net profit or loss of the period in which they are made.



Acquired software licenses are capitalized based on the costs incurred to acquire or put into use the specific software. These costs are amortized following the straight-line method over their estimated useful lives. The useful life has been estimated between 3 and 5 years.

The costs related to the development or maintenance of computer programs are recognized as expenses when they are incurred. The costs incurred in the development of computer programs recognized as assets are amortized over their estimated useful lives.

The subsequent recognition model of intangibles followed by COFIDE is cost.

#### **H. Impairment of Financial Assets**

COFIDE periodically reviews the book amounts of its tangible and intangible assets to determine if any indications said assets have suffered a loss due to value impairment. If there is any indication, the recoverable amount of the asset is calculated to determine the extent of the loss due to value impairment (if any).

The recoverable value is the higher of fair value minus the cost to sell and value in use. Value in use is determined based on estimated future cash flows discounted to their current value, using a pre-tax discount rate that reflects current market valuations of the time value of money and the specific risks of the asset.

An impairment loss may be subsequently reversed and recorded as income in profit for the period, up to the amount by which the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

#### **I. Debts and Financial Obligations**

Liabilities for financial debts and obligations and the issuance of securities (corporate, senior, and subordinated bonds) are recorded at their face value, recognizing accrued interest in the statement of profit or loss.

The premiums or discounts granted in the placement of bonds and debts are deferred and amortized during their term.

#### **J. Intermediated Exchange of Bonds:**

##### **➤ Evaluation of a Derecognition of Financial Liability Accounts**

COFIDE will eliminate a financial liability (or a part thereof) from its statement of financial position when, and only when, it has been extinguished. That is when



the obligation specified in the corresponding contract has been paid or cancelled or matured.

The difference between the carrying amount of a financial liability (or part thereof) that has been canceled or transferred to a third party and the consideration paid, which will include any non-cash assets transferred or liabilities assumed, will be recognized in the result of the period.

If COFIDE repurchases a part of a financial liability, it will distribute its previous carrying amount between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of one and the other on the repurchase date. The difference between (a) the carrying amount assigned to the derecognized party and (b) the consideration paid, including any assets transferred other than cash and any assets assumed, for the derecognized part, will be recognized in the result of the period.

An exchange between a lender and a borrower, of debt instruments with substantially different conditions, will be accounted for as a cancellation of the original financial liability, recognizing a new financial liability. The same will be done when there is a substantial change in the current conditions of financial liability or part of it (regardless of whether or not it is attributable to the debtor's financial difficulties).

On September 21, 2020, bonds maturing in 2025 were repurchased for US\$91,567 thousand in face value, which were financed by COFIDE funds, considering this operation as a derecognition of the liability (note 11(g)). As a result of said repurchase, an overprice (expense) of US\$ 13,231 thousand was generated (note 13.D.iv)

➤ **Quantitative and Qualitative Evaluation to Determine if the Conditions are Substantially Different in a Debt Renegotiation.**

**Quantitative Evaluation (Test of 10%)**

The conditions will be substantially different if the present value of the discounted cash flows under the new conditions, including any commission, paid net of any commission received, and using the original effective interest rate to make the discount, differs by at least 10% of the present value of the cash flows still remaining from the original financial liability



If it exceeds 10%, it would be a cancellation of the original financial liability. If it does not exceed 10%, the quantitative evaluation must be complemented with a qualitative evaluation.

### **Qualitative Evaluation**

If COFIDE determines that it exceeds the 10% test (difference less than 10%) described in the quantitative evaluation, the changes in the terms of the financial liability may still be significant from a qualitative perspective. The latter will occur if the changes significantly affect the economic risks of the financial liability.

Qualitative factors include, but are not limited to the following:

- Changes in the creditor of the financial liability.
- Changes in the currency in which the financial liability is denominated.
- Change in interest basis (fixed rate to variable rate, or vice versa)
- Changes in the conversion characteristics of the financial liability to an equity instrument or vice versa.
- Substantial changes in covenants.
- Changes in levels of subordination.
- Substantial changes in the maturity period when the instrument is close to maturity.
- In the evaluation of the time of debt exchange while maintaining the same creditor.

### ➤ **Accounting Recognition of Restructuring Costs**

If an exchange of debt instruments or a change in terms is accounted for as:

- A termination: the restructuring costs or commissions incurred will be recognized as part of the result of the termination.
- Continuation of the same liability: restructuring costs and commissions will adjust the amended book amount of the liability and will be amortized throughout the remaining life of the modified liability by adjusting the effective rate.

### ➤ **Accounting Recognition of the Modification of Contractual Cash Flows**

In a continuation or derecognition event, if COFIDE examines its estimates of payments or receipts, it will adjust the carrying amount of the financial liability (or group of financial instruments) to reflect the actual and estimated cash flows already examined.



COFIDE will recalculate the carrying amount by computing this value of the estimated future cash flows using the original effective interest rate of the financial instrument. The adjustment will be recognized as the result of the period as an income or as an expense.

On September 28, 2020, COFIDE recognized as a continuation of debt, the exchange of bonds maturing 2022 (Note 11(e)) and 2025 (Note 11(g)); for the bonds maturing 2027 (note 11(h)).

## **K. Income tax**

The income tax expense includes current and deferred tax and is recognized in the statement of profit and loss.

### ***Current tax***

Current tax includes expected tax payable or receivable on taxable income or loss for the year and any adjustments to tax payable or receivable relating to prior years. It is measured using tax rates that have been approved, or whose approval process is practically complete as of the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are only offset if certain criteria are met.

### ***Deferred tax.***

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax assets are recognized for deductible temporary differences, to the extent that there are probably future taxable profits available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefits will be realized.

Deferred tax must be measured at the tax rates that are expected to be applied to temporary differences in the period in which they are reversed using tax rates approved or practically approved at the reporting date.

The measurement of deferred tax liabilities will reflect the tax consequences that would derive from how COFIDE expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset only if certain criteria are met.



## **L. Employee Benefits**

### ***Short-Term Benefits***

Employee benefits include, but are not limited to, short-term benefits —e.g, wages and social security contributions, annual paid leave, paid sick leave, and profit sharing and incentives — if paid within twelve months of the end of the period. These benefits are recognized in profit or loss in the period in which the employee renders the services that entitle it to such benefits.

The relevant liabilities payable is presented in “other liabilities”.

#### ***i. Employee’s Profit-Sharing***

COFIDE recognizes a liability and an expense for employee’s profit sharing equivalent to 5% of taxable income determined under current tax law.

#### ***ii. 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 liabilities resulting from services rendered by employees is recorded as of the date of the statement of financial position.

#### ***iii. Severance Payment***

The provision for severance payment is measured, according to current regulations, on the total employees’ reimbursement rights. Payments are deposited in the bank chosen by the employee.

#### ***iv. Long-Term Benefits***

COFIDE's net obligation concerning long-term employee benefits is the number of future benefits that employees have earned in exchange for their services in prior periods. The benefit is discounted to determine its present value. New measurements are recognized in profit or loss when they occur.

## **M. Provisions, Liabilities, and Contingent Assets**

### ***i. Provisions***

Provisions are recognized when COFIDE has a current obligation (legal or implicit) as a result of a past event, an outflow of funds embodying economic benefits will probably be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.



The amount recognized as a provision is the best estimate, at the date of the statement of financial position, of the disbursement required to settle this obligation, considering the risks and uncertainties that surround most of the events and circumstances concurrent to its valuation.

**ii. Liabilities and Contingent Assets**

Contingent liabilities are not recognized in the financial statements, they are only disclosed in notes. When the possibility of an outflow of funds to cover a contingent liability is remote, such disclosure is not required.

Contingent assets are not recognized in the financial statements, they are only disclosed in a note to the financial statements when it is probable that an inflow of funds will occur.

The items previously treated as contingent liabilities will be recognized in the financial statements of the period in which the change in probabilities occurs, that is, when it is determined that it is probable that there will be an outflow of funds to cover said liability. Items treated as contingent assets will be recognized in the financial statements in the period in which it is determined that it is virtually certain that an inflow of funds will occur.

**N. Distribution of Dividends**

The distribution of cash dividends is recognized as a liability in the financial statements in the year in which the dividends are approved by COFIDE's shareholders.

**o. Recognition of income and expenses**

Income and expenses for interest and commissions for services are recognized in the results of the period in which they are accrued, based on the validity period of the operations that generate them and the interest rates freely agreed upon with clients; except in the case of interest generated by overdue, refinanced, restructured, and judicial collection loans; as well as credits classified in the doubtful and loss categories, whose interest is recognized as earned to the extent that it is collected. When Management determines that the debtor's financial condition has improved and the placement is reclassified to current status and/or to the normal, with potential problems, or deficient categories, interest is recognized again on an accrued basis.

Income from available-for-sale investments, previously recognized in equity, is recognized in profit or loss of the period when the instrument is sold or realized.



Trust service fees are recognized as revenue when they are accrued. Other income and expenses are recorded in the period in which they are accrued.

#### **P. Trust Activities**

Assets held by COFIDE, acting as trustee on behalf of financial institutions or state-owned enterprises, are not included in the statement of financial position. Such assets are held in financial statements and recorded in suspense accounts.

#### **q. Foreign Currency**

Transactions in currencies other than the Peruvian sol are considered “foreign currency” transactions and are recognized using the exchange rates prevailing at the transaction date. At the end of each reporting period, balances of monetary items stated in foreign currency are translated using exchange rates ruling at that date. Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates ruling at the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates ruling at the transaction date.

Exchange differences from monetary items are recognized in profit or loss for the period in which they arise, except for exchange differences from monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (part of the net investment in a foreign operation), which are initially recognized in other comprehensive income and reclassified to profit or loss of the period in which the monetary items are received or paid.

#### **R. Earnings Per Share**

Basic earnings per share are calculated by dividing the net income corresponding to shareholders by the weighted average number of outstanding shares during the period. To calculate shares resulting from the capitalization of profits, the number of shares shall be the weighted average number of shares outstanding during the period. As of December 31, 2021 and 2020, COFIDE does not have dilutive financial instruments; therefore, basic and diluted earnings per share are the same (note 17).

#### **s. Reporting Operations**

COFIDE applies the criteria established in SBS Resolution No. 5790-2014, which establishes that the securities sold under repurchase agreements on a certain future date are not removed from the statement of financial position because COFIDE retains substantially all the risks and rewards inherent in ownership.

COFIDE recognizes the cash received and a liability recorded in accounts payable





for the obligation to return said cash at maturity. Likewise, it shall reclassify the financial asset under the SBS regulations. The accounting treatment of returns shall depend on the agreements between the parties. The difference between the final amount and the initial amount will be recognized as an expense against a liability within the transaction term using the effective interest method.

As of December 31, 2022, and December 31, 2021, COFIDE carries out currency reporting operations (notes 5(c) and 12(b)).

#### **T. Cash and cash equivalents**

This caption comprises cash and cash equivalents, 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, COFIDE 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.

#### **U. Other Comprehensive Income**

As of December 31, 2021 and 2020, the items in the statement of other comprehensive income correspond to gains and losses on available-for-sale investments and cash flow hedges, net of deferred tax.

#### **V. New Accounting Pronouncements**

##### ***i. New Accounting Pronouncements not yet Adopted***

The following modifications, amendments, and interpretations to the standards have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2021:

<b><i>Modifications, amendments, and interpretations</i></b>	<b><i>Effective date</i></b>
Reform of the Reference Interest Rate – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).	Annual periods beginning on or after January 1, 2021.
Onerous contracts – Cost of Fulfillment of a Contract (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022.
Annual improvements to IFRS 2018–2020	Annual periods beginning on or after January 1, 2022.
Property, Plant, and Equipment: Amounts obtained before their intended use (Amendments to IAS 16).	Annual periods beginning on or after January 1, 2022.
Reference to the Conceptual Framework (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022.
Classification of liabilities as current or non-current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023.



Amendments to IFRS 17 Insurance contracts	Annual periods beginning on or after January 1, 2023.
Sale or contribution of assets between an investor and an associate or joint venture (amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures).	Available for optional adoption. Effective date postponed indefinitely.

Management has not evaluated the impact of the aforementioned modifications, amendments, and interpretations to the standards in the separate financial statements of COFIDE, in case such standards were adopted by the SBS.

**ii. Resolutions and standards issued by the CNC and the Superintendence of Securities Market (SMV) concerning the approval and adoption of IFRS in Peru**

At the date of the separate financial statements, the CNC through:

- Resolution No. 002-2022-EF/30 issued on September 8, 2022, formalized the approval of the complete set of IFRS version 2022 (IAS, IFRS, IFRIC, and AIS) that includes the Conceptual Framework for Financial Information. The validity of the indicated norms is the one established in each one of them.

As indicated in note 2.A, the rules and interpretations previously detailed in *i. and ii.* will only apply to COFIDE in a supplementary manner to those indicated by the SBS, when situations not provided for in the Accounting Manual arise. COFIDE's Management has not determined the effect on the preparation of its financial statements because said standards have not been authorized by the SBS.

**iii. Main Pronouncements issued by the SBS.**

As a result of the COVID-19 pandemic (note 1B), the SBS adopted temporary and preventive financial assistance measures. We highlight the following measures.

**Rescheduled Credits**

- Multiple Official Letter No. 10997-2020-SBS, dated March 13, 2020, which communicates the validity of Multiple Official Letter No. 5345-2010-SBS, dated February 5, 2010, which grants the power to companies in the financial system to conduct modifications in the credit agreements, which are not due to difficulties in the payment capacity of the borrowers, so that they are not considered as refinancing. Its application will require that the debtors have not presented arrears at the time of the declaration of emergency. The Official Letter entered into force on the business day following its publication.
- Multiple Official Letter No. 11150-SBS, Multiple Official Letter No. 11170-2020-SBS, and Multiple Official Letter No. 12679-2020-SBS, dated March 16, 2020,



March 20, 2020, and May 5, 2020, respectively, that communicate the conditions of the rescheduling according to the following:

- The total term of the aforementioned credits does not extend for more than 6 months from the original term, subsequently amended to 12 months.
  - On the date of the emergency declaration, the debtors are up to date with their payments.
  - For the amendments that are made as of May 29, 2020, and only for the national emergency, it will be considered that the credit of a debtor with a maximum of 30 calendar days in arrears at the time of the amendment to comply with the requirement to be up to date with payments or with no arrears on the date of the contractual amendments.
  - For retail debtors, the contractual amendment can be made without prior notice.
- Multiple Official Letter No. 13805-2020-SBS, dated May 29, 2020, which communicates the following:
    - As of June 1, 2020, in the event of new contractual amendments of revolving credits for credit cards, those that only consider an extension or grace period for the minimum payment do not apply, and the entire debt must be considered in a new schedule to be able to comply with the provisions of Multiple Official Letter No. 13805-2020-SBS.

*Accounting record of Interests under the following:*

- The accounting record of the interest associated with said credits must be made by the method of what is received from the date of rescheduling. This will imply that the interests that have not been collected on the rescheduling date will be refunded.
- The accrued criterion may be applied for the accounting record of interest associated with retail credits.
- In the event the retail credits referred to in the previous paragraph change to the past-due accounting situation after the payment obligation is resumed according to the new schedule, the company must return the uncollected accrued income, counting on six (06) months of the term to conduct said return proportionally.
- This return will be applicable only for those credits that change their accounting situation to overdue for the first time since the payment obligation is resumed and may be applied to credits that become overdue until March 31, 2021.



- In the event of non-retail debtors with rescheduled loans under the provisions of Multiple Official Letter No. 11150-2020-SBS, the accounting record of the interest associated with said placements must be made based on the criteria received.

**Market Risks, Loan Portfolio Provisions, and Capital Requirement.**

- Multiple Official Letter No. 11148-2020-SBS, dated March 16, 2020, establishes that the limits of the liquidity coverage ratios in national currency (RCL MN, Spanish acronym) and foreign currency (RCL ME, Spanish acronym) will temporarily not apply, until further warning. The Official Letter entered into force on the business day following its publication.
- SBS Resolution No. 1264-2020, dated March 26, 2020, establishes in the event of the Regulation for the Requirement of Effective Equity for Credit Risk, that the extension of terms as a result of rescheduling does not increase the weighting factor for credits of non-revolving consumption and mortgage loans. Likewise, it establishes, in the case of the Regulation for the Requirement of Additional Effective Equity, the power for companies in the financial system to use the additional effective equity accumulated as of the effective date of this Resolution for the economic cycle component.
- Multiple Official Letter No. 14454-2020-SBS and Official Letter No. 13195-2020, dated June 10, 2020, and May 19, 2020, approve that while the state of national emergency lasts and up to 120 calendar days after it ends, preferred collaterals that were up to date as of February 2020 may maintain the reported value as of that date. Likewise, in a preventive and responsible manner, companies in the financial system must establish necessary voluntary provisions that allow them to face risk increases when they materialize. In the event, it is considered that a release of provisions applies, these must be reassigned as voluntary provisions or for the constitution of other mandatory provisions, not being able, in any case, to affect the results of the year or any equity account by the reversal of said provisions.
- Multiple Official Letter No. 1882-2020, dated July 31, 2020, which amends the limits to the global position of overbought and oversold.
- Multiple Official Letter No. 2628-2020-SBS, dated October 26, 2020, amends the limits of over-purchase and over-sale to the net accounting position in financial products derived from foreign currency.
- Multiple Letter No. 2793-2020-SBS, dated November 10, 2020, establishes that, exceptionally, a provision rate for credit risk of 0% applies to the part of the credits



that are covered by the guarantee of the COVID-19 Guarantee Program when substitution of credit counterparty is applied, from the activation of the guarantee.

- SBS Resolution No. 3155-2020, dated December 17, 2020, establishes that the rescheduled loans of debtors with a normal classification are considered debtors with a credit risk higher than Normal, corresponding to the level of credit risk With Potential Problems (CPP). Specific provisions corresponding to the CPP category are applied to these credits.

***For the 2022 Period, the SBS Approves Regulations to Adapt the Legal Framework of the Financial System to the Basel III Standard:***

To continue with the implementation of Legislative Decree No. 1531, which amended the Banking Law (Law No. 26702) within the framework of the legislative powers delegated to the Executive Branch in tax, fiscal, financial, and economic reactivation matters, the Superintendence of Banking, Insurance, and AFP (SBS) has approved and published in the Official Gazette El Peruano, six resolutions that aim to adapt the regulatory framework of the financial system to the Basel III standard, which will contribute to strengthening its solvency.

The validity of this set of rules is from the year 2023 with some considerations for its application, indicated in each of the rules and which were released on December 27, 2022:

- Resolution No. 3950-2022 amends the Subordinated Debt Regulation applicable to companies in the financial system (SBS Resolution No. 975-2016), to update the way of computing the different levels and sub-levels of effective equity, under the characteristics of each element.
- Resolution No. 3951-2022 amends the Regulations for the calculation of reserves, profits, and instruments representing capital in the effective equity of companies in the financial system (SBS Resolution No. 681-2018), to update the method of calculation in the different levels and sublevels of effective equity, according to the characteristics of each element.
- Resolution No. 3952-2022 amends, among others, the Regulation for the requirement of effective equity for credit risk (SBS Resolution No. 14354-2009) and Report No. 3 "Effective Equity" of the Accounting Manual, to incorporate changes related to the composition of effective equity.

The new effective equity structure is made up of Common Equity Tier 1 Capital and Additional Capital Tier 1, which together make up Effective Tier 1 Equity, in addition to Effective Equity Tier 2. Common Capital Tier 1 cannot be less than 4.5% of total risk-weighted assets (APR), and Effective Equity Tier 1 must be at least 6% of APR. Meanwhile, the global limit or global capital ratio remains at



10%, higher than the 8% established by the Basel III standard, considering the characteristics of the Peruvian financial system, and following a conservative criterion. A progressive adaptation period is established for the global limit and the capital components, which must reach the limits established in article 199 of the General Law, in March 2024.

- Resolution No. 3953-2022 approves the new Regulation for the effective equity requirement for additional risks, which establishes modifications to the additional effective equity requirements to cover risks due to individual, sectoral, and regional concentration, and interest rate in the banking book, established in SBS Resolution No. 8425-2011. These requirements can be covered with any level of effective equity. Likewise, the requirement of effective equity for risks by individual, sectoral, and regional concentration is updated, for which companies will have to adapt until December 2023; and the requirement of effective equity for risk tendency is eliminated.
- Resolution No. 3954-2022 approves the new Regulation for the requirement of conservation buffers, by the economic cycle and by market concentration risk, which contains the local adaptation of the three Basel III capital buffers, which must be covered with Ordinary Capital Tier 1, the highest quality capital. In this sense, as established in Legislative Decree No. 1531, a new capital buffer is incorporated, called the conservation buffer, to be used to the extent that financial system entities incur losses in periods of stress, according to determine the SBS. Financial entities will have a four-year term to set up this buffer, which will end in December 2026. In addition, the capital requirement is updated by the economic cycle, to improve risk sensitivity, and details regarding the risk requirement are included due to market concentration (SBS Resolution No. 8425-2011). In the event of non-compliance with these capital buffers, the Regulation establishes restrictions on the distribution of equity based on the level of buffer deficit recorded, like that established in the Basel III standard.
- Resolution No. 3955-2022 modifies a set of rules, to align them with the resolutions indicated above. In this way, the regulation for the requirement of effective equity due to market risk, the regulation for the requirement of effective equity for operational risk, the regulation of special regimes and liquidation, the regulation of participation of municipal savings banks and credit (CMAC) in the Law that promotes regional and local public investment with the participation of the private sector and the regulation of the leverage ratio.

### ***Suspension of Days Late***

- Multiple Official Letter No. 11170-2020-SBS of March 20, 2020, Multiple Official Letter No. 13195-2020-SBS of May 19, 2020, Multiple Official Letter No. 13805-2020-SBS of May 29, 2020, Multiple Official Letter No. 15944-2020-SBS of July 2, 2020, which establish that, only in the context of the national emergency, the



requirement to be up to date with your payments or not present arrears to the date of the emergency declaration; that a debtor presents a maximum of 15 calendar days in arrears as of February 29, 2020 must be considered as a criterion.

The companies of the financial system will be able to maintain the accounting situation of said credits, as long as the state of national emergency is maintained. The count of days in arrears recorded as of February 29, 2020, must be suspended as long as the state of emergency is maintained.

Subsequently, extensions were approved until May 31st, July 31st, and finally, until August 31, 2020, for the suspension of days of delay.

In the event of credits that as of February 29, 2020, were more than 15 and up to 60 days in arrears, said suspension will be maintained until the end of the month following the month in which the declaration of the state of emergency is lifted.

In addition, it is established that the lowest number of days in arrears resulting from the comparison between i) the actual days in arrears at the end of the reporting month of the credit and ii) the days in arrears frozen as of February 29, 2020, plus the calendar days elapsed from August 1, 2020, until the end of the reporting month. If, as a result of the calculation, the debtor improves its classification and, therefore, reduces its requirement for provisions, the released provisions must be reassigned to the constitution of other mandatory provisions or, failing that, as voluntary provisions, and may not, under any circumstances, the results of the year or any equity account will be affected by the reversal of said provisions.

It is worth mentioning that actual days in arrears are understood to be the number of days in arrears of the oldest unpaid installment under the current credit schedule, which must consider the payments made by the client, if applicable.

### **Government Programs**

- Multiple Official Letter No. 11214-2020 of March 23, 2020, which establishes that the Loan Portfolio Report Operations represented in Securities are considered a source of financing available to be included in the Liquidity Contingency Plan. The Official Letter entered into force on the business day following its release.
- Multiple Official Letter No. 11518-2020-SBS of April 7, 2020, which approves the accounting treatment, effective equity requirement, and legal limits of credit portfolio reporting operations represented in securities held with the Banco Central de Reserva del Perú (BCRP), which entered into force the day after its release.



- Multiple Official Letter No. 11999-SBS of April 22, 2020, and SBS Resolution No. 1314-2020 of April 27, 2020, which establish provisions on the Reactiva Peru Program to ensure continuity in the payment chain in the face of the impact of Covid -19, which are summarized below:
  - Accounting in item 14 of credits and control through memorandum accounts.
  - Provision rate for normal debtor credit risk whose rate is 0.7% for the amount covered. Subsequently modified to a rate of 0%.
  - Weighting factor corresponding to the National Government for purposes of requiring effective equity of 0% for the amount covered.
  - Not subject to a legal limit because it is exposed to the National Government for the amount covered.
  
- SBS Resolution No. 1315-2020 of April 27, 2020, and Multiple Official Letter No. 13206-2020-SBS of May 19, 2020, which establish the following provisions:
  - Accounting in item 14 of credits and control through memorandum accounts.
  - For the part of the exhibition that is covered by the FAE-MYPE guarantee:
    - Provision rate for credit risk of 0%.
    - Apply a weighting factor of 0% for purposes of calculating the effective capital requirement for credit risk under the standard method.
    - Legal limit to 50% for the total exposures covered by the FAE-MYPE.
  
- SBS Resolution No. 1546-2020 of June 8, 2020, which establishes the following provisions:
  - Approves the modification of the accounting manual (memorandum accounts associated with guarantees received).
  - For the part that exhibits that is covered by the guarantee of the REACTIVA PERÚ Program and the MYPE Business Support Fund (FAE-MYPE) when substitution of credit counterparty is applied, the following is established:
    - To be excluded from the calculation of the provisions associated with the risk of over-indebtedness of retail debtors.
    - To not apply to record additional provisions for credit exchange risk.
  
- Multiple Official Letter No. 17769-2020-SBS of July 24, 2020, which approves the details on Reporting Operations with Loan Portfolio Rescheduling within the framework of Memorandum No. 0021-2020-BCRP, in terms of accounting records in credit accounts 14, control in memorandum accounts and reporting through the Debtor's Credit Report (RCD, Spanish abbreviation).
  
- Multiple Official Letter No. 37400-2020-SBS of November 25, 2020, which establishes, among other aspects, the following provisions of the COVID-19 Guarantee Program:





- Accounting in item 14 of credits and control through memorandum accounts.
- For the part of the exhibition that is covered by the COVID-19 Guarantee Program:
- Provision rate for credit risk of 0%.
- Apply a weighting factor of 0% for purposes of calculating the effective capital requirement for credit risk under the standard method.
- Not subject to a legal limit because it is exposed to the National Government for the amount covered.

#### 4. Restricted Assets

On June 29, 2018, the loan terms and conditions granted to COFIDE by AFLAC were modified (note 11) and the new maturity date was September 2023 (the prior maturity date was September 2031).

Due to the new loan terms and conditions (forecast transaction), management unwound the hedging instrument relating to the loan and created an escrow account for JPY 9,000,000 thousand (100% of the principal), and US\$ 4,391 thousand (1 year of interest) to secure the loan that AFLAC granted to COFIDE (note 11 (a)).

#### 5. Cash and Cash Equivalents

It comprises the following:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
Central Reserve Bank of Peru-BCRP (a)	105,950	177,412
Current accounts (b)	86,953	863,064
Other availabilities (c)	798,917	1,410,256
Earned returns on cash	6	35,018
	<u>991,826</u>	<u>2,485,750</u>
Provision for country risk (d)	(26)	(5,034)
<b>Total</b>	<b><u>991,800</u></b>	<b><u>2,480,716</u></b>

- (a) As of December 31, 2022, the Central Reserve Bank of Peru (BCRP) includes US\$ 1,352 thousand and S/ 25,142 thousand (US\$ 3,202 thousand and S/ 16,330 thousand as of December 31, 2021) corresponding to the legal reserve that financial entities established in Peru must maintain for deposits and obligations with third parties. These funds are deposited in the BCRP. Reserve funds that represent the legal minimum do not generate interest. The reserve funds corresponding to the required additional reserve will be remunerated with the interest rate established by the BCRP. According to current legal provisions bank reserve funds are nonforfeitable.



As of December 31, 2022, the BCRP includes US\$ 15,900 thousand and S/ 15,000 thousand (US\$ 37,200 thousand as of December 31, 2021) for overnight deposits made in the BCRP that accrue interest at an effective annual rate of 4.3946 % in foreign currency and 5.25% in national currency (0.0529% in foreign currency as of December 31, 2021). Overnights accrued interest as of December 31, 2022, for US\$ 616 thousand and S/ 115 thousand (US\$ 18 thousand and S/ 195 thousand as of December 31, 2021) and are included in the "interest income from cash and cash equivalents" in the statement of profit or loss.

- (b) As of December 31, 2022, and December 31, 2021, current accounts include the cash and cash equivalents in local and foreign banks of less than one year and stated in local and foreign currency. They have a free withdrawal option and accrue interest at market rates.
- (c) As of December 31, 2022, it corresponds mainly to restricted deposits in foreign currency in the BCRP for US\$ 136,305 thousand (US\$ 271,120 thousand as of December 31, 2021) that guarantee reporting operations in national currency received from the BCRP (note 12(b)); and Escrow account made with JP Morgan for JPY 9,000,000 thousand (100% of the principal) and US\$ 4,391 thousand corresponding to 1 year of interest (note 4 and 11(a)).
- (d) It corresponds to the Provision for Country Risk, which was recognized for current accounts that COFIDE holds in foreign banks (subject to regulatory provision for country risk). Said provision is made following the provisions of the SBS and COFIDE's internal policies.

## 6. Available-for-Sale Investments

It comprises the following:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
CAF shares (a)	2,017,003	2,017,003
Investment funds	122,120	138,338
Shares in companies in the country or abroad	1,762	1,887
Mutual funds	0	9,806
Investment impairment (b)	0	(6,460)
<b>Instruments representing capital</b>	<b><u>2,140,885</u></b>	<b><u>2,160,574</u></b>
Structured Bonds	944,494	1,084,687
Corporate Bonds	958,994	906,904
Securitization Bonds	43,950	50,180
Sovereign bonds	20,717	23,472
Commercial Papers	3,000	3,000
Investment impairment (b)	(3,000)	(3,000)
	<b><u>1,968,155</u></b>	<b><u>2,065,243</u></b>
Accrued yield	22,240	21,124
<b>Instruments representing debt</b>	<b><u>1,990,395</u></b>	<b><u>2,086,367</u></b>
<b>Total</b>	<b><u>4,131,280</u></b>	<b><u>4,246,941</u></b>



- (a) The investment in the CAF was a contribution of Class B shares from the Peruvian Government from years between 1989 and 2000. Class B shares have a face value of US\$ 5,000 thousand each and entitle the holder to appoint a representative of the Board of Directors. As of December 31, 2022, COFIDE has 84,461 series "B" shares that represent a 7.662% stake in CAF's capital (84,461 shares and a 7.840% stake as of December 31, 2021).

Within the framework of the harmonization process to IFRS and taking as a reference Official Letter No. 45853-2012-SBS, which establishes the treatment based on IFRS, since January 1, 2013, COFIDE decided to register the investment in CAF shares as "Available-for-Sale Investments", taking as cost value, the equivalent of the last carrying amount reported by COFIDE to the SBS as of December 31, 2012 (note 3 (d)(i)). Taking CAF's financial statements as of September 30, 2022, as a reference, said shares would have an equity value of S/ 3,970,062 thousand (S/ 4,116,934 thousand as of December 31, 2021).

In May 2017, the Peruvian State issued a Comfort Letter, in which it expressed the commitment to acquire, at their equity value, up to 20% of the shares issued by CAF, owned by COFIDE; this document is valid for four years. This commitment involves the purchase of up to 19,590 shares, whose equity value is approximately US\$ 200,000 thousand.

According to Law No. 31086, Public Sector Indebtedness Law for the fiscal year 2021, published on December 6, 2020, which entered into force on January 1, 2021, it was approved that the MEF, through the General Directorate of the Public Treasury (DGTP) acquires 13,490 series B shares of CAF from COFIDE, each with a value of US\$14,200. Through the Supreme Decree No. 158-2021-EF dated June 24, 2021, the internal debt operation was approved, under the modality of acquisition of assets in installments.

On June 30, 2021, COFIDE and the MEF signed the Agreement, whereby the MEF acquired a total of 13,490 series B shares of CAF owned by COFIDE, at a unit value of US\$ 14,200 and undertook to pay the total amount of shares acquired of US\$ 191,558 thousand, in a term of ten (10) years that includes a grace period of two (02) years, with an effective interest rate of 1.5% annual (note 8d).

- (b) Management reviewed the carrying amount of its investments in Commercial Papers, maintaining as of December 31, 2022, a provision for impairment of the Commercial Papers of Ingenieros Civiles y Contratistas Generales S.A. for S/ 3,000 thousand (for US\$ 1,620 thousand in Funds of Investment and S/ 3,000 thousand in Commercial Papers as of December 31, 2021).



Except for the above and after determining the impairment of investments according to SBS Resolution No. 7033-2012 and amendments, Management did not identify events or economic changes that indicate that the value of the investments exceeds their recoverable value as of December 31, 2022, and December 31, 2021.

According to COFIDE's policy, as of December 31, 2022, and December 31, 2021, investment is made in financial instruments with local and international risk classifications between "BB-" and "AAA" (note 21H (i)).

The carrying amount and adjustments to equity of investments are as follows:

Type of Instrument	Maturity	Interest rate (Voucher)		Market value		Unrealized results	
		As of Dec 31	As of Dec 31	As of Dec 31	As of Dec 31	As of Dec 31	As of Dec 31
		2022	2021	2022	2021	2022	2021
		%	%	S/ 000	S/ 000	S/ 000	S/ 000
<u>National Currency</u>							
Structured Bonds	Between January 2033 and June 2037	Between 8.73 - 8.76	Between 8.34 - 8.76	287,538	303,137	(30,030)	(13,421)
Corporate Bonds	Between September 2025 and October 2034	Between 5.87 - 11.33	Between 5.87 - 9.19	146,228	157,903	(14,630)	(7,636)
Sovereign bonds	Between February 2029 and August 2040	Between 3.47 - 5.52	Between 3.47 - 5.52	21,165	23,925	(5,712)	(3,203)
Securitized Bonds	Between September 2034 and August 2035	Between 5.97 - 6.05	Between 5.97 - 6.05	30,534	34,130	(13,580)	(11,144)
Commercial papers	-	-	-	3,000	3,000	0	0
Mutual Funds	No contract expiration	-	-	0	9,806	0	(194)
<u>Investment impairment - Commercial Papers</u>				(3,000)	(3,000)	0	0
				<b>485,465</b>	<b>528,901</b>	<b>(63,952)</b>	<b>(35,598)</b>
CAF shares	-	-	-	2,017,003	2,017,003	0	0
				<b>2,502,468</b>	<b>2,545,904</b>	<b>(63,952)</b>	<b>(35,598)</b>
<u>Foreign currency</u>							
Structured Bonds	Between October 2033 and April 2037	Between 4.61 - 8.24	Between 4.61 - 8.24	663,319	787,799	(41,309)	32,695
Corporate Bonds	Between August 2027 and March 2038	Between 3.84 - 6.36	Between 3.84 - 6.18	827,192	762,389	(84,874)	5,110
Commercial papers	-	-	-	0	0	0	0
Investment Funds	No contract expiration	-	-	122,121	138,339	34,187	33,750
Securitization Bonds	December 2034	5.08	5.08	14,418	17,083	(6,092)	(4,386)
Bladex shares	No contract expiration	-	-	1,762	1,887	(303)	822
<u>Investment impairment - Structured Bonds and Investment Funds</u>				0	(6,460)	0	0
				<b>1,628,812</b>	<b>1,701,037</b>	<b>(98,391)</b>	<b>67,991</b>
<b>Total</b>				<b>4,131,280</b>	<b>4,246,941</b>	<b>(162,343)</b>	<b>32,393</b>

Available-for-sale investments have the following maturities:

	12 31 2022	12 31 2021
	S/ 000	S/ 000
Up to a year	0	9,806
More than 2 years and up to 3 years	78,475	0
More than 3 years and up to 4 years	3,561	19,369
More than 4 years and up to 5 years	212,223	4,614
More than 5 years	3,837,021	4,213,152
<b>Total</b>	<b>4,131,280</b>	<b>4,246,941</b>



## 7. Loan Portfolio, Net

This caption comprises the following:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
<b><u>Direct credits (a):</u></b>		
Current credits	5,348,433	4,807,727
Restructured loans	0	0
Refinanced loans (a.1)	1,449,458	1,162,646
Overdue credits	384,417	421,142
Credits to be liquidated and in judicial collection	18,947	497
<b>Sub Total</b>	<b><u>7,201,255</u></b>	<b><u>6,392,012</u></b>
<b><u>More:</u></b>		
Credit accrued returns	70,296	40,312
<b><u>Less:</u></b>		
Provision for bad debts (h)	(1,455,403)	(1,471,635)
Deferred interest	(79,911)	(45,094)
	<u>(1,535,314)</u>	<u>(1,516,729)</u>
<b>Total</b>	<b><u>5,736,237</u></b>	<b><u>4,915,595</u></b>
<b>Contingent credits - Endorsements and letters of guarantee (Note 14)</b>	<b><u>153,436</u></b>	<b><u>161,411</u></b>

- (a) The balance of the loan portfolio, made up of direct and contingent loans, corresponds mainly to foreign currency loans granted to IFIs and first-tier portfolios.

Loans granted to the IFIs are guaranteed by contractual clauses included in the global resource channeling contracts, signed with each debtor, where COFIDE is entitled to i) automatic payment of debts through a charge from the checking account that the borrower holds in the BCRP and/or in a designated operating bank; and ii) the transfer of the loan portfolio financed with COFIDE's funds for the total debt, including interest, fees, defaults and other expenses. This transfer is effective when the IFI fails to meet the payment of the debt or when COFIDE considers that specific circumstances are complicating the refund of the funds granted.

As of December 31, 2022, the balances of loans granted to the IFIs include S/ 570,658 thousand from "Participations Agreements" (S/ 461,802 thousand as of December 31, 2021)

As indicated in Note 1 (C), COFIDE acts as administrator of the Aid Program for Small and Medium Enterprises (FAE-MYPE), the Business Support Fund



for MYPEs in the Tourism Sector (FAE - Tourism), the Program Guarantee of the National Government for Business Agrarian Financing (FAE - Agro), the Business Support Fund for the textile and clothing sector (FAE-TEXCO), the Business Support Program for Micro and Small Companies (PAE - MYPE) and in addition, COFIDE has participated by placing loans granted by the Government through the different IFIs with which it has signed funds channeling contracts. COFIDE placed loans under these Programs, as detailed below:

<u>Types of credits</u>	<u>12 31 2022</u> <u>S/ 000</u>	<u>12 31 2021</u> <u>S/ 000</u>
Corporate	507,117	1,089,157
Large-business	25,010	38,502
Medium-business	204	1,091
	<u>532,331</u>	<u>1,128,750</u>

(a.1) As of December 31, 2022, COFIDE maintains in the accounting account "refinanced loans" granted to the 4 operators of High Capacity Segregated Corridors - COSAC for US\$ 135,977 thousand, Lis Argentis Corporation SAC for US\$ 88,735 thousand, Terminal Portuario Paracas S.A. for US\$ 72,450 thousand, Minera IRL for US\$ 70,000 thousand and Generación Andina S.A.C. for US\$ 12,865 thousand (High Capacity Segregated Corridors - COSAC for US\$ 131,815 thousand, Lis Argentis Corporation S.A.C. for US\$ 76,102 thousand and Minera IRL for US\$ 70,000 thousand as of December 31, 2021).

#### **Situation of COSAC Operators**

COFIDE's recovery strategy consists of dividing the Operators' obligations into two tranches, the first with the flows generated by the system; and the second, charged to the final arbitral awards that order the payment of compensation, interest, and other recognized rights, as a consequence of breaches incurred within the framework of the Concession contract and that have been assigned in favor of COFIDE by Transvial Lima S.A.C. and Perú Masivo S.A., in its capacity as operators of said service.

Addendums have been signed to the Memorandums of Understanding and Transitory Agreements signed between COFIDE and the four (4) COSAC operators, in the case of Lima Bus Internacional, Lima Vías Express with validity extendable to September 30, 2023; and, in the case of Transvial Lima, Peru Masivo, with validity extendable to March 31, 2023.

In December 2022, Law No. 31640 – PUBLIC SECTOR INDEBTEDNESS LAW FOR THE FISCAL YEAR 2023 was promulgated, through the Fifth Clause of the Final Complementary Provisions of said law, the following was provided:



"Fifth. - It is provided that the obligations in charge of the Urban Transport Authority for Lima and Callao (ATU-Autoridad de Transporte Urbano para Lima y Callao), corresponding to the payment of compensation established by arbitration awards in favor of the companies Transvial Lima S.A.C. and Peru Masivo S.A., whose rights were assigned by both companies to Corporación Financiera de Desarrollo S.A. (COFIDE), up to the amount of S/266,900,000.00 (TWO HUNDRED SIXTY-SIX MILLION NINE HUNDRED THOUSAND AND 00/100 SOLES), plus legal interest, expenses and other compensatory items contained in the arbitration awards.

The General Directorate of the Public Treasury of the Ministry of Economy and Finance and the Urban Transportation Authority for Lima and Callao (ATU-Autoridad de Transporte Urbano) sign the respective conciliation act within thirty (30) business days, counted from the entry into force of this Law.

The Ministry of Economy and Finance and the Corporación Financiera de Desarrollo S.A. (COFIDE) agree on the terms and conditions in which the aforementioned Ministry cancels the transfer obligations. By Ministerial Resolution of the Ministry of Economy and Finance, the respective contract is approved."

#### **Situation of the refinanced loan granted to Lis Argentis Corporation S.A.C.**

In June 2022, the Corporation's Board of Directors approved the comprehensive refinancing of the debt, a situation that was contractually implemented on July 27, 2022. As of December 31, 2022, the credit risk rating is deficient.

#### **Situation of the refinanced credit granted to Minera IRL**

On November 10, 2020, COFIDE and Minera IRL S.A. signed an out-of-court transaction whereby the main conditions were established to meet the pending obligations between both, stating that COFIDE would comply with its obligation by compensating the pending obligations between both.

In 2021, the compensation of the obligations for "consequential damages" and "loss of profits" were made against "Accounts receivable" for the total amount of US\$ 34,987, affecting the results accounts of "Other income" and "Other expenses" respectively.

As of December 31, 2022, the principal balance and interest of the credit granted by COFIDE to Minera IRL S.A. amount to US\$ 70,000 thousand, equivalent to S/ 266,980 thousand and US\$ 7,679 thousand, equivalent to S/ 29,288 thousand, respectively (as of December 31, 2021, the principal and



interest balance was US\$ 70,000 equivalent to S/ 279,090 thousand and US\$ 1,553 thousand equivalent to S/ 6,192 thousand, respectively).

As of December 31, 2022, COFIDE has an account receivable of US\$ 3,421 thousand equivalent to S/ 13,048 thousand (as of December 31, 2021, US\$ 2,053 equivalent to S/ 8,185 thousand) from Minera IRL S.A. (note 8(c)), according to the terms and conditions established in the Extrajudicial Settlement signed on November 14, 2020.

As of December 31, 2022, and December 31, 2021, Minera IRL's credit risk rating is loss.

- (b) The rating of the loan and contingent portfolio (net of deferred interest) by risk category, conducted by COFIDE's Management following the current regulations issued by the SBS, is summarized as follows:

	Number of debtors		Total Portfolio	
	12 31 2022	12 31 2021	12 31 2022 S/ 000	12 31 2021 S/ 000
Normal	72	76	4,886,077	3,926,550
With potential problems	12	16	762,855	930,592
Deficient	10	10	441,993	461,448
Doubtful	5	5	518,622	526,119
Loss	24	24	665,233	663,620
<b>Total</b>	<b>123</b>	<b>131</b>	<b>7,274,780</b>	<b>6,508,329</b>

- (c) The loan portfolio by type of IFI is classified as follows:

	12 31 2022		12 31 2021	
	S/ 000	%	S/ 000	%
<b>Second floor portfolio:</b>				
Banks (c.1)	1,869,791	25.96	1,630,533	25.51
Municipal savings banks (c.1)	1,986,703	27.59	1,654,675	25.89
Financial institution	941,245	13.07	806,724	12.62
Edpymes	221,666	3.08	164,198	2.57
Rural savings banks	59,503	0.83	122,244	1.91
Cooperatives	25,317	0.35	39,861	0.62
Factoring	0	0.00	14,083	0.22
Financial leasing	0	0.00	0	0.00
	<u>5,104,225</u>	<u>70.88</u>	<u>4,432,318</u>	<u>69.34</u>
<b>"Participations Agreements" (c.2)</b>	<u>570,658</u>	<u>7.92</u>	<u>461,802</u>	<u>7.22</u>
<b>First Floor Portfolio::</b>				
Finance lease and promissory notes	1,513,567	21.02	1,484,200	23.22
Other credits (c.3)	12,805	0.18	13,692	0.21
	<u>1,526,372</u>	<u>21.20</u>	<u>1,497,892</u>	<u>23.43</u>
<b>Grand Total</b>	<u><b>7,201,255</b></u>	<u><b>100.00</b></u>	<u><b>6,392,012</b></u>	<u><b>100.00</b></u>
Credit accrued yield	70,296		40,312	
<b>Grand Total</b>	<u><b>7,271,551</b></u>		<u><b>6,432,324</b></u>	





(c.1) As of December 31, 2022, and December 31, 2021, this item mainly includes operations in foreign currency of Specialized Business Structured Financing (FEEE, Spanish abbreviation) conducted under resource channeling contracts, conducted mainly with local banks, and domiciled in the country, for US\$ 239,147 thousand and US\$ 274,177 thousand respectively:

INTERMEDIARY	DEBTOR		ACCRUED TO	
	NAME	AMOUNT US \$000	12 31 2022 US\$ 000	12 31 2021 US\$ 000
BANCO INTERNACIONAL DEL PERU	Generadora del Perú S.A.	33,800		
	Agroaurora S.A.C.	22,309		
	Empresa Eléctrica Agua Azul S.A.	13,516		
	Aeropuertos del Perú S.A.	7,195		
	Jibiport S.A.C.	102	76,922	74,830
SCOTIABANK	Centro Comercial del Sur S.A.C.	46,919	46,919	48,230
BANCO DE CREDITO DEL PERU S.A.	Empresa de Generación Eléctrica Santa Ana	36,362		
	COSAPI Minería S.A.C.	2,811	39,173	45,118
BNP PARIBAS NEW YORK	Concesionaria Vial del Sur S.A.	29,640	29,640	32,426
DEUTSCHE BANK AG, LONDON BRANCH	Survial S.A.	11,738	11,738	15,929
DEUTSCHE BANK BRANCH	Concesión Canchaque S.A.	10,187	10,187	14,004
CITIBANK DEL. PERU S.A.	Agrojibito S.A.	-		
	Agroaurora S.A.C.	10,645		
	Jibiport S.A.C.	2,073	12,718	12,165
BANCO GNB PERU S.A.	DANPER Agrícola Olmos S.A.C.	10,515	10,515	10,515
BANCO CONTINENTAL	Gandules INC S.A.C.	-		
	Maquiwood S.A.C.	1,335	1,335	1,413
BANCO AGROPECUARIO S.A.	Agrícola Sol de Villacuri S.A.C.	-	-	7,980
BANCO INTERAMERICANO FINANZAS	Inversiones Prisco S.A.C.	-	-	7,416
BANCO SANTANDER PERU S.A.	Instituciones Toulouse Lautrec	-	-	
	Desarrollo Educativo S.A.	-	-	4,151
<b>Total thousands of US\$</b>		<b>239,147</b>	<b>239,147</b>	<b>274,177</b>
<b>Total thousands of S/</b>		<b>912,107</b>	<b>912,107</b>	<b>1,093,144</b>

As of December 31, 2022, interest on loans granted through FEEEs to final debtors: Maquiwood SAC (overdue operation) has been recorded in "interest in suspense". As of December 31, 2021, interest on loans granted through FEEEs to final debtors Agrícola Sol de Villacuri S.A.C. and Maquiwood S.A.C. (overdue operations) have been recorded in "interest in suspense"

(c.2) This item includes FEEE operations conducted through "Participation Agreements", which correspond to an agreement between two parties in which the Seller, who is a lender (IFI) in a credit, sells a share (right) in said credit to the other party (Buyer), with the special characteristic in that said buyer cannot become a Lender of Record, to channel the available funds to a non-domiciled bank, so that it in turn finances the debtor. In general, this type of contract, as well as the credit agreement between the bank and the debtor, are made with international banks and under foreign legislation. As regards the operation of these transactions, it is the same as that included in the channeling contracts. According to the recommendation of the SBS (Official Letter No. 30517-2017-SBS), these operations are classified as portfolio transfer transactions, considering the "debtor" the final beneficiary of the credit and not the financial intermediary.



INTERMEDIARY	DEBTOR		ACCRUED TO	
	NAME	AMOUNT US\$ 000	12 31 2022 US\$ 000	12 31 2021 US\$ 000
BANCO SANTANDER, S.A. (ESPAÑA)	Terminal Portuario Paracas	72,450	72,450	75,434
CREDIT SUISSE SUCURSAL ISLAS CAIMÁN	American Glass Products Perú S.A.C.	-	-	9,216
	Agrovision Peru S.A.C.	25,000	25,000	-
SUMIMOTO MITSUI BANKING CORPORATION	Autopista del Norte S.A.C.	24,904	24,904	15,203
NEDERLANDSE FINANCIERINGS - MAATSCHAPPIJ - FMO	Generación Andina S.A.C.	12,865	12,865	13,536
Banco de Crédito e Inversiones, S.A.	Aeropuertos del Perú S.A.	14,403	14,403	2,438
<b>Total thousands of US\$</b>		<b>149,622</b>	<b>149,622</b>	<b>115,827</b>
<b>Total thousands of S/</b>		<b>570,658</b>	<b>570,658</b>	<b>461,802</b>

(c.3) Correspond to consumer and mortgage loans to employees and former employees.



(d) Interest rates and guarantees.

COFIDE freely establishes the interest rates that govern its active transactions based on the cost of funds, type of client, market, term, and the currency in which the credits are granted.

The average annual effective rates for the main products were as follows:

	12 31 2022		12 31 2021	
	Placements in		Placements in	
	S/ %	US\$ %	S/ %	US\$ %
Short-term working capital	6.14	3.46	2.84	2.41
COFIDE own resources	3.11	0.84	2.99	4.29
Multisect.Credit Program Probid II	5.59	-	3.75	-
FAE-MYPE Financing Line	2.71	7.57	3.23	6.63
FAE-TURISMO Financing Line	4.33	-	3.37	-
FAE-AGRICOLA Financing Line	3.52	-	4.41	-

(e) The loan portfolio is distributed in the following sectors:

Financial intermediation	5,103,643	70.87	4,415,983	69.09
Real estate, business and rental activities	663,829	9.22	658,141	10.30
Transport, storage and communications	668,899	9.29	596,251	9.33
Electricity, gas and water	315,703	4.38	330,023	5.16
Mining	266,980	3.71	279,090	4.37
Agriculture, livestock, hunting and forestry	173,362	2.41	49,623	0.78
Manufacturing industry	-	0.00	36,744	0.56
Other community service activities	-	0.00	14,082	0.22
Mortgage loans for housing	4,699	0.07	5,263	0.08
Trade	3,232	0.04	3,379	0.05
Public Administration and Defense	582	0.01	2,253	0.04
Hotels and restaurants	-	0.00	804	0.01
consumer credits	326	0.00	376	0.01
<b>Total</b>	<b>7,201,255</b>	<b>100.00</b>	<b>6,392,012</b>	<b>100.00</b>

(f) The loan portfolio has the following maturities:

	12 31 2022		12 31 2021	
	S/ 000	%	S/ 000	%
Up to a year	3,072,519	42.67	1,744,562	27.29
More than 1 year and less than 2 years	1,070,983	14.87	1,314,241	20.56
More than 2 years and less than 3 years	536,182	7.45	759,149	11.88
More than 3 years and less than 4 years	302,813	4.21	319,250	4.99
More than 4 years and less than 5 years	261,974	3.64	316,674	4.95
More than 5 years	1,553,420	21.57	1,516,497	23.72
<b>Sub Total</b>	<b>6,797,891</b>	<b>94.40</b>	<b>5,970,373</b>	<b>93.40</b>
Overdue portfolio and in judicial collection	403,364	5.60	421,639	6.60
<b>Total loan portfolio</b>	<b>7,201,255</b>	<b>100.00</b>	<b>6,392,012</b>	<b>100.00</b>



(g) First-tier portfolio (assigned)

According to the global resource channeling contracts maintained with the IFIs, COFIDE signed complementary agreements with certain IFIs. Through such rights assignment agreements, the aforementioned IFIs assigned to COFIDE their rights and their contractual position on various loan contracts. Additionally, some IFS liquidated and intervened by the SBS, assigned to COFIDE various loan and financial lease contracts, as payment of obligations owed to COFIDE.

The portfolio's performance over the last two years was as follows:

	Banco	Consolidated Operations		Total
	Nuevo Mundo	in NC	In FC	
	US\$ 000	S/ 000	US\$ 000	US\$ 000
<b>Balances at 12.31.2020</b>	<b>181</b>	<b>146,717</b>	<b>138,993</b>	<b>285,891</b>
Credits received	-	76,102	25,000	101,102
(Recoveries) / Equivalent adjustment Ft	(51)	(14,653)	(29)	(14,733)
Assignment of portfolio (ii)	-	-	-	-
<b>As of December 31, 2021 (US\$)</b>	<b>130</b>	<b>208,166</b>	<b>163,964</b>	<b>372,260</b>
<b>Equivalent in thousands of soles</b>	<b>518</b>	<b>829,958</b>	<b>653,724</b>	<b>1,484,200</b>
Credits received	-	-	7,980	7,980
(Recoveries) / Equivalent adjustment Ft	(130)	16,807	(72)	16,605
Assignment of portfolio	-	-	-	-
<b>As of September 30, 2022 (US\$)</b>	<b>-</b>	<b>224,973</b>	<b>171,872</b>	<b>396,845</b>
<b>Equivalent in thousands of soles</b>	<b>-</b>	<b>858,047</b>	<b>655,520</b>	<b>1,513,567</b>

- *In 2022, Banco Agropecuario assigned to COFIDE the rights and contractual position of Agrícola Sol de Villacuri SAC for US\$7,980 thousand.*
- *During the year 2021, Credit Suisse transferred to COFIDE the rights and contractual position of Lis Argentis Corporation SAC for an equivalent of US\$ 76,102 thousand. Likewise, Goldman Sachs Bank. assigned the rights and contractual position of Clean Energy del Perú SRL and Especialista en Gas del Perú SRL to COFIDE for US\$ 9,481 thousand and US\$ 15,519 thousand, respectively.*

(h) The movement of the provision for bad debts of direct loans and quotas was as follows:



	<u>Direct</u> S/ 000	<u>Quotas</u> S/ 000	<u>Total</u> S/ 000
<b>Balances as of December 31, 2020</b>	<b>1,067,674</b>	<b>32,917</b>	<b>1,100,591</b>
Provision for the year	395,615	-	395,615
Recoveries	(39,012)	(1,738)	(40,750)
Exchange rate difference	47,358	3,092	50,450
<b>Balances as of December 31, 2021</b>	<b>1,471,635</b>	<b>34,271</b>	<b>1,505,906</b>
Provision for the year	54,161	-	54,161
Recoveries	(36,861)	(245)	(37,106)
Exchange rate difference	(33,532)	(1,451)	(34,983)
<b>Balances as of December 31, 2022</b>	<b>1,455,403</b>	<b>32,575</b>	<b>1,487,978</b>

The balance of the provision for bad debts of loans and quotas is made up of the following:

	<u>12 31 2022</u>			<u>12 31 2021</u>		
	<u>Direct</u> S/ 000	<u>Quotas</u> S/ 000	<u>Total</u> S/ 000	<u>Direct</u> S/ 000	<u>Quotas</u> S/ 000	<u>Total</u> S/ 000
Specific	1,291,927	-	1,291,927	1,321,161	-	1,321,161
Generic by normal customers	30,014	1,074	31,088	20,397	1,130	21,527
Voluntary generic	133,462	31,501	164,963	130,077	33,141	163,218
<b>Total</b>	<b>1,455,403</b>	<b>32,575</b>	<b>1,487,978</b>	<b>1,471,635</b>	<b>34,271</b>	<b>1,505,906</b>

As of December 31, 2022, and December 31, 2021, in response to the SBS recommendation, mandatory provisions have been recorded for transactions conducted through "Participation Agreements", considering the risk rating of the final beneficiaries, which will be the same for existing loans and future loans.

## 8. Hedging Instruments, Accounts Receivable, Intangible Assets and Other Assets

This item includes:



	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
Fair value - Trading derivatives - Forward (Note 12(a))	924	1,606
<b>Trading and hedging derivatives</b>	<b>924</b>	<b>1,606</b>
Funds in guarantee	6,376	1,257
Commissions receivable (b)	123,821	69,748
Account Receivable for assigned loan portfolio (c)	14,049	9,184
Investment account receivable and held to maturity	11,291	0
Miscellaneous accounts receivable	745,812	767,735
Interest yield on accounts receivable	6,408	6,598
Provisions for accounts receivable and others (d)	(21,030)	(18,321)
<b>Accounts receivable, net</b>	<b>886,727</b>	<b>836,201</b>
Software (e)	23,132	21,432
Accrued amortization of software	(20,074)	(18,537)
<b>Intangible asset, net (e)</b>	<b>3,058</b>	<b>2,895</b>
Realizable assets, received in payment and adjudicated	2,177	2,177
Provisions	(2,177)	(2,177)
<b>Realizable assets, received as payment and foreclosed, net (f)</b>	<b>0</b>	<b>0</b>
Commissions and others paid in advance	13,467	15,104
Works of art and library	763	763
Miscellaneous	1,684	1,520
<b>Other assets</b>	<b>15,914</b>	<b>17,387</b>
<b>Total</b>	<b>906,623</b>	<b>858,089</b>

- a) As of December 31, 2022, the balance includes the account receivable from the MEF for US\$ 191,558 thousand and the first capitalization of interest made on June 6, 2022 for UA\$ 2,914, the sum of both components equals S / 741,715 thousand corresponding to the sale of 13,490 series B shares of CAF (note 6) that will be paid through annual installments over a ten-year term that includes two grace periods, whose first installment is due on June 6, 2024 and the last installment on June 6, 2031 at an effective annual interest rate of 1.5% on the acquisition amount (note 6).

As of December 31, 2022, yields receivable amount to US\$ 1,680 thousand, equivalent to S/ 6,408 thousand (As of December 31, 2021, yield receivable was US\$ 1,655 thousand, equivalent to S/ 6,598 thousand).

The interest accrued during the 2022 period was US\$ 2,939 thousand, equivalent to S/ 11,280 thousand (The interest accrued as of December 31, 2021, was US\$ 1,655 thousand, equivalent to S/ 6,664 thousand), which is recorded under accounts receivable in the statement of profit or loss.

- b) As of December 31, 2022, the balance corresponds to trust administration commissions accrued and pending collection from the Trustors.



- c) As of December 31, 2022, the balance includes the account receivable from Minera IRL S.A. for compensation of US\$ 3,421 thousand, equivalent to S/ 13,049. As of December 31, 2021, the account receivable was US\$ 2,053 equivalent to S/ 8,184 thousand (note 7(a.1))
- d) The balance of the provision for bad debts, assigned loan portfolio, and commissions receivable is made up of:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
Specific	18,781	15,796
Voluntary generic	2,249	2,525
	<u>21,030</u>	<u>18,321</u>
	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
<b>Opening balances</b>	18,321	9,633
Provision for the year	5,438	9,009
Recoveries	(2,103)	(375)
Exchange rate difference	(626)	54
<b>Final balances</b>	<u>21,030</u>	<u>18,321</u>

- e) The software mainly comprises SAP licenses. As of December 31, 2022, new licenses have been acquired for S/ 1,699 thousand (S/ 2,768 thousand was acquired as of December 31, 2021) and recorded an amortization expense of S/ 1,536 thousand (S/ 1,802 thousand as of December 31, 2021) and are presented under the item "Depreciation and amortization" in the statement of profit or loss.
- f) As of December 31, 2021, and December 31, 2020, COFIDE maintains foreclosed assets consisting of property, works of art, and various objects, 100% provisioned.

The indicated adjudicated assets maintain a market value, which in the event of their sale, may generate extraordinary income for COFIDE that is recorded under the item "Other income".

## 9. Property, Plant and Equipment, Net

Movement in the cost and accumulated depreciation of property, plant, and equipment as of December 31, 2022, and December 31, 2021, was as follows:



	Initial balance	Additions	Withdrawals / impairment loss	Final Balance
	S/ 000	S/ 000	S/ 000	S/ 000
<b>Cost:</b>				
Land	469	-	-	469
Buildings and facilities	15,455	350		15,805
Furniture and fixtures	2,838	9	(2)	2,845
Various equipment	17,342	498	(13)	17,827
<b>Total</b>	<b>36,104</b>	<b>857</b>	<b>(15)</b>	<b>36,946</b>
<b>Accrued Depreciation:</b>				
Buildings and facilities	13,081	430		13,511
Furniture and fixtures	2,474	73	(1)	2,546
Various equipment	15,949	303	(9)	16,243
<b>Total</b>	<b>31,504</b>	<b>806</b>	<b>(10)</b>	<b>32,300</b>
<b>Net</b>	<b>4,600</b>			<b>4,646</b>

COFIDE has hired insurance policies to cover the possible risks to which the various elements of its buildings, furniture, and equipment are subject, as well as the possible claims that may be presented to it due to the exercise of its activity.

As of December 31, 2022, fully depreciated property, plant, and equipment, which is still in use, was S/ 17,430 thousand (S/ 17,244 thousand as of December 31, 2021).

#### 10. Obligations with the Public and Deposits of Companies of the Financial System and International Financial Organizations

As of December 31, 2022, and December 31, 2021, the item includes:

	12 31 2022	12 31 2021
	S/ 000	S/ 000
Term deposits ( a )	186,500	-
Guarantee deposits ( b )	228,180	23,698
	<b>414,680</b>	<b>23,698</b>
Accrued interest	8,142	-
Compensation for length of service	293	306
	<b>8,435</b>	<b>306</b>
<b>Total</b>	<b>423,115</b>	<b>24,004</b>

(a) As of December 31, 2022, term deposits mainly comprise funds in national currency obtained from Banco de Crédito for a total of S/ 186,500 thousand, which accrue interest at annual market rates between 6.22% and 8.87% and will mature between April and December 2023.





(b) As of December 31, 2022, guarantee deposits are mainly made up of cash deposits made by the Municipal Savings and Credit Funds of Arequipa, Trujillo, and Piura (Back-to-Back transactions), supporting credit transactions for a total of US\$ 55,339 thousand equivalent to S/ 211,061 thousand and which accrue interest at annual market rates that fluctuate between 2.00% to 4.50% in foreign currency and mature between April 2023 and October 2023. Likewise, there are guarantee deposits for withholdings on pledged disbursements in favor of COFIDE for S/ 17,119 thousand and which accrue interest at annual market rates of 5.25% in national currency and mature in June 2023.

As of December 31, 2021, guarantee deposits include withholdings on disbursements pledged in favor of COFIDE, in support of credit transactions for S/ 23,698 thousand, accrue interest at annual market rates of 1.85% in national currency.

Obligations and deposits of companies in the financial system have the following maturities:

	<b>12 31 2022</b>	<b>12 31 2021</b>
	<b>S/ 000</b>	<b>S/ 000</b>
Up to a month	15,000	-
More than 1 month and up to 3 months	30,000	-
More than 3 months and up to 6 months	334,587	23,698
More than 6 months and up to 12 months	35,093	-
<b>Total</b>	<b>414,680</b>	<b>23,698</b>

## 11. Debts and Financial Obligations

It comprises the following:

	<b>31 12 2022</b>	<b>31 12 2021</b>
	<b>S/ 000</b>	<b>S/ 000</b>
Debits (a)	2,832,241	2,430,351
Financial obligations (b)	5,887,447	6,772,637
	<b>8,719,688</b>	<b>9,202,988</b>

(a) Debts with financial companies in the country and abroad are made up of:



Name of Creditors	Rate	12 31 2022	12 31 2021	Maturity
	%	S/ 000	S/ 000	
<b>Direct debtors</b>				
American Family Life Assurance of Columbus				
Japan Branch - AFLAC (iii)	3.75%	262,287	311,787	September 2023
Scotiabank Perú	from 3.50% to 8.50%	342,943	227,000	February 2024
BBVA Banco Continental	from 5.70% to 8.25%	124,500	94,000	May 2024
Banco de la Nación	from 1.23% to 8.95%	1,234,003	1,146,167	October 2027
Instituto de Credito Oficial de España-ICO	from 3.55386% to 5.752%	148,892	99,676	March 2037
Kreditanstalt Fur Wiederaufbau - RV (ii)	from 3.9625% to 5.3375%	567,311	393,176	November 2035
CAF emisión de acciones -pasivo financiero (NOTE 13A).	Annual Libor + 4.5%	22,061	26,356	February 2024
Banco Internacional del Perú - INTERBANK	5.89%	-	2,118	September 2022
<b>Sub Total</b>		<b>2,701,997</b>	<b>2,300,280</b>	
<b>Owed due to resource transfers (iv)</b>				
Japan International Coopetation Agency- JICA	0.60%	25,813	36,822	October 2027
Kreditanstalt Fur Wiederaufbau - EREE Fase II	2.00%	61,062	75,429	June 2028
<b>Sub Total</b>		<b>86,875</b>	<b>112,251</b>	
<b>Sub total</b>		<b>2,788,872</b>	<b>2,412,531</b>	
<b>Interests</b>		<b>43,369</b>	<b>17,820</b>	
<b>Total</b>		<b>2,832,241</b>	<b>2,430,351</b>	

- (i) As of December 31, 2022, it corresponds to 71 medium-term debt contracts whose balance was S/ 1,211,003 thousand and 1 short-term debt contract whose amount was of S/ 23,000 thousand entered into with Banco de la Nación (51 medium-term debt contracts whose balance was of S/ 1,146,167 as of December 31, 2021).

These debts mature until October 2027 and accrue interest at rates ranging from 1.23% to 8.95%.

- (ii) On September 18, 2020, COFIDE entered into a loan agreement with Kreditanstalt Fur Wiederaufbau (KfW), for a total of €250,000 thousand to be disbursed in dollars and allocated to the execution of the COVID-19 Program: Green Reactivation, which has two components: i) Support for micro and small businesses (FAE Mype and Turismo) and, ii) Financing of projects to combat climate change, respectively.

In 2020 and 2022, Kreditanstalt Fur Wiederaufbau disbursed to COFIDE the amount of US\$ 148,744 thousand. As of December 31, 2022, and December 31, 2021, the balance of the debt was S/ 567,311 thousand and S/ 393,176 thousand, respectively.



On June 29, 2018, COFIDE entered into an addendum to the financing agreement with AFLAC concerning the following:

- existing financial covenants in the original contract were removed.
- Escrow account was established for JPY 9,000,000 thousand (100% of the principal) and US\$ 4,391 thousand, one year of interest (Note 4 and 5(c)).
- The loan maturity (anticipated transaction) has been reduced from September 2031 to September 2023.
- COFIDE must maintain at least a classification equivalent to Investment Grade and present two risk classifications from international agencies.

Before said Addendum, COFIDE maintained the liability contracted in yen with the American Family Life Assurance of Columbus - Japan Branch - AFLAC, a “Currency Swap” hedging operation to offset the risk of a revaluation of said currency about the US dollar, whose maturity was in September 2031. On June 29, 2018, COFIDE Management canceled the currency swap because it was not necessary to maintain it since the liability (forecast transaction) changed its conditions, mainly reducing its maturity date to September 2023 and canceling the covenants.

- (iii) These loans were originally granted by multilateral entities, which are detailed in the table above, to the Republic of Peru, represented by the MEF. Through “Resource Transfer Agreements”, the funds were transferred to COFIDE. Additionally, in support of debt service compliance in these agreements, irrevocable payment authorization is included on the ordinary account in foreign currency established by COFIDE at the BCRP.

Debts (without considering interest) have the following maturities:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
Up to a month	67,282	102,231
More than 1 month and up to 3 months	327,241	75,760
More than 3 months and up to 6 months	402,237	46,334
More than 6 months and up to 12 months	586,653	44,669
Mas de 12 meses	1,405,459	2,143,537
<b>Total</b>	<b>2,788,872</b>	<b>2,412,531</b>

- (b) As of December 31, 2022, and December 31, 2021, the financial obligations derived from the issuances made in the local and international capital markets are as follows:



Series	Issuance		Maturity Date	Interest rate	12 31 2022	12 31 2021
	Date	Amount			S/ 000	S/ 000
<b>In National Currency:</b>						
<b>Third Program - Bonds (a)</b>						
Ninth-Series A	04/27/2012	150,000	04/27/2027	6.65%	150,000	150,000
Tenth-Series A	06/28/2012	50,000	07/15/2027	6.20%	50,000	50,000
Tenth-Series A	06/28/2012	50,000	06/28/2037	6.20%	50,000	50,000
Eleventh-Series A	10/30/2012	90,000	10/30/2042	5.63%	90,000	90,000
					<u>340,000</u>	<u>340,000</u>
<b>Fourth Program- Bonds (b)</b>						
Second-Series A	04/30/2013	100,000	04/30/2043	5.35%	100,000	100,000
Tenth-Series A	10/06/2016	150,000	10/06/2026	6.88%	150,000	150,000
Tenth-Series B	10/28/2016	50,000	10/28/2026	6.88%	50,000	50,000
Eleventh-Series A	12/20/2016	300,000	12/20/2046	7.84%	300,000	300,000
					<u>600,000</u>	<u>600,000</u>
<b>Fifth Program - Bonds (c)</b>						
First Issuance - Series A - Green Bond	04/26/2019	100,000	04/26/2022	5.13%	0	100,000
Second Issuance - Series A - VAC Bond	07/19/2019	100,000	07/19/2029	3.00%	117,570	108,412
Third Issuance - Series A - Sustainable Bond	10/25/2019	100,000	10/25/2022	3.78%	0	100,000
Fourth Issuance - Series A	01/28/2021	143,850	01/28/2024	1.84%	143,850	143,850
					<u>261,420</u>	<u>452,262</u>
<b>Short-Term Debt Instruments -</b>						
<b>3rd. Program (d)</b>						
First Issuance - Series E	01/21/2021	64,370	01/16/2022	0.50%	0	64,370
Second Issuance - Series A	12/30/2021	92,500	12/23/2022	3.72%	0	92,500
Second Issuance - Series B	01/26/2022	53,500	01/20/2023	4.75%	53,500	0
Second Issuance - Series C	07/26/2022	77,500	07/21/2023	7.84%	77,500	0
Second Issuance - Series D	10/14/2022	76,500	10/09/2023	7.81%	76,500	0
Third Issuance - Series A	12/22/2022	140,000	12/15/2023	8.22%	140,000	0
					<u>347,500</u>	<u>156,870</u>
<b>Total face value</b>					<b>1,548,920</b>	<b>1,549,132</b>
Accrued yield					38,608	33,749
<b>Total national currency</b>					<b>1,587,528</b>	<b>1,582,881</b>
<b>In Foreign Currency:</b>						
First International Issuance ( e )	2/08/2012	400,000	2/08/2022	4.75%	0	144,648
Reopening First International Broadcast ( e )	12/03/2012	100,000	2/08/2022	4.75%	0	398,700
Second International Issuance-Subordinates (f)	07/15/2014	300,000	07/15/2029	5.25%	972,570	1,196,100
Third International Issuance-Notes DUE 2025 (g)	07/15/2015	411,548	07/15/2025	4.75%	1,569,644	1,640,842
Fourth International Issuance 2027 (h)	09/28/2020	500,000	09/28/2027	2.40%	1,698,805	1,736,194
<b>Total face value</b>					<b>4,241,019</b>	<b>5,116,484</b>
Net price difference (Under/Above par) and related expenses					(10,371)	(13,771)
Accrued yield					69,271	87,043
<b>Total foreign currency</b>					<b>4,299,919</b>	<b>5,189,756</b>
<b>Total</b>					<b>5,887,447</b>	<b>6,772,637</b>

### (a) Third Program – Bonds

This program was approved for up to US\$ 200 million or equivalent in soles or any foreign currency. The Program has an AA+(pe) risk rating from Apoyo & Asociados and AA+.pe from Moody's Local PE.



**(b) Fourth program – Bonds**

This program was approved for up to US\$ 400 million or its equivalent in soles or any foreign currency. Corporate bonds have the highest local risk rating granted by Moody's Local PE AA+.pe. and AA+(pe) awarded by Apoyo & Asociados.

**(c) Fifth program – Bonds**

This program was approved for up to an equivalent amount in Soles of US\$ 500 million. Corporate bonds have the highest local risk rating by Moody's Local PE AA+.pe and AA+(pe) by Apoyo & Asociados.

The risk classifications were granted with accounting information as of September 30, 2022.

On April 25, 2019, COFIDE held the auction of the First Issuance of the Fifth Program of representative debt instruments, which corresponds to the First Green Bond for S/ 100 million for a term of three years, obtaining an interest rate of 5.125%.

The funds obtained through the issuance of the securities were used to finance or refinance COFIDE's own business operations, including the management of environmental projects. Said issuance matured in April 2022.

On July 18, 2019, COFIDE held the auction of the Second Issuance of the Fifth Program of Debt Instruments for S/ 100 million adjusted to the VAC index, and an interest rate of 3% was obtained on the VAC index for 10 years.

On October 24, 2019, COFIDE held the auction of the Third Issuance of the Fifth Program of Debt Instruments corresponding to the First Sustainable Bond of Peru and the amount awarded was S/ 100 million, for three years and an interest rate of 3.78125% was obtained. Said issuance matured in October 2022.

On January 28, 2021, COFIDE held the auction of the Fourth Issuance of the Fifth Program of Debt Instruments corresponding to the COVID Bond, the amount awarded was S/. 143 million, for 3 years and an interest rate of 1.84375% was obtained.

**(d) Third Program of Short-Term Debt Instruments**

This program was approved for an equivalent amount in Soles of US\$ 200 million. Short-term instruments have the highest local risk rating granted by Apoyo & Asociados and by Class & Asociados S.A. (merged with Moody's Local PE), CP-1+(pe) and ML A-1+.pe, respectively.



On January 20, 2021, COFIDE held the auction of the First Issuance Series E of the Third Program of Short-Term Debt Instruments, the amount awarded was S/.64.3 million, for a term of 360 days and an interest rate of 0.5%. Said issuance matured in January 2022.

On December 29, 2021, COFIDE held the auction of the Second Issuance Series A of the Third Program of Short-Term Debt Instruments, the amount awarded was S/ 92.5 million, for 358 days and an interest rate obtained was 3.71875%. Said issuance matured in December 2022.

On January 25, 2022, COFIDE held the auction of the Second Issuance Series B of the Third Program of Short-Term Debt Instruments, the amount awarded was S/ 53.5 million, for 359 days and an interest rate of 4.75%.

On July 25, 2022, COFIDE held the auction of the Second Issuance Series C of the Third Program of Short-Term Debt Instruments, the amount awarded was S/ 77.5 million, for 360 days and an interest rate of 7.84375%.

On October 13, 2022, COFIDE held the auction of the Second Issuance Series D of the Third Program of Short-Term Debt Instruments, the amount awarded was S/ 76.5 million, for 360 days and an interest rate of 7.8125%.

On December 21, 2022, COFIDE held the auction of the Third Issuance Series A of the Third Program of Short-Term Debt Instruments, the amount awarded was S/ 140.0 million, for 358 days and an interest rate of 8.21875%.

**(e) First bond issuance in the international market (Senior unsecured notes – Due 2022)**

At the General Shareholders' Meeting, held on March 14, 2011, it was approved to issue bonds in the international market for up to US\$500 million, which was made effective through the placement of "Senior Unsecured Notes" for US\$400 million on the date of settlement on February 8, 2012; accrue interest at an annual coupon rate of 4.75%, amortized semi-annually and with a principal maturity of 10 years. To date these bonds are not valid, they were canceled.

On the settlement date of December 3, 2012, said international bond was reopened for US\$100 million, also with a principal maturity of 10 years. To date these bonds are not valid, they were canceled.

In the Board Meeting, held on September 10, 2019, the Debt Management Plan (Liabilities) was approved, which contemplated the repurchase in the secondary market of up to US\$ 600,000 thousand of COFIDE bonds maturing in 2022 and 2025. Within the framework of this Plan, on September 28, 2020, COFIDE, through



the bond exchange modality, repurchased bonds maturing in 2022 for US\$ 363,720 thousand with the funds of a new bond issue maturing in 2027 for the same amount. This transaction according to IAS 39 corresponds to a continuation of the debt given that the changes in the structure of the cash flows of said financial liability and the changes in the contractual terms of the original debt are not substantially different from those of the new issuance (note 3.J and note 11.h).

**(f) Second bond issuance in the international market (notes – Due 2029)**

At the General Shareholders' Meeting, held on May 19, 2014, it was approved to issue senior and/or subordinated bonds. On July 8, 2014, COFIDE placed bonds in the international capital market for US\$600,000 thousand in two tranches: US\$300,000 thousand of 5-year senior bonds, placed at a coupon of 3.25% per annum and a yield of 3.297%, these bonds were rated BBB+ investment grade by Standard & Poor's and BBB+ by Fitch Ratings; to date, these bonds are not in force; and US\$300,000 thousand of Tier II subordinated bonds at a term of 15 years, placed at a coupon of 5.250% per year and with a yield of 5.263% until year 10, after which they are converted into variable rate instruments.

During the second quarter of 2022, COFIDE made repurchases of its subordinated bonds in the international capital market. Likewise, it is reported that said repurchases were made in the secondary market as a result of individual negotiations with different bondholders and for a total aggregate amount of US\$45,000 thousand, representing 15% of the total initially issued. As of December 31, 2022, the outstanding balance of Tier II subordinated bonds is equivalent to US\$255,000 thousand.

The subordinated bonds are currently rated investment grade “BB+” by Standard & Poor's and “BB+” by Fitch Ratings.

**(g) Third bond issue in the international market**

At the General Shareholders' Meeting held on May 19, 2014, it was approved to issue senior and/or subordinated bonds. On July 15, 2015, COFIDE placed bonds in the international capital market for US\$800,000 thousand in two tranches: US\$200,000 thousand of 4-year Notes DUE 2019, placed at a coupon of 3.250% per year and a yield of 3.367%; to date, these bonds are not in force; and US\$ 600,000 thousand of Notes DUE 2025 at a term of 10 years, placed at an annual coupon of 4.750% and with a yield of 4.874%. Currently, the bonds maturing in 2025 are rated investment grade “BBB-” by Standard & Poor's and “BBB” by Fitch Ratings.

The costs incurred in the issuance of each program were capitalized. The financial funds obtained will be used to finance, mainly, the increase in the loan portfolio in



infrastructure projects and productive investment, which represent one of the four strategic pillars of COFIDE.

In the Board Meeting, held on September 10, 2019, the Debt Management Plan (Liabilities) was approved, which contemplated the repurchase in the secondary market of up to US\$ 600,000 thousand of COFIDE bonds maturing in 2022 and 2025. Within the framework of the Debt Management Plan (Liabilities), COFIDE bonds were repurchased according to the following modalities:

- On September 21, 2020, bonds maturing in 2025 were repurchased for US\$91,567 thousand in face value, which were financed by COFIDE funds, considering this transaction as a write-off of the liability (note 3.J).
- Within the framework of this Plan, on September 28, 2020, COFIDE, through the bond exchange modality, repurchased bonds maturing in 2025 for US\$ 96,865 thousand, in face value, with the funds of a new bond issuance maturing in 2027 for the same amount. This transaction according to IAS 39 corresponds to a continuation of the debt given that the changes in the structure of the cash flows of said financial liability and the changes in the contractual terms of the original debt are not substantially different from those of the new issuance (note 3.J and note 11.h).

**(h) Fourth bond issuance in the international market**

On September 28, 2020, within the framework of the Debt Management Plan (Liabilities), COFIDE issued a new bond for US\$ 500,000 thousand with a coupon rate of 2.40% and maturity in 2027. This bond was rated investment grade of “BBB” by Standard & Poor's and “BBB+” by Fitch Ratings.

Following the accounting framework of the SBS, which is based on IAS 39, the funds of the bond issued for US\$ 500,000 thousand were allocated for the repurchase of US\$ 363,720 thousand in a face value of the bond maturing in 2022 (note 11 (e)), and US\$ 96,865 thousand in face value, of the bond maturing in 2025 (note 11 (g)), considered as a continuation of the debt given that the changes in the structure of the cash flows of said financial liability and changes in the contractual terms of the original debt are not materially different from those of the new issuance.

The carrying amount of this bond issuance corresponds to the current value of future flows using the original effective interest rate of the bonds issued in 2022 and 2025.

Likewise, as a result of the comparison between the current value of this bond issuance and the amortized cost of the repurchased bonds (whose maturity was 2022 and 2025), a decrease in financial expenses was generated for US\$ 27,106 thousand recorded in the Statement of Results.

Currently, the bonds maturing in 2027 are rated investment grade “BBB-” by Standard & Poor's and “BBB” by Fitch Ratings.





## 12. Hedging Instruments, Accounts Payable, Provisions and Other Liabilities

It comprises the following:

	31 12 2022	31 12 2021
	S/ 000	S/ 000
Fair value - Trading derivatives - Forwards	15,915	1,282
<b>Trading derivatives (a)</b>	<b>15,915</b>	<b>1,282</b>
Fair value - Hedging derivatives - Currency swaps	3,458	3,010
<b>Hedging derivatives (a)</b>	<b>3,458</b>	<b>3,010</b>
Accounts Payable - Reporting Operations (b)	514,327	1,000,621
Taxes payable	471	488
Various accounts payable	6,594	8,793
<b>Accounts payable</b>	<b>521,392</b>	<b>1,009,902</b>
Provision for contingent loans (Note 7(h))	32,575	34,271
Provision for litigation and claims (c)	982	846
Accrued vacation provision	2,288	2,540
Provision for retirees Law No. 20530	1,156	1,048
<b>Provision for litigation, lawsuits and others</b>	<b>37,001</b>	<b>38,705</b>
Operations in progress	4,717	5,449
Deferred credit fees	7,125	7,044
<b>Other liabilities</b>	<b>11,842</b>	<b>12,493</b>
<b>Total</b>	<b>589,608</b>	<b>1,065,392</b>

### (a) Trading and hedging derivatives.

Corresponds to accounts receivable and/or payable for currency swap operations, and forwards, derivative financial instruments, held by COFIDE and mainly comprise the amounts originating from fluctuations resulting from the valuations of said financial instruments.

#### DERIVATIVE FINANCIAL INSTRUMENTS

(in thousands of soles)

DESCRIPTION	Tran. N°	Face value	Exchange rate difference		Profit/(Loss)			Valor Razonable	
			Asset	Liability	Asset	Liability	Realized	Asset	Liability
<b>December 31, 2022</b>									
Currency swaps - hedge YEN/US\$ (i) (ii)	1	25,813	-	-	(4,145)	-	-	-	3,458
Negotiation forward (i)	36	701,293	52,091	65,423	-	-	(1,659)	924	15,915
			<b>52,091</b>	<b>65,423</b>	<b>(4,145)</b>	<b>-</b>	<b>(1,659)</b>	<b>924</b>	<b>19,373</b>
<b>December 31, 2021</b>									
Currency swaps - hedge YEN/US\$ (i) (ii)	1	36,822	-	-	(8,678)	-	-	-	3,010
Negotiation forward (i)	10	181,730	5,402	5,471	-	-	393	1,606	1,282
			<b>5,402</b>	<b>5,471</b>	<b>(8,678)</b>	<b>-</b>	<b>393</b>	<b>1,606</b>	<b>4,292</b>

(i) As of December 31, 2022, the net position payable from currency swap and forward hedging and trading operations of S/ 18,449 thousand (S/ 2,686 thousand payable as of December 31, 2021, from hedging operations and



negotiation of currency swaps and forwards) that offset the decrease in liabilities due to the depreciation of the Yen against the US dollar.

- (ii) As of December 31, 2022, and December 31, 2021, COFIDE has recorded a currency swap contract, to offset the risk of a revaluation of yen on debts received with JICA.

As of December 31, 2022, a net unrealized loss of S/ 4,145 thousand has been recorded for hedging derivative financial instruments (net unrealized loss of S/ 8,678 thousand as of December 31, 2021) and, for the financial instruments derivatives from trading, there is a net realized loss of S/ 1,659 thousand (net realized gain of S/ 393 thousand as of December 31, 2021).

- (b) As of December 31, 2022, the reporting operations include funds in local currency obtained from the BCRP that accrue interest at an annual rate of 0.50% and are guaranteed with restricted deposits in foreign currency at the BCRP for US\$ 136,305 thousand (note 5 (c)) and have maturities until May 2024. As of December 31, 2021, reporting operations comprise funds in national currency obtained from the BCRP that accrue interest at an annual rate between 0.50% and 3.70% and are guaranteed with restricted deposits in foreign currency at the BCRP for US\$ 271,120 thousand and had maturities until May 2024.
- (c) COFIDE has judicial processes pending resolution related to the labor and civil relations that it has maintained with third parties.

As of December 31, 2022, and December 31, 2021, Management has not considered necessary a provision greater than that recorded for the contingencies and processes, discussed in the previous point, since in the opinion of Management and its legal advisors they will not result in additional liabilities.

### 13. Equity

#### A. Social capital

As of December 31, 2022, COFIDE's capital is represented by 1,970,375,350 common shares and 10,947,835 preferred shares (1,896,287,189 common shares and 15,639,765 preferred shares as of December 31, 2021) with face value of S/1.00 each, authorized, subscribed, and paid. Of the above amount, COFIDE maintains 1,563,977 preferred shares in its portfolio.

The composition of COFIDE's share capital is as follows:



Share Class	Titular	12 31 2022		12 31 2021	
		N° Shares	% Participation	N° Shares	% Participation
Class "A"	(i) MEF-FONAFE	1,375,509,201	69.37	1,322,709,103	69.18
Class "C"	(ii) MEF-FONAFE	594,866,149	30.00	573,578,086	30.00
		<b>1,970,375,350</b>	<b>99.37</b>	<b>1,896,287,189</b>	<b>99.18</b>
Class "B Preferred"(iii)	CAF	10,947,835	0.55	12,511,812	0.65
Class "B Preferred"(iii)	COFIDE (in portfolio)	1,563,977	0.08	3,127,953	0.17
		<b>1,982,887,162</b>	<b>100.00</b>	<b>1,911,926,954</b>	<b>100.00</b>

- i. Class "A" shares belong to the Peruvian State. They are unattachable and cannot be subject to movable security or usufruct.
- ii. The common shares of Class "C" belong to the Peruvian State. They are freely negotiable and may be listed on the securities market and/or any registration necessary to be traded on the stock exchange, with the prior agreement of the Board of Directors.
- iii. Class "B" preferred shares belong to entities and companies other than the Peruvian State (unless they are repurchased). They are preferential, redeemable, or purchasable; shares without voting rights and annually accrue a preferential and cumulative dividend (Libor at 360 days plus 4.5%, on the placement value paid in dollars by CAF).

According to the Capital Contribution Agreement dated December 3, 2013, signed between COFIDE and CAF (whose issuance of preferred shares represented a contribution equivalent to US\$ 8,263 thousand), COFIDE undertakes to repurchase the "B Preferred" shares (subscribed by CAF) at the same value of its contribution (set at the same amount of dollars originally contributed) within a maximum term of ten years from its issuance date (January 28, 2014) according to the following: 10% of repurchase to the Sixth, Seventh, Eighth and Ninth anniversary of the date of issuance; and a 60% repurchase to the Tenth anniversary).

On February 4, 2022 (the eighth year from its issuance date), COFIDE repurchased a third batch of 10% of said shares equivalent to 1,563,977 preferred shares for a total amount of US\$ 826 thousand (Until January 2021, a total of 3,127,953 preferred shares were repurchased for US\$ 1,652 thousand), derecognizing the debt recorded with CAF for the same amount, since from the accounting point of view these shares are recognized as owed (Note 11.a).

According to COFIDE's legal advisors, the withdrawal of these titles must be formalized by holding a General Shareholders' Meeting, after which the corresponding titles will be derecognized. At the General Shareholders' Meeting held on January 26, 2022, the recognition of the preferred shares repurchased



until the 2021 period, for the total amount of 3,127,953 preferred shares was approved.

**B. Additional capital**

As of December 31, 2022, it corresponds to the capital pending public records, as established in the General Shareholders' Meeting of COFIDE, held on March 31, 2022, where the reinvestment of 100% of the distributable profits of the year 2021 was approved in favor of FONAFE for S/ 35,795 thousand, equivalent to 35,794,965 new common shares (25,056,475 Class "A" common shares and 10,738,490 Class "C" common shares).

As of December 31, 2021, it corresponds to the capital pending public records, as established in the General Shareholders' Meetings of COFIDE, held on March 31, 2021, and July 29, 2020, where the reinvestment of 100% of the distributable profits of the years 2020 and 2019 in favor of FONAFE for the amounts in S/16,617 thousand equivalent to 16,616,784 new common shares (11,631,749 common shares of Class "A" and 4,985,035 common shares of Class "C") and for S/ 21,676 thousand equivalent to 21,676,412 new common shares (15,173,488 Class "A" common shares and 6,502,924 Class "C" common shares), respectively.

Likewise, as of December 31, 2022, and December 31, 2021, a donation received in furniture for (in thousands) S/ 84 has been recorded in this item.

**C. Mandatory reserves**

According to the General Corporations Law, COFIDE must achieve a legal reserve of no less than 35% of its paid-in capital. This reserve is established through the annual transfer of not less than 10% of net profits.

At the General Shareholders' Meeting held on March 31, 2022, the constitution of the legal reserve was approved for the equivalent of 10% of the profits for the year 2021, for S/ 4,122 thousand.

At the General Shareholders' Meeting held on March 31, 2021, the constitution of the legal reserve was approved for the equivalent of 10% of the profits for the year 2020, for S/ 2,045 thousand.

**D. Retained earnings and adjustments to equity.**

- i. On June 30, 2021, COFIDE recorded an adjustment that affected accumulated results, which corresponds to the correction of the balance of the liability for deferred income tax generated by the temporary difference between the computable tax cost and financial cost of the shares from CAF held as available-for-sale investments (note 6.A). The recorded adjustment



was determined from the net effect of (a) a decrease in retained earnings against an increase in deferred liabilities for S/ 1,288 thousand since the trading instruments that had originated it had already been derecognized on previous dates and (b) a decrease in the deferred income tax liability against an increase in retained earnings for S/ 220,170 thousand, which corresponds to the correction of the computable tax cost, which only included the cost of the shares acquired with monetary contributions; however; should have been calculated based on the total cost of the shares that make up the investment, both the shares acquired with monetary contributions and the shares acquired through the capitalization of profits (bonded shares) between 1989 and 2012. In coordination with SBS, the correction of the adjustments that affected retained earnings is presented in the equity movement for the 2021 period and does not warrant the restatement of the financial statements.

- ii. In December 2022 and December 2021, COFIDE recorded a recovery of the loan provision maintained with Generación Andina S.A. for S/ 14,803 thousand against an increase in retained earnings. The recording was coordinated with the SBS, and it was considered prudent that said recovery be made against accumulated results given that the provisions initially established were also recorded against retained earnings according to SBS Resolution No. 2532-2018 of June 28, 2018.
- iii. During the 2022 period, COFIDE recorded a reversal of commissions accrued during previous periods for S/ 15,849 thousand against a decrease in retained earnings, which corresponds to the accrual of Reactiva Peru commissions in favor of COFIDE. Likewise, provisions corresponding to BLADDEX actions conducted in 2009 were reversed for a total of USD 274 thousand, increasing retained earnings.

#### **14. Contingent and Order Accounts**

This item includes the following:



	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
<b>Contingent risks and commitments (a)</b>		
Guarantees granted (Note 7)	153,436	161,411
Other contingent accounts	47,957	74,732
Various responsibilities	<u>172,525</u>	<u>268,258</u>
	<b><u>373,918</u></b>	<b><u>504,401</u></b>
<b>Trusts and Trust Commissions (b):</b>		
Guarantees for Trust Credit Operations	10,162,828	11,040,304
Trust Counter Accounts and Trust Commissions	16,961,675	16,016,272
Trust Accounts	16,987,162	16,124,743
Funds in Trust Commissions	<u>711,333</u>	<u>802,056</u>
	<b><u>44,822,998</u></b>	<b><u>43,983,375</u></b>
<b>Memorandum accounts</b>		
<b>Guarantees for credit transactions (c):</b>		
Promissory notes	9,653,811	8,739,477
Mortgages	117,996	95,646
Deposits in guarantee	229,400	23,579
Documentary guarantees	2,998	1,828
Commercial Pledge	138,143	126,778
Other guarantees	724,556	1,099,813
Other memorandum accounts	<u>18,972,126</u>	<u>16,538,914</u>
	<b><u>29,839,030</u></b>	<b><u>26,626,035</u></b>
<b>Swap and Forward (d)</b>		
Currency Swap and Forward transactions	<u>727,106</u>	<u>218,552</u>
	<b><u>75,389,134</u></b>	<b><u>70,827,962</u></b>
<b>Total memorandum accounts</b>	<b><u>75,389,134</u></b>	<b><u>70,827,962</u></b>
<b>Total contingent and memorandum accounts</b>	<b><u>75,763,052</u></b>	<b><u>71,332,363</u></b>

- (a) In the normal course of its business, COFIDE participates in transactions with risk outside the statement of financial position. These transactions expose COFIDE to credit risk, in addition to the amounts presented in the statement of financial position.

The credit risk in contingent transactions is related to the probability that one of the participants of the respective contract does not honor the terms established in it. The corresponding contracts consider the amounts that COFIDE would assume for credit losses in contingent transactions.

COFIDE uses similar policies for the evaluation and granting of credits, both for direct credits and contingent credits.

In Management's opinion, contingent transactions do not represent an exceptional credit risk, since a portion of these contingent loans is expected to mature without being used, the total amounts of contingent loans do not necessarily represent future cash disbursements for COFIDE.

COFIDE's management estimates that there is a reasonable degree of probability that a contingent transaction could cause a loss for COFIDE, said operation is included in the determination of the provision for credits as if it were a direct credit.



The other contingent accounts correspond to unused credit lines in force as of December 31, 2022, and December 31, 2021.

COFIDE's Management estimates that there will be no additional significant losses to the recorded amounts provisioned in the provision for contingent credits item, for the contingent transactions in effect as of December 31, 2022, and December 31, 2021.

- (b) As of December 31, 2022, COFIDE managed 7 Funds, 195 trust assets, and 2 programs (5 funds, 191 trust assets, and 2 programs as of December 31, 2021), for which it received commissions according to the contract, with a monthly payment periodicity, quarterly or semi-annually. COFIDE has no responsibility for funds, assets, or programs.
- (c) The balance of the received guarantees item is determined based on the agreed value of the guarantees at the date of the loan contract. This balance does not necessarily represent the market value of the assets affected as collateral that support COFIDE's claims.
  - (c.1) As of December 31, 2022, and December 31, 2021, the balance includes the guarantees of the FAE programs as detailed below:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
<b><u>Other guarantees</u></b>		
FAE-MYPE I guarantee	944	32,855
FAE-MYPE II guarantee	319,779	854,723
FAE-TURISMO guarantee	103,806	124,039
FAE-AGRO guarantee	1,136	25,767
FAE-TEXCO guarantee	472	-
PAE-MYPE guarantee	<u>105,347</u>	<u>62,429</u>
	<u><b>531,484</b></u>	<u><b>1,099,813</b></u>

- (d) COFIDE has commitments mainly to exchange flows of different currencies and interest rates "Swaps" to cover the risks related to debts in foreign currency (note 11).

## 15. Personnel and Board of Directors Expenses

This item includes the following:



	<u>12 31 2022</u>	<u>12 31 2021</u>
	S/ 000	S/ 000
Salaries	17,255	17,422
Bonuses	4,256	4,996
Gratuities	3,254	3,313
Social charges and others	2,268	2,155
Profit sharing	1,380	1,967
Compensation for length of service	1,767	1,792
Board fees	755	967
Assignments	118	473
Vacation	443	349
Other personnel expenses	3,895	3,820
<b>Total</b>	<b>35,391</b>	<b>37,254</b>

## 16. Third-party Service Expenses

	<u>12 31 2022</u>	<u>12 31 2020</u>
	S/ 000	S/ 000
VAT tax apportionment	3,943	6,646
Consulting services	1,874	2,612
rentals	2,423	2,299
electronic processing	2,189	2,102
Professional fees	2,177	1,505
Repair and Maintenance	1,487	1,387
Communications	740	667
Surveillance and protection	348	303
Energy and water	353	272
Advertising	295	251
Miscellaneous supplies	228	248
Insurance	158	169
Transport	174	29
Other services	9,398	6,723
<b>Total</b>	<b>25,787</b>	<b>25,213</b>

This item includes the following:

## 17. Basic and Diluted Earnings per Share

The weighted average number of common shares comprises the following:

Detail	Outstanding shares	base shares for the average	Valid days until closing of the year	Weighted Average of common shares
	( in thousands )	( in thousands )		( in thousands )
<b>Year 2022</b>				
Balance as of January 1, 2022	1,896,287	1,896,287	365	1,896,287
<b>Balances as of December 31, 2022</b>	<b>1,896,287</b>	<b>1,896,287</b>		<b>1,896,287</b>
<b>Year 2021</b>				
Balance as of January 1, 2021	1,896,287	1,896,287	365	1,896,287
<b>Balances as of December 31, 2021</b>	<b>1,896,287</b>	<b>1,896,287</b>		<b>1,896,287</b>





Earnings per share calculated on the basis of the weighted average per share, includes the following:

	<b>12 31 2022</b>	<b>12 31 2021</b>
	S/ 000	S/ 000
Net result for the year	33,693	41,223
Preferred stockholders	(1,153)	(1,305)
<b>Total</b>	<b>32,540</b>	<b>39,918</b>
Weighted average of outstanding shares	1,896,287	1,896,287
Basic earnings per share	0.017	0.021

## 18. Tax Matters

### *Income tax regime*

#### *Tax rates*

- A. COFIDE is subject to the Peruvian tax regime. As of December 31, 2022, and December 31, 2021, the Corporate Income Tax rate is 29.5%, on the net taxable income determined by COFIDE, without considering the Employee Profit Sharing (PTU, in compliance with Legislative Decree No. 1261.

*For the years 2022 and 2021, the Income Tax rate for the distribution of outbound dividends and any other form of profit distribution applicable to legal entities not domiciled in Peru and natural persons is 5.0%.*

It will be presumed, without admitting proof to the contrary, that the distribution of dividends or any other form of distribution of profits that is made corresponds to the accumulated results or other concepts capable of generating taxable dividends, older.

- B. According to the 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 will be taxed with Income Tax at a rate of 30% on a gross basis, as long as the application of an Agreement to Avoid the Double Taxation (CDI, Spanish abbreviation). In this regard, Peru has currently signed CDIs with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea, and Japan.

For technical assistance services or digital services provided by non-residents in favor of domiciled subjects, the place of provision thereof will be indistinct and, in all cases, it will be subject to Income Tax at a rate of 15% and 30% on a gross basis, respectively. The rate applicable to technical assistance services will be 15%, provided that the requirements provided in the Income Tax Law are met. 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.

### Carryover Tax Loss

C. The tax loss regime regulated in article 50 of the Income Tax Law, establishes 2 tax loss compensation systems:

- Offset them by allocating them year after year, until their amount is exhausted, against the third category net income obtained in the four immediate years counted from the year following generation. The balance that is not compensated once that period has elapsed cannot be compensated in subsequent years.

- Offset them by allocating them year after year, until their amount is exhausted, at 50% of the third category net income obtained in the immediately subsequent years.

Employing Legislative Decree No. 1481 released on May 8, 2020, exceptionally the carryover term of losses under system A) of loss compensation, only for the total net loss of the third category of Peruvian source obtained in the year taxable 2020, will be five years.

As of December 31, 2022, and 2021, COFIDE chose to offset them by allocating them year after year, until their amount is exhausted, at 50% of the third category net income obtained in the immediately subsequent years and has determined its carryover loss in S/ 1,744,920 thousand (S/ 1,772,517 thousand as of December 31, 2021). At the date of the presentation of the financial statements, its tax loss has not matured.

Period	Per year	Loss Carryover in thousands of soles	
		System B application	Total balance
2017	(1,234,944)	-	(1,234,944)
2018	(151,361)	-	(1,386,305)
2019	(448,423)	-	(1,834,728)
2020	45,735	22,868	(1,811,861)
2021	78,686	39,343	(1,772,517)
2022	55,193	27,597	(1,744,920)

COFIDE recognized the deferred income tax asset related to the carryover tax loss that is considered to be recovered with the profits generated in the next fiscal years, sufficient to offset the loss, which amounts to S/350,709 thousand as of December 31, 2022 (S/ 350,709 thousand as of December 31, 2021) (note 18.R).



**Determination of income tax**

D. When calculating its taxable material for the periods ended December 31, 2022, and December 31, 2021, COFIDE has determined an income tax expense of S/1,685 thousand and an expense of S/ 70,401 thousand, respectively. The income tax includes:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
current income tax	7,734	11,025
Deferred tax - (section (L))	(6,049)	59,376
<b>Total</b>	<b>1,685</b>	<b>70,401</b>

The reconciliation of the effective income tax rate with the tax rate is as follows:

	<u>12 31 2022</u>		<u>12 31 2021</u>	
	<u>S/ 000</u>	<u>%</u>	<u>S/ 000</u>	<u>%</u>
Utility of the year	34,836	100.00	113,592	100.00
Income tax calculated according to the current tax rate	10,277	29.50	33,510	29.50
<b>Tax effect on additions (deductions):</b>				
Non-deductible expenses	(3,981)	(11.43)	69,403	61.10
exempt income	-	-	-	-
Other permanent differences	(4,611)	(13.24)	(32,512)	(28.62)
<b>Current and deferred income tax registered according to effective rate</b>	<b>1,685</b>	<b>4.84</b>	<b>70,401</b>	<b>61.98</b>

**Tax on financial transactions**

E. For the years 2022 and 2021, the Financial Transaction Tax rate has been set at 0.005% and applies to charges and credits in bank accounts or movements of funds through the financial system, unless it is found exonerated.

**Fiscal review of the tax authority**

F. The tax authority has the power to review and, if applicable, correct the income tax calculated by the Company in the four years following the year of filing the tax return. The affidavits of income tax and Value Added Tax for the years 2018 to 2021 are pending inspection by the Tax Authority. At the end of the period, the Tax Administration continues with the Final Examination process for the Third Category Income tax corresponding to the 2018 economic period.

Due to the possible interpretations that the tax authorities may give to the current legal regulations, it is not possible to determine, to date, whether or not the reviews conducted will result in liabilities for the Company, therefore any higher tax or surcharge that could result from eventual tax reviews would be applied to the results of the year in which it is determined.



In the opinion of the Company's Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2022, and December 31, 2021.

### **Uncertainty over Income Tax Treatment**

G. COFIDE has conducted an evaluation of the uncertain positions regarding tax treatments under IFRIC 23 and determined, based on its tax compliance study, that it is probable that its tax treatments will be accepted by the tax authorities. The Interpretation had no impact on the financial statements of COFIDE as of December 31, 2022, and December 31, 2021.

### **Sales Tax Regime**

H. Likewise, through Legislative Decree No. 1347, published on January 7, 2017, the reduction of one percentage point of the Value Added Tax rate was established as of July 1, 2017, provided that the annualized collection goal is met as of May 31, 2017, of the Value Added Tax net of internal refunds of 7.2% of GDP. In other words, if the aforementioned condition is met, the Value Added Tax rate (including the IPM) will be reduced from 18% to 17%.

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

Likewise, through Law No. 31556 released on August 12, 2022, through which a special and temporary VAT rate of 8% was established for micro and small companies dedicated to the activities of restaurants, hotels, tourist accommodation, catering services and food dealers, to support the reactivation in this economic sector as a result of the COVID 19 pandemic, it will be in force from September 1, 2022, to December 31, 2024.

### **Most relevant tax amendments in force as of January 1, 2019**

I. **Undercapitalization:** As of 2019 and until December 31, 2020, the financial expense generated by indebtedness both between independent and related parties is subject to the undercapitalization limit of (3:1 Debt-Equity Ratio) calculated at the end of the previous year. As of January 1, 2021, financial expenses will be deductible up to a limit of 30% of tax EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the previous year. If there is any balance of financial expense that cannot be absorbed as an expense in a given financial year due to the application of the new undercapitalization rule applicable as of January 1, 2021, it may be offset against the net income generated in the four (4) subsequent fiscal years (i.e. four year carry forward) after which it will mature, generating permanent differences. There



are some exceptions to the application of this limitation in the case of banks, taxpayers with income not exceeding 2,500 TUs, infrastructure, public services, etc.

- J. Deduction of expenses or costs incurred in operations with non-resident parties:** Legislative Decree 1369 requires that costs and/or expenses (including outbound interest) incurred with non-resident counterparties must have been effectively paid to be deducted in the year in which they were incurred. Otherwise, its impact on the determination of net income will be deferred to the year in which it is actually paid, the opportunity in which the corresponding withholding will be applied.

Said rule eliminated the obligation to pay the amount equivalent to withholding on the amount recorded as cost and/or expense.

- K. Indirect credit:** Under certain requirements, as of January 1, 2019, domiciled entities that obtain "inbound" dividends from a foreign source may deduct as a direct credit the income tax that would have been levied on the dividends abroad and the tax on corporate income (indirect credit) paid by the non-resident company of the first and second level (as long as they are in the same jurisdiction) that have distributed the dividends from abroad.

- L. Measures to implement the General Anti-Elusive Clause contained in Regulation XVI of the Tax Code:** Through Legislative Decree No. 1422, the procedure for the application of the aforementioned General Anti-Elusive Clause (CAG) has been established, fundamentally indicating that: (i) it is applicable only in definitive inspection procedures in which acts, facts or situations produced since July 19, 2012 are reviewed; (ii) for its application there must be a prior favorable opinion from a review committee made up of officials from SUNAT itself, said opinion not being appealable; (iii) the definitive inspection procedures in which the CAG is applied are not subject to the one (1) year term to request information from those inspected.

It should be noted that, as of the date of this note, the CAG is fully in force and Rule XVI of the Tax Code is applicable.

- M. Joint and several liability of legal representatives and Directors of the companies:** As of September 14, 2018, it has been established, through Legislative Decree No. 1422, that when an audited subject is subject to the General Anti-Elusive Clause (GAC), it is automatically considered that there is a fraud, gross negligence or abuse of powers concerning their legal representatives unless proven otherwise. The aforementioned joint and several liability will be attributed to said representatives personally whenever they have collaborated with the design or approval or execution of acts, situations, or economic relationships with an elusive purpose.



It should be noted that the aforementioned rule also involves the members of the Board of Directors of companies, 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 relationships to be conducted within the framework of tax planning, being non-delegable - according to the norm in mention - this attribution of the directors.

The members of the Board of Directors of domiciled companies were granted a term that matures on March 29, 2019, to ratify or amend the acts, situations, or economic relationships conducted within the framework of tax planning, and implemented as of September 14, 2018, that continue to have a tax effect until today. For the years 2019 and 2020 onwards, we consider that it is the obligation of the Board of Directors to evaluate annually whether or not the operations conducted by COFIDE have generated an evasive or elusive effect that could be within the scope of application of the GAC and consequently be subject to fiscal regularization.

Notwithstanding the aforementioned maximum term indicated for compliance with said formal obligation, and considering the aforementioned joint and several liability attributable to both legal representatives and directors, as well as the lack of definition of the term *tax planning*, it will be critical to review any act, situation or economic relationship that has (i) increased fiscal attributes; and/or, (ii) generated a lower payment of taxes for the aforementioned years, to avoid the attribution of joint and several tax liability, both at the administrative and even criminal level, depending on the criteria of the inspecting agent, in case of applying the GAC to the company that is the subject of tax intervention by SUNAT

#### **N. Indirect disposal of shares:**

As of January 1, 2019, an anti-avoidance technique is incorporated to avoid the division of operations, through which shares of companies domiciled in Peru are indirectly disposed of. It is indicated that to establish whether in 12 months the transfer of 10% or more of the capital of the Peruvian company has been fulfilled, the transfers made by the subject analyzed are considered, as well as those made to its related parties, whether that are executed through one or several operations, simultaneous or successive. Said relationship will be established under the provisions of subparagraph b) of article 32°-A of the Income Tax Law.

Likewise, it is also established that, regardless of compliance with the conditions regulated in the Income Tax Law, an indirect taxable alienation will always be configured when, in any period of 12 months, the total amount of the shares of the legal entity that are sold is equal to or greater than forty thousand (40,000) TUs. It is also added from the initially indicated effective date that, when a transferor is a legal person not domiciled with a branch or any permanent establishment in Peru with assigned assets, the latter is considered jointly and



severally liable, and the latter must provide, among other information, that corresponding to the shares or participations of the non-domiciled legal entity that are disposed of.

### **Most relevant tax amendments in force as of 2021**

#### **O. Asset depreciation**

Through Legislative Decree No. 1488 Special Depreciation and Amendment Regime, the depreciation percentages of the assets acquired during the years 2020 and 2021 are increased, to promote private investment and grant greater liquidity given the current economic situation due to the effects of COVID-19.

#### **P. Undercapitalization**

As of January 1, 2021, financial expenses will be deductible up to a limit of 30% of tax EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the previous year. There are some exceptions to the application of this limitation in the case of banks, taxpayers with income not exceeding 2,500 TUs, infrastructure, and public services, among others.

Through Supreme Decree No. 402-2021 released on December 30, effective as of December 31, 2021, the Regulation of the Income Tax Law that regulates the calculation of tax EBITDA for the debt interest limit was amended. For the years 2019 and 2020, the financial expense generated by indebtedness between both independent and related parties is subject to the undercapitalization limit of (3:1 Debt-Equity Ratio) calculated at the end of the previous year.

#### **Q. Other relevant changes**

Within the framework of the delegation of powers to legislate on tax, fiscal, financial, and economic reactivation matters, given to the Executive Branch (Law No. 31380), on December 30, 2021, the first tax regulations were released, among which stand out the tax benefits approved for the Aquaculture and Forestry sector, the standardization of the cost for access to tax stability and the extension of VAT exonerations, the main ones are:

They extend the validity of some tax exemptions and benefits, specifically the following:

- Until December 31, 2022, the exemptions contained in Appendices I and II of the VAT Law are extended. Consequently, they will not be taxed with VAT, among others, for the sale of basic food and basic services such as public transport.
- Until December 31, 2024, the issuance of electronic money will not be taxed with VAT.



- Until December 31, 2024, the refund of taxes levied on acquisitions with foreign donations and imports from diplomatic missions is allowed. Link to the rule in comments: Legislative Decree No. 1519.

Likewise, through Supreme Decree No. 1516 published on December 30, 2021, and in force as of December 31, 2021, the cost for access to the stability provided for in the Legal Stability Agreements under the Decrees Legislative No. 662 and No. 757 has been standardized; therefore, said decree has amended article 1 of Law No. 27342 that regulates said agreements; therefore, the companies receiving investment subscribe with the State, stabilize the corresponding Income Tax to be applied under the regulations in force at the time of signing the corresponding agreement, being applicable the current rate referred to in the first paragraph of article 55 of the Income Tax Law, at that time plus 2 (two) percentage points.

**Deferred income tax balances.**

R. Deferred tax assets and liabilities are made up of the following:

	01 01 2021	Accrued	For the year	12 31 2021	Accrued	For the year	12 31 2022
	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000
<b>Active temporary differences:</b>							
Generic provision for loans and contingents	213,607	-	243,004	456,611	-	(883)	455,728
Other generic provisions	11,437	-	(1,969)	9,468	-	(5,016)	4,452
Provision for fluctuations in values	6,521	-	(61)	6,460	-	(6,460)	-
Generic provision accounts receivable	3,082	-	(557)	2,525	-	(276)	2,249
Provisions foreclosed assets	2,303	-	(78)	2,225	-	-	2,225
	<b>236,950</b>	<b>-</b>	<b>240,339</b>	<b>477,289</b>	<b>-</b>	<b>(12,635)</b>	<b>464,654</b>
<b>Liability temporary differences:</b>							
Building Depreciation	(2,854)	-	(23)	(2,877)	-	-	(2,877)
Sale and Value Adjustment of CAF Shares (Note 13 D)	(1,444,318)	746,341	(441,590)	(1,139,567)	-	33,140	(1,106,427)
Unrealized Gain (Loss) on Investments in Securities	(197,869)	165,476	-	(32,393)	194,736	-	162,343
Unrealized Gain (Loss) on Derivative Instruments	6,293	2,385	-	8,678	(4,533)	-	4,145
Trading Derivative Instruments (Note 13 D)	4,368	(4,368)	-	-	-	-	-
Interests and commissions Cosac and IITD (Official Letter No.	371,698	-	-	371,698	-	-	371,698
Tax loss	350,709	-	-	350,709	-	-	350,709
(*) Official Letter No. 32034-2017-SBS of 09 12, 2017.	(911,973)	909,834	(441,613)	(443,752)	190,203	30,263	(220,409)
<b>Liability temporary differences, net</b>	<b>(675,023)</b>	<b>909,834</b>	<b>(201,274)</b>	<b>33,537</b>	<b>190,203</b>	<b>17,628</b>	<b>244,245</b>
<b>Deferred income tax movement</b>	<b>-</b>	<b>268,402</b>	<b>(59,376)</b>	<b>-</b>	<b>56,110</b>	<b>5,200</b>	<b>-</b>
<b>Deferred income tax</b>	<b>(199,132)</b>	<b>268,402</b>	<b>(59,376)</b>	<b>9,894</b>	<b>56,110</b>	<b>5,200</b>	<b>72,052</b>

**19. Transactions with Related Parties**

As of December 31, 2022, and December 31, 2021, the main operations conducted with CAF correspond to financing operations.

Operations conducted with CAF include:





- As of December 31, 2022, available-for-sale investments for S/ 2,017,003 thousand (S/ 2,017,003 as of December 31, 2021) are recorded, note 6.
- As of December 31, 2022, and December 31, 2021, only the debt with CAF derived from the issuance of preferred shares for S/ 22,061 thousand and S/ 26,356 thousand, respectively (note 11). Said debt generated interest expenses for S/ 1,160 thousand in the fourth quarter of 2022 (S/ 1,270 as of December 31, 2021) Note 17.

On February 4, 2022, COFIDE proceeded to repurchase 1,563,977 preferred shares for US\$ 826 thousand, canceling the debt recorded with CAF for the same amount (Until January 2021, 3,127,953 preferred shares had been repurchased for US\$ 1,652 thousand), derecognizing the debt recorded with CAF for the same amount (note 11.a and note 13.A.).

COFIDE's transactions with its related party have been conducted in the normal course of operations and under conditions similar to those conducted with third parties.

#### ***Remuneration to the board of directors***

The amount paid as of December 31, 2022, and December 31, 2021, for expenses to the Board of Directors, corresponds to S/ 755 thousand and S/ 967, respectively.

#### ***Salaries to administrators***

Remuneration for salaries, other personnel benefits, and professional fees received as of December 31, 2022, by COFIDE employees, with executive responsibility (administrators) were S/ 3,376 thousand (S/ 3,387 as of December 31, 2021 ).

#### ***Credits to staff***

As of December 31, 2022, and December 31, 2021, COFIDE Directors, officers, and employees maintain credit operations permitted under the General Law, which regulates and establishes certain limits on transactions with Directors, officers, and employees. of financial institutions in Peru. As of December 31, 2022, and December 31, 2021, direct loans to employees, Directors, officers, and key personnel are S/ 2,896 thousand and S/ 3,425 thousand, respectively.

## **20. Classification of Financial Instruments**

Below are the amounts of financial assets and liabilities of the items of the statement of financial position classified by category as established in the Accounting Manual:



	As of December 31, 2022					As of December 31, 2021					
	Financial assets					Financial assets					
	At fair value with	loans and	available	coverage	Total	At fair value with	loans and	available	coverage	Total	
	in Results	items	for sale	derivatives		in Results	items	for sale	derivatives		
	For	receivable	to reasonable			For	receivable	to reasonable	cobertura		
Negotiation		value			Negotiation		value				
S/ (000)	S/ 000	S/ 000	S/ 000	S/ 000	S/ (000)	S/ 000	S/ 000	S/ 000	S/ 000		
<b>Assets</b>						<b>Assets</b>					
Liquid assets	-	991,800	-	-	991,800	Liquid assets	-	2,480,716	-	-	2,480,716
Investments available for sale						Investments available for sale					
- Capital instruments	-	-	2,140,885	-	2,140,885	- Capital instruments	-	-	2,160,574	-	2,160,574
- Debt instruments	-	-	1,990,395	-	1,990,395	- Debt instruments	-	-	2,086,367	-	2,086,367
credit portfolio	-	5,736,237	-	-	5,736,237	credit portfolio	-	4,915,595	-	-	4,915,595
Derivatives for trading	924	-	-	-	924	Derivatives for trading	1,606	-	-	-	1,606
Hedging derivatives	-	-	-	-	-	Hedging derivatives	-	-	-	-	-
accounts receivable	-	886,727	-	-	886,727	accounts receivable	-	836,201	-	-	836,201
Other assets	-	517	-	-	517	Other assets	-	462	-	-	462
<b>Total</b>	<b>924</b>	<b>7,615,281</b>	<b>4,131,280</b>	<b>-</b>	<b>11,747,485</b>	<b>Total</b>	<b>1,606</b>	<b>8,232,974</b>	<b>4,246,941</b>	<b>-</b>	<b>12,481,521</b>

	As of December 31, 2022					As of December 31, 2021					
	Financial liabilities					Financial liabilities					
	At fair value with	at amortized	other	coverage	Total	At fair value with changes	at amortized	other	coverage	Total	
	in Results	cost	liabilities	derivatives		in Results	cost	liabilities	derivatives		
	For					For	Appointed at the				
negotiation					negotiation	initial moment					
S/ (000)	S/ 000	S/ 000	S/ 000	S/ 000	S/ (000)	S/ (000)	S/ 000	S/ 000	S/ 000	S/ 000	
<b>Liabilities</b>											
Obligations with the public	-	-	230,846	-	230,846	-	-	-	24,004	-	24,004
Deposits from companies in the financial system and											
Internac. Financ. Org.	-	-	192,269	-	192,269	-	-	-	-	-	-
Debts and financial obligations	-	2,832,241	-	-	2,832,241	-	-	2,430,351	-	-	2,430,351
Securities, titles and obligations in circulation	-	5,887,447	-	-	5,887,447	-	-	6,772,637	-	-	6,772,637
Derivatives for trading	15,915	-	-	-	15,915	1,282	-	-	-	-	1,282
Hedging derivatives	-	-	-	3,458	3,458	-	-	-	-	3,010	3,010
Accounts payable	-	-	521,392	-	521,392	-	-	-	1,009,902	-	1,009,902
Other Liabilities	-	-	37,292	-	37,292	-	-	-	39,720	-	39,720
<b>Total</b>	<b>15,915</b>	<b>8,719,688</b>	<b>981,799</b>	<b>3,458</b>	<b>9,720,860</b>	<b>1,282</b>	<b>-</b>	<b>9,202,988</b>	<b>1,073,626</b>	<b>3,010</b>	<b>10,280,906</b>



## 21. Financial Risk Management

Financial risk management includes the administration of the main risks that, due to the nature of its operations, COFIDE faces, such as credit, market, and liquidity risks.

### ***Credit risk***

Originating in the probability that a counterparty to the financial instrument contract or obligated third parties fail to comply with their contractual obligations for reasons of insolvency, inability, or unwillingness to pay, and produce a financial loss in the other party. It includes the management of counterparty risk, concentration risk, country risk, and credit risk derived from exchange risk.

### ***Market risks***

Originating in the probability of losses in the value of the positions held, derived from variations in market conditions. It generally includes the following types of risks: exchange rate, changes in fair value due to interest rates, and price, among others.

### ***Liquidity risk***

About the fact that COFIDE cannot meet its payment commitments, because it has incurred losses for failing to comply with the financing and application of funds requirements that arise from cash flow mismatches.

The management of said risks conducted by COFIDE is detailed below, which has a structure and organization specialized in the management, measurement systems, and mitigation and coverage processes of the risks generated by financial instruments:

## **A. Structure and organization of risk management**

COFIDE has a governance and management structure that allows it to adequately articulate the administration and control of the risks it faces.

### ***i. Board of Directors***

COFIDE's Board of Directors is responsible for establishing adequate risk management and fostering an internal environment that facilitates its proper development. The Board of Directors is kept informed about the degree of exposure to the various risks that COFIDE manages.

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

### ***ii. Risk committee***

The Risk Committee is a body created by the Board of Directors, is responsible for pre-approving the policies and establishing procedures and methodologies for comprehensive risk management, as well as for the identification and administration



of the risks faced by COFIDE. The Committee meets biweekly and reports monthly to the Board of Directors on the main issues dealt with and the agreements adopted concerning risk management. The Committee is made up of four Directors, with one of them as President, and the General Management and Managers of four COFIDE departments are considered permanent guests, and the Risk Manager performs the duties of secretary. To conduct its work, the Risk Committee is functionally supported by Risk Management, which is in charge of presenting the financing proposals submitted by the Business Management.

**iii. Management Committee**

The Management Committee is the coordination and decision-making body of COFIDE, in strategic, administrative, computer, and management issues, it is also in charge of conducting the functions of the internal control and eligibility committee, within this last function, it is responsible to evaluate the eligibility of the business proposals presented by the Business Management, Finance Management and Development and Innovation Management, under the parameters established in the policies and strategies of the Corporation. The Committee meets weekly or when called by the president (General Management), the titular members are General Management, Legal Advice Manager (secretary), Human Resources and Administration Manager, Risk Management, and Internal Audit Management.

**iv. Monitoring Committee**

The Monitoring Committee is a body created by the General Management, whose objective is the coordination and definition of actions to be taken in terms of risk monitoring of credit operations, of the different portfolios, the knowledge of the progress in the commitments assumed by the different managements that participate in the Committee, as well as regarding the improvements in the monitoring process. The Committee meets bimonthly and is made up of the General Manager (who chairs it), the Risk Manager, the Legal Advice Manager, the Business Manager, and the Finance Manager of COFIDE; being the Risk Management who performs as secretary.

**v. Audit, Ethics and Compliance Committee**

The Audit, Ethics and Compliance Committee is a body created by the Board of Directors. Its main purpose is to monitor the proper functioning of the internal control system in the context of risk management in COFIDE's accounting and financial reporting processes. In addition, it has the purpose of evaluating the activities conducted by internal and external auditors. The Audit, Ethics and Compliance Committee is made up of three Directors (one of them chairs it), the Internal Audit Manager, who performs the duties of secretary of the Committee, and the Legal Advice Manager (to support issues related to normative compliance). Both representatives of the Board of Directors do not conduct management activities, to avoid conflicts of interest and incompatibility of functions. The Committee meets at least once every two months on an ordinary basis, and reports to the Board of Directors on the topics discussed when the relevance of the topic so requires (and



must submit reports to this instance, at least twice a year). To conduct its work, it is functionally supported by COFIDE's Internal Audit Management.

**vi. Assets and Liabilities Committee**

The Assets and Liabilities Committee (ALCO) is a body created by the Board of Directors. Its main function is to manage the financial structure of COFIDE's balance sheet, according to current policies and regulations. The Assets and Liabilities Committee oversees the proper management of liquidity, interest rate, and exchange risks, deciding on the necessary actions to implement corrective actions required in case there are deviations concerning assumed risk tolerance levels and degrees of exposure. The Committee meets at least once a month. To conduct its functions, the Committee is supported by the Finance Department (the Department in charge of the investment area). The Committee is made up of the General Manager (who chairs it), the Finance, Risk, Business, Legal, Development and Innovation and Compliance Managers, each member may propose their guests to participate in the Assets and Liabilities Committee, as convenient.

**vii. General management**

The General Manager is responsible for implementing adequate risk management in the organization under the provisions of the Board of Directors and the Risk Committee; within the COFIDE regulatory framework, it ensures the adequate management of the departments under its responsibility, as well as the adequate framework of work to identify, evaluate, control, and monitor and report the main risks to guarantee compliance with policies and adequate management of risks.

**viii. Internal audit**

Internal Audit functionally reports to the Board of Directors and provides independent assurance and consulting services regarding the proper functioning of the internal control system, in compliance with applicable internal audit, corporate governance, and risk management regulations. This is to support the Board of Directors and Management in the evaluation and assurance that risks are managed in compliance with the regulations and are aligned with the achievement of COFIDE's objectives. Internal Audit informs the responsible areas, Management, the Audit, Ethics and Compliance Committee, the Board of Directors, as well as the regulators (through quarterly reports on compliance with its annual plan) regarding situations of potential risk and other relevant aspects related to the evaluation of risk management and internal control of COFIDE.

**ix. Risk management**

The Risk Management is the independent line body, in charge of proposing the policies, procedures, and methodologies for competent risk management, promoting the alignment of COFIDE's risk treatment measures, with the risk appetite and limit levels, and the development of appropriate controls.



## **B. Action framework for comprehensive risk management**

To adequately mitigate the financial risks to which COFIDE is subject, the internal control environment, established objectives, identification, evaluation, and treatment of risks, information and communication processes, monitoring activities, subcontracting, and training are considered.

### ***i. Credit risk***

It is the main risk that COFIDE must manage and to mitigate their exposure and provide them with adequate coverage, it has established a series of measures, among which the following stand out:

- Policies applicable to the process of identification, measurement, monitoring, control, and reporting of credit risk with debtors, as well as to the process of evaluation, analysis, approval, monitoring and recovery.
- Admission policies for business, specialized, and structured financing operations, financing in which COFIDE assumes the direct or contingent risk of final debtors.
- Guidelines related to the origin and participation of COFIDE in various transactions, the negotiation and management of real and personal guarantees that must be established in support of credit operations, and those considered when monitoring the entire portfolio of transactions.
- Policies for the recovery and normalization of credit transactions in difficulties (in which they request early changes in the originally agreed conditions and with impairment loss of their obligations on time or in form).
- Credit risk policies for intermediaries, related to those risks involved in the transaction with the IFIs (financial intermediaries), which must be reflected in the individual exposure levels and global composition; as well as in the allocation of provisions and prices based on risk.
- Asset and liability management policies related to diversification, concentration risk, counterparty risk, and issuer risk.
- Country risk policies, in which parameters are defined for conducting active financial operations with persons not domiciled in the country and likely to be exposed to country risk.
- Policies for the management of credit risk derived from exchange risk, in which guidelines are defined for the administration of credit risk induced by variations in the exchange rate, in the loan portfolio in foreign currency with debtors



whose income and obligations, as well as their balance sheet structure are not matched in terms of currency.

- Within the framework of the State of Emergency, the SBS issued a series of multiple official letters that allowed financial institutions to conduct rescheduling individually and massively, allowing the extension of the payment schedule for up to 12 months. In this context, COFIDE approved the guidelines through which the rescheduling of those debtors who request said facility would be conducted, adjusting the processes to provide specific facilities to clients promptly under general guidelines approved by the Board of Directors, in line with the guidelines provided by the regulator (SBS).

**ii. Market risk**

Market risks derive from movements in market prices, exchange risks, and interest rate risks for trading positions. The following is contemplated for the management of market risks:

Limits are defined related to:

- Exchange rate and interest rate volatility alerts.
- Alerts and control of losses in the trading portfolio.

Estimates are made on:

- Potential losses to which COFIDE is exposed to maintain a portfolio made up of active or passive positions in primary or derivative instruments.
- Maximum probable loss through indicators of value at risk (VaR) and stressed value at risk (SVaR) for interest rate and exchange rate risk in the trading book and global position in foreign currency.
- The valuation of positions recorded in investments by COFIDE, of investments in debt or capital instruments, recorded as available for sale.
- The market value of derivative financial instruments for reporting purposes and permanent monitoring of said positions at market values.
- Potential losses from maintaining positions sensitive to changes in interest rates.
- Estimated losses in crises through stress tests, within the framework of the Market Risk Contingency Plan.



**iii. Structural risk of the statement of financial position**

The structural risk of the statement of financial position represents the potential losses caused by the impact of movements in interest rates, and exchange rates on the structural positions of assets and liabilities, both inside and outside the Statement of Financial Position, not including the trading portfolio.

In the case of interest rate risk, the potential loss analysis focuses on the impact on the net financial margin (one-year earnings at risk) and the impact on the discounted value of assets and liabilities (equity value at risk).

For structural exchange rate risk, at COFIDE there are two sources of fundamental risk, one direct and the other indirect. The first comes from the position of structural change that COFIDE maintains. The second source comes from the structural dollarization of its portfolio vis-à-vis debtors, issuers, and local intermediaries, with whom it would face a possible credit risk derived from exchange risk.

The following policies have been established to manage this risk:

- Asset and Liability Management Policies.
- Diversification Policies and Concentration Risk.
- Counterparty Risk and Issuer Risk Policies.
- Investment Policies.
- Debt Policies.
- Policies for Derivatives.
- Exchange Risk Policies.
- Interest Rate Risk Policies.

**iv. Liquidity risk**

For liquidity risk management, some policies define guidelines for the constitution of a reserve of high-quality liquid assets, availability of a line of credit, minimum requirements for a contingent credit line, and a high-quality liquidity reserve, as well as limits on the concentration of the liquid assets. Likewise, it has a Contingency Plan for lack of liquidity, which considers the operating procedure to follow in the event of an individual liquidity crisis, as well as a systemic one.

**C. Risk concentration**

COFIDE has policies and procedures to ensure adequate diversification of financial assets and liabilities, inside and outside the statement of financial position; and seek, when appropriate, an adequate relationship between concentration risk and COFIDE's degree of equity capitalization. The diversification and concentration policies in your policy manual for asset and liability management establish alerts that reflect your risk appetite such as:

- Single risk asset concentration alerts.
- Diversification alerts by sector of economic activity.





- Investment diversification alerts and liquid assets by market.
- Alerts concentration of liabilities for single risk.

In addition, COFIDE has established policies on limits so that the credit risk incurred is sufficiently limited and diversified within the corporate objectives of the organization, for which it has established:

- Exposure limits with the IFIs with the highest relative risk.
- Single Risk Concentration Monitoring.
- Monitoring of the quality of implicit credit exposure.
- Monitoring of the quality of explicit credit exposure.
- Limits on participation in business, specialized, and structured financing operations.

Likewise, COFIDE has Policies for Levels of Autonomy, which must have the approval of the Board of Directors and are related to:

- Credit operations.
- Investment operations.
- Debt operations.
- Operations with derivative financial instruments.
- Negotiation operations.

Regarding investments, COFIDE has defined in its policies alerts for the concentration of the trading portfolio and has established limits for the investment portfolio due to relative risk and portfolio limits due to issuance risk.

#### **D. Risk measurement and reporting systems**

COFIDE uses different models and qualification tools for risk management to measure and evaluate each type of risk related to financial instruments. These tools are supported by models, methodologies, and applications, thus allowing better risk decisions to be made.

The tools are periodically monitored and validated to ensure that the prediction and performance levels are maintained and that corrective measures or adjustments to the models can be made, if necessary.

The management indicators are reviewed and analyzed, to identify possible deviations in the risk profile concerning the risk appetite stipulated by COFIDE, to take corrective measures promptly. This information is submitted monthly to the Risk Committee and periodically to the Board of Directors.



## E. Credit risk

Credit risk is defined as the probability of incurring financial losses caused by the breach of contractual obligations of a counterparty or obligated third parties for reasons of insolvency, incapacity, or unwillingness to pay or for any other reason that causes the breach of contracted obligations.

The control measures that COFIDE uses to mitigate credit risk are detailed below:

- (a) COFIDE opts for a risk policy that ensures sustained and profitable growth. For this, it incorporates analysis procedures for proper decision-making, as well as tools and methodologies that allow it to identify, measure, mitigate, and control the different risks most efficiently and follow what is established by the SBS. Likewise, it develops management models that allow an adequate measurement, quantification, and monitoring of credits, promoting the continuous improvement of policies, tools, methodologies, and processes.
- (b) Maximum exposure to credit risk  
As of December 31, 2022 and December 31, 2021, Management has estimated that the maximum amount of credit risk to which COFIDE is exposed is represented by the carrying amount of financial assets with potential credit risk that consists of mainly liquid assets, investments available for sale, credit portfolio (direct and indirect, without considering the market value of guarantees or collateral), transactions with derivative financial instruments, accounts receivable and other monetary assets.

The exposure for each borrower, including banks, investments, or other debtors, is established by assigning limits that cover risks from operations in the statement of financial position and outside of it (contingent accounts), the timely evaluation of transactions, as well as such as risk limits for items subject to negotiation, such as swap contracts in foreign currency and interest rates. Actual exposures and their comparison against established limits are reviewed monthly.

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

- 72.48% and 72.9%, respectively, of the loans, are not considered overdue or impaired.
- 95.04 % and 95.48%, respectively, of the investments, have at least investment grade (BBB- or higher) or are debt instruments issued by the Central Government.

Below is a table of COFIDE's maximum credit risk exposure by type of financial asset:



	Notes	12 31 2022 S/ 000	12 31 2021 S/ 000
<b>Asset (*)</b>			
Liquid assets	5	991,800	2,480,716
Investments available for sale credit portfolio	6	4,131,280	4,246,941
Derivatives for trading	7	5,736,237	4,915,595
Hedging derivatives	8	924	1,606
accounts receivable	8	-	-
Other assets	8	886,727	836,201
		517	462
<b>Total</b>		<b>11,747,485</b>	<b>12,481,521</b>
<b>Quotas (*)</b>	7 and 14	<b>168,818</b>	<b>201,873</b>

(\*) Contingent credits are included, net of provisions

Within the framework of the State of Emergency derived from COVID-19, COFIDE defined general guidelines that made it possible to grant facilities to the client portfolio at their request and aligned with the guidelines indicated in the multiple letters issued by the regulator. In line with what is required by SBS, a monitoring plan and recovery strategies differentiated by risk segment and type of portfolio were established.

In this way, at the end of the fourth quarter of 2022, 5 clients remain rescheduled (6 clients as of December 31, 2021), mainly from the non-retail portfolio and which represents approximately 11.83% of total loans as of December 31, 2022. (13.4% as of December 31, 2021).

Likewise, the granting of facilities continued within the framework of the different economic reactivation programs Reactiva Perú, FAE-MYPE, FAE-Turismo, FAE-AGRO, the COVID-19 Guarantee Program, and FAE-TEXCO, and for the programs in which COFIDE grants financing, guidelines were established for the assignment of individual limits to financial intermediaries based on their level of risk.

In addition, COFIDE prepared a capital strengthening plan that seeks to grant greater coverage of provisions on the total portfolio under the greater requirements that could be due to the impairment loss resulting from the state of emergency. Said plan was coordinated with the MEF and implemented in 2021.

## F. Guarantee management.

### i. Policies and procedures for its management and assessment

COFIDE has policies for the negotiation and management of real and personal guarantees that must be established in support of credit transactions under any modality, maintaining a minimum slack in the existing coverage margin between the value of the established guarantees and the amount of risk covered, affecting the degree of realization of the assets involved and the final recovery of debts; which means an important mitigator of the assumed credit risk. The criteria for the valuation of guarantees and procedures are prescribed in the Debtor Credit Risk



Policies Manual (Guarantee Policies), which incorporates what is established by the SBS.

It is worth mentioning that COFIDE does not have guarantees for other financial instruments such as the investment portfolio, the trading portfolio, and hedging derivatives.

For the management of guarantees, COFIDE has specialized areas in the constitution, management, and release of guarantees.

## **ii. Types of guarantees**

The guarantees in support of credit operations are made up of movable and immovable property, and financial instruments and their preferential nature is evidenced by the following conditions:

- Easy convertibility into money, with which the guaranteed obligation can be canceled.
- Become a preferential rank over other creditors.
- Cover with the required slack, the risk value involved.
- Have the corresponding insurance duly endorsed.
- Guarantees should be preferred over assets whose realizable value is not correlated with the evolution or performance of the payment capacity of the financed debtor.

Based on these preferences, COFIDE seeks to establish the following types of guarantees:

- liquidating guarantees, or trust equivalents.
- Preferred guarantees of very fast realization.
- Preferred warranties.

## **iii. Risk concentrations concerning guarantees.**

Below is a detail of the concentration of backing guarantees for credit operations as of December 31, 2022, and December 31, 2021:

Type of Guarantee	Non Retail	Retail	Total Guarante	Related Credits
as of December 31, 2022	S/ 000	S/ 000	S/ 000	S/ 000
Self-liquidating guarantees	229,400	-	229,400	1,351,797
Preferred Guarantees	434,566	14,644	449,210	361,620
<b>Total (*)</b>	<b>663,966</b>	<b>14,644</b>	<b>678,610</b>	<b>1,713,417</b>
Type of Guarantee	S/ 000	S/ 000	S/ 000	S/ 000
as of December 31, 2021				
Self-liquidating guarantees	23,579	-	23,579	266,746
Preferred Guarantees	222,424	-	222,424	230,348
<b>Total (*)</b>	<b>246,003</b>	<b>-</b>	<b>246,003</b>	<b>497,094</b>

(\*) The accounting balances of the guarantees received by the direct credit portfolio are considered



**Value of the collateral received.**

The value of the real guarantees refers to the realizable value of the assets involved, a value that must be established based on conservative criteria as the net result that is expected to be obtained with the eventual sale in its current situation, deducting all necessary expenses to conduct said sale.

COFIDE considers the following valuations:

- For urban furniture, it must not exceed 70% to 75% of its commercial value (in the same way for the asset trust).
- For deposits, letters of guarantee, and surety insurance, their face value will be considered realizable value.
- For a pledge of negotiable securities, their market value will be taken as the realizable value.
- For credit insurance and credit derivatives, only the proportion or amount in excess subject to coverage will be considered, according to the particular conditions established in each contract.
- For encumbrance in favor of COFIDE, the total commercial value of the guarantees involved is considered.

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
<b>Guarantees related to direct loans</b>		
Self-Liquidating Guarantees	229,400	23,579
Preferred Guarantees	449,210	222,424
Other Guarantees (a)	531,484	1,099,813
<b>Total (*)</b>	<b>1,210,094</b>	<b>1,345,816</b>

(\*) it does not include the value of the promissory notes, the balance of which is recorded in other creditor

(a) Corresponds to loan guarantees that are granted to the Aid Program for Small and Medium Enterprises (FAE-MYPE), the Business Support Fund for MYPEs in the Tourism Sector (FAE - Turismo), the Government Guarantee Program Fund for Business Agrarian Financing (FAE - Agro), the Business Support Fund for the textile and clothing sector (FAE-TEXCO), and the Business Support Program for Micro and Small Companies (PAE - MYPE) (note 1. B and note 14).

**G. Credit quality of financial assets**

COFIDE reviews its loan portfolio constantly to minimize its risk exposure and adequately determine the provisions for uncollectible loans. The purpose of this work is to identify and mitigate the risk of loss in the credits placed, as well as to plan adequate recovery strategies.

Provisions for the risk of uncollectible credits are established on direct credits and the equivalent exposure to the credit risk of indirect credits, under the provisions of the SBS. In this sense, generic and specific provisions are established.



Within the generic provisions, COFIDE establishes provisions for the procyclical component for debtors classified in the "Normal" category, when the "procyclical rule" is activated by the SBS.

Below is a summary of the quality of direct loans classified into three groups, considering the risk classification of credit positions in normal, with potential problems, deficient, doubtful, and COFIDE loss, concerning the alignment in the financial system:

- (i) Non-matured or impaired loans, which include those direct loans that currently do not have delinquency characteristics and are related to clients classified as "Normal" and "With potential problems",
- (ii) Past-due but not impaired loans, which include past-due loans from clients classified as normal or with potential problems, and
- (iii) Impaired loans are those loans classified as deficient, doubtful, or lost, even if they are not overdue (for non-retail loans) and overdue for more than 90 days (for retail loans).

December 31, 2022	credit portfolio					%
	non-retail credits	Small and micro business loans	consumer credits	Mortgage loans for housing	Total	
	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	
<b>Credits not overdue or impaired</b>	<b>5,215,140</b>	-	<b>323</b>	<b>3,709</b>	<b>5,219,172</b>	<b>90.83</b>
Normal	4,728,610	-	323	3,709	4,732,642	82.37
CPP	486,530	-	-	-	486,530	8.47
<b>Non-impaired overdue loans</b>	-	<b>614</b>	-	-	<b>614</b>	<b>0.01</b>
Normal	-	614	-	-	614	0.01
CPP	-	-	-	-	-	0.00
<b>Impaired credits</b>	<b>1,980,354</b>	<b>121</b>	<b>4</b>	<b>990</b>	<b>1,981,469</b>	<b>34.49</b>
CPP	276,325	-	-	-	276,325	4.81
Deficient	521,855	-	-	-	521,855	9.08
Doubtful	518,618	-	4	-	518,622	9.03
Loss	663,556	121	-	990	664,667	11.57
<b>Gross portfolio</b>	<b>7,195,494</b>	<b>735</b>	<b>327</b>	<b>4,699</b>	<b>7,201,255</b>	<b>125.33</b>
<b>Less: provisions (**)</b>	<b>5,741,463</b>	<b>0</b>	<b>321</b>	<b>4,068</b>	<b>5,745,852</b>	<b>25.33</b>
<b>Total net (***)</b>	<b>1,454,031</b>	<b>735</b>	<b>6</b>	<b>631</b>	<b>1,455,403</b>	<b>100.00</b>



	Credit portfolio					
	Non-retail credits (*)	Small and micro business credits	Consumer credits	Mortgage loans for housing	Total	%
	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	
<b>December 31, 2021</b>						
<b>Non-matured or impaired credits</b>	<b>4,654,337</b>	-	<b>376</b>	<b>4,107</b>	<b>4,658,820</b>	<b>94.69</b>
Normal	3,755,563	-	376	4,107	3,760,046	76.42
CPP	898,774	-	-	-	898,774	18.27
<b>Non-impaired overdue loans</b>	<b>36,909</b>	-	-	-	<b>36,909</b>	<b>0.75</b>
Normal	5,092	-	-	-	5,092	0.10
CPP	31,817	-	-	-	31,817	0.65
<b>Impaired credits</b>	<b>1,694,391</b>	<b>736</b>	-	<b>1,156</b>	<b>1,696,283</b>	<b>34.47</b>
Deficient	506,294	-	-	-	506,294	10.29
Doubtful	525,548	-	-	592	526,140	10.69
Loss	662,549	736	-	564	663,849	13.49
<b>Gross portfolio</b>	<b>6,385,637</b>	<b>736</b>	<b>376</b>	<b>5,263</b>	<b>6,392,012</b>	<b>129.91</b>
<b>Less: provisions (**)</b>	<b>1,470,000</b>	<b>736</b>	<b>4</b>	<b>895</b>	<b>1,471,635</b>	<b>29.91</b>
<b>Total net (***)</b>	<b>4,915,637</b>	<b>0</b>	<b>372</b>	<b>4,368</b>	<b>4,920,377</b>	<b>100.00</b>

(\*) Includes large and medium-sized companies in the financial system.

(\*\*) Specific, generic mandatory and voluntary provisions.

(\*\*\*) Yields and deferred interest are not included.

The structure of refinanced and restructured loans concerning the quality of direct loans is detailed below:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	<u>S/ 000</u>	<u>S/ 000</u>
<b>Refinanced Credits</b>		
Non-matured or impaired	1,449,458	-
Impaired	-	1,162,646
<b>Total</b>	<b>1,449,458</b>	<b>1,162,646</b>
<b>Restructured Loans</b>		
Impaired	-	-

Regarding the investment portfolio, COFIDE quarterly evaluates the conditions of the portfolio representing debt and capital affected by impairment, to identify if there are factors that affect the decrease in fair value, under the Annex – Standard Methodology for the identification of the Impairment of the Value of Financial Instruments, of SBS Resolution No. 7033-2012.

## H. Overdue or impaired financial assets

### i. Analysis of impaired financial assets

The gross amount and the provision for the impaired loan portfolio and the fair value of the guarantee are as follows:



	Impaired credit portfolio				
	Credits to non-retailers	Credits to small and micro companies	consumer credits	Mortgage loans for housing	Total
	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000
<b>December 31, 2022</b>					
Impaired credit portfolio	1,980,354	736	0	990	<b>1,982,080</b>
Provision for Impaired Loan Portfolio	1,135,880	736	0	606	<b>1,136,010</b>
Guarantee value	316,585	0	0	0	<b>316,585</b>
<b>December 31, 2021</b>					
Impaired credit portfolio	1,694,391	736	0	1,156	<b>1,696,283</b>
Provision for Impaired Loan Portfolio	1,144,290	736	0	867	<b>1,145,893</b>
Guarantee value	311,322	0	0	0	<b>311,322</b>

**ii. Provisions for credit risk.**

The movement of the provisions for credit risk of impaired credits as of December 31, 2022, and December 31, 2021, is shown below:

Movimiento de provisiones constituidas por deterioro	credit portfolio			
	non-retail credit	Consumpti on credit	Mortgage loans for housing	Total
	S/ 000	S/ 000	S/ 000	S/ 000
<b>Balances as of December 31, 2020</b>	<b>822,171</b>	<b>46</b>	<b>1,001</b>	<b>823,218</b>
Plus: Provision for the year 2020	52,679	-	172	52,851
Less : Recoveries	(3,410)	(3)	(32)	(3,445)
Less: Rating Change	226,592	-	-	226,592
Plus : Exchange Difference	46,677	-	-	46,677
<b>Balances as of December 31, 2021</b>	<b>1,144,709</b>	<b>43</b>	<b>1,141</b>	<b>1,145,893</b>
Plus: Provision for the year 2021	34,251	2	-	34,253
Less : Recoveries	(17,479)	-	(261)	(17,740)
Plus : Exchange Difference	(25,184)	-	-	(25,184)
<b>Balances as of December 31, 2022</b>	<b>1,136,297</b>	<b>45</b>	<b>880</b>	<b>1,137,222</b>

- As of December 31, 2022, and December 31, 2021, interest, commissions, and expenses on loans that are overdue, in the judicial collection, or classified as impaired loans amount to S/ 792,246 thousand and S/ 730,336 thousand, respectively.
- The balance as of December 31, 2022, includes first-tier loans for S/ 701,336 thousand and FEEE loans - " Participations Agreements and Channeling" for S/ 90,910 thousand (S/ 664,264 thousand and S/ 66,072 thousand as of December 31, 2021).

The carrying amount recorded corresponding to impaired written-off loans amounted to S/ 1,424,429 thousand and S/ 1,490,184 thousand as of December 31, 2022 and December 31, 2021, respectively.

The movement is detailed below:





	<b>Note</b>	<b>Written-off loan portfolio S/ 000</b>
<b>Balances as of December 31, 2020</b>		1,354,792
Plus: Additions	7 (h)	0
Plus: Cash Recoveries		(188)
Plus: Exchange difference effect		135,866
Less: Withdrawals due to Forgiveness		(286)
<b>Balances as of December 31, 2021</b>		<b>1,490,184</b>
Plus: Additions	7 (h)	0
Plus: Cash Recoveries		(1,344)
Plus: Exchange difference effect		(64,411)
Less: Withdrawals due to Forgiveness		0
<b>Balances as of December 31, 2022</b>		<b>1,424,429</b>

### **iii. Overdue loans, but not impaired**

As of December 31, 2022, the overdue but not impaired credit corresponds to the Maquiwood S.A.C. channeling FEEE credit for S/ 5,092 thousand (S/ 36,912 thousand as of December 31, 2021).

## **I. Credit risk management for loan portfolio**

For the management of credit risk with debtors in which COFIDE assumes the risk of the final debtors, as well as with the IFIs, COFIDE has a process that includes three fundamental stages: i) admission of risks, ii) follow-up and monitoring of the same, and iii) recovery of the heavy and impaired portfolio. These stages of the process are intended to maintain a portfolio quality under the risk appetite defined by COFIDE's Board of Directors.

Stage i) admission of credits is fundamentally based on good knowledge of the client and his economic activity, the evaluation of his ability to pay, credit history and solvency being decisive. This process is supported by the use of risk management methodologies and tools that allow measuring and assessing the quality of the risk to be granted, which is supported by methodologies and rating systems for the admission of credits.

Stage ii) follow-up and monitoring of the portfolio are conducted using an alert system for the early detection of the credit risk of financial intermediaries, based on subsystems, which make it possible to identify financial system entities with potential risks, which would affect their payment ability, as well as a follow-up classification methodology, by which qualifications are assigned based on the behavior and risk profile of the intermediary, associated with actions to be conducted. Likewise, there is a methodology for monitoring the risk profile of debtors (non-intermediaries), through which debtors are monitored concerning the evolution of detected risks, decision-making, and their management to its normalization or collection.

For each business segment, the main trends of the portfolio are monitored, in terms of the evolution of quality indicators, sectoral concentration, and by-products of the loan portfolio, as well as indicators of counterparty risk exposure, among others.



Finally, stage iii ) the collection of credits from the heavy and impaired portfolio, is conducted through a set of coordinated and applied actions for the adequate and timely recovery of credits, whose purpose is to minimize losses in high-risk credit exposures.

**i. Credit risk management in investments**

COFIDE controls the credit risk of its investments based on the risk assessment of the issuers and instruments. In the case of investments abroad, the evaluation considers the ratings issued by international risk rating agencies, as well as the risk of the issuer's country, which is evaluated considering its main macroeconomic variables. For local investments, the ratings of local rating companies are considered and depending on the case, internal analyzes of the financial situation are prepared.

The following table details the risk classification of available-for-sale investments:

	<u>12 31 2022</u>	<u>12 31 2021</u>
	S/ 000	S/ 000
<b><u>Instruments classified in Peru</u></b>		
AA- to AA+	331,078	191,645
A- to A +	61,102	64,896
BBB- to BBB+	0	446,992
4 (pe)	122,121	125,672
no rating	0	6,207
<b>Total national</b>	<b><u>514,301</u></b>	<b><u>835,412</u></b>
<b><u>Instrumentos clasificados en el exterior</u></b>		
AA- to AA+	2,017,003	2,199,226
BBB- to BBB+	1,373,840	1,009,068
BB- to BB+	203,896	182,111
<b>Total from abroad</b>	<b><u>3,594,739</u></b>	<b><u>3,390,405</u></b>
<b>Accrued interest</b>	<b><u>22,240</u></b>	<b><u>21,124</u></b>
<b>TOTAL</b>	<b><u>4,131,280</u></b>	<b><u>4,246,941</u></b>

**J. Risk concentrations**

COFIDE has policies and procedures to ensure adequate diversification of financial assets and liabilities, inside and outside the statement of financial position; and seek, when appropriate, an adequate relationship between concentration risk and COFIDE's degree of equity capitalization. The diversification and concentration policies in its policy manual for asset and liability management establish alerts that reflect its risk appetite such as:

**Single Risk Asset Concentration Alerts**

To avoid excessive concentration in direct and indirect active transactions (cash, interbank funds, investments, credits, accounts receivable, and contingent credits, including the equivalent exposure to the credit risk of derivative financial instruments) with the counterparties that establish the same single risk.



**Diversification alerts by sector of economic activity**

Its purpose is to maintain adequate diversification of the entire investment portfolio, depending on the sector of economic activity where each counterparty operates or, in the case of specialized financing operations, the sector of economic activity on which the underlying risk will depend.

**Investment diversification alerts and liquid assets by market**

Related to the differentiated behavior of the markets, for which COFIDE considers it prudent to promote diversification due to systemic risk.

**Alerts for the concentration of liabilities for unique risk**

With this alert, COFIDE seeks to avoid the concentration of financing sources by type of creditor institution.

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

Asset	December 31, 2022					December 31, 2021				
	at fair value with changes in results	Loans and receivables	available for sale for sale	Hedging Derivatives	Total	at fair value with changes in results	Loans and receivables	available for sale for sale	Hedging Derivatives	Total
	S/. (000)	S/ 000	S/ 000	S/ 000	S/ 000	S/. (000)	S/ 000	S/ 000	S/ 000	S/ 000
Financial services	924	991,800	2,018,764	-	3,011,488	1,606	2,480,716	2,018,890	-	4,501,212
Agriculture, Livestock, Hunting and Forestry	-	95,448	59,858	-	155,306	-	88,970	62,613	-	151,583
Rest of manufacturing	-	-	-	-	-	-	36,512	-	-	36,512
Electricity, Gas and Water	-	88,141	1,091,448	-	1,179,589	-	-	1,174,751	-	1,174,751
Transport, Storage and Communications	-	354,257	170,977	-	525,234	-	278,510	182,273	-	460,783
Financial intermediation	-	4,988,537	185,070	-	5,173,607	-	4,267,237	141,685	-	4,408,922
Real Estate Activity business and rental	-	205,487	422,739	-	628,226	-	239,687	482,565	-	722,252
Other non-retailers	-	887,244	182,424	-	1,069,668	-	836,663	184,164	-	1,020,827
Consumption mortgage	-	321	-	-	321	-	372	-	-	372
	-	4,046	-	-	4,046	-	4,307	-	-	4,307
<b>Total</b>	<b>924</b>	<b>7,615,281</b>	<b>4,131,280</b>	<b>-</b>	<b>11,747,485</b>	<b>1,606</b>	<b>8,232,974</b>	<b>4,246,941</b>	<b>-</b>	<b>12,481,521</b>

Balances of the corresponding provisions are net.

As of December 31, 2022, and December 31, 2021, the financial instruments with exposure to credit risk according to their geographical area are as follows:



As of December 31, 2022	Financial instruments (**)				
	At fair value through profit or loss	"Loans and receivables"	available for sale	Hedging derivatives	Total
	For trading or hedging purposes	(***)			
Peru	924	7,135,681	1,901,865	-	9,038,470
Venezuela	-	-	2,017,003	-	2,017,003
Cayman Islands	-	37,303	116,561	-	153,864
United Kingdom	-	321,927	-	-	321,927
USA	-	118,617	-	-	118,617
Panama	-	1,707	1,762	-	3,469
Japan	-	46	-	-	46
Mexico	-	-	94,089	-	94,089
<b>Total</b>	<b>924</b>	<b>7,615,281</b>	<b>4,131,280</b>	<b>-</b>	<b>11,747,485</b>

As of December 31, 2021	Financial instruments (**)				
	At fair value through profit or loss	"Loans and receivables"	available for sale	Hedging derivatives	Total
	For trading or hedging purposes	(**)			
Perú	1,606	7,291,437	1,986,038	-	9,279,081
Venezuela	-	-	2,017,003	-	2,017,003
Cayman Islands	-	52,510	120,865	-	173,375
United Kingdom	-	59,609	-	-	59,609
USA	-	155,903	-	-	155,903
Panama	-	344,221	1,887	-	346,108
Japan	-	329,294	-	-	329,294
Canada	-	-	121,148	-	121,148

### Liquidity risk

Liquidity risk consists of COFIDE's inability to meet the maturity of its obligations or, with the demand for funds for its loan portfolio, incurring losses that could significantly affect its equity position. This risk is the result of possible losses from the anticipated (or forced) sale of assets at unusual and/or significant discounts, to quickly dispose of the necessary funds; or, due to the impossibility of renewing or contracting new financing under normal conditions for COFIDE.

COFIDE manages liquidity by centralizing its fund flows generated by all brokerage and treasury operations and by all operations related to its investments, under liquidity risk tolerance and regulatory requirements.

COFIDE's liquidity is managed by the Assets and Liabilities Committee (ALCO) through the area in charge of the treasury, an area that permanently examines economic and market conditions to execute operations that minimize the cost of



liquidity in consistency with approved parameters; in this way, the Committee can periodically review the liquidity levels and the total maturity mismatches and by currencies of the entire portfolio. Liquidity risk is in turn supervised by the Risk Committee and Risk Management, where the level of risk that COFIDE is willing to assume is defined and where the corresponding indicators, limits, and controls are also reviewed.

Likewise, COFIDE evaluates liquidity in the medium and long term, through a structural analysis of its inflows and outflows of funds in various maturities, using as tools the modeling of static and dynamic cash flow and estimation of liquidity gaps between asset and liability positions inside and outside the statement of financial position over a given term horizon. This process makes it possible to know the various sources of funding, how liquidity needs grow, and what terms are mismatched. Both for the part of assets and liabilities, internal assumptions are considered for transactions that do not have determined maturity dates. Also included are the estimated obligations resulting from contingent liabilities, such as letters of guarantee or unused lines of credit. In light of this information, the necessary decisions are made to maintain the target liquidity levels.

Liquidity Risk Exposure	12 31 2022				Total S/ 000
	up to 1 month S/ 000	up to 3 months S/ 000	more than 3 up to 12 S/ 000	more than 1 year S/ 000	
<b>Financial Situation Risk</b>					
<b>Liability</b>					
Obligations with the public	-	-	230,846	-	230,846
Deposits from companies in the financial system and International Financial Organizations	17,470	34,290	140,509	-	192,269
Debts and financial obligations	216,681	353,447	1,306,635	6,842,925	8,719,688
Derivatives for trading	515	2,358	13,042	-	15,915
Hedging derivatives	-	-	692	2,766	3,458
Accounts payable	32,147	4,516	256,911	227,818	521,392
other liabilities	206	-	265	-	471
<b>Total</b>	<b>267,019</b>	<b>394,611</b>	<b>1,948,900</b>	<b>7,073,509</b>	<b>9,684,039</b>
<b>Financial Situation Risk</b>					
<b>contingent liabilities</b>	22,966	190,740	511,175	29,658	754,539
<b>Total</b>	<b>289,985</b>	<b>585,351</b>	<b>2,460,075</b>	<b>7,103,167</b>	<b>10,438,578</b>



Liquidity Risk Exposure	12 31 2022				
	up to 1 month	More than 1 month	more than 3	more than 1 year	Total
	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000
<b>Financial Situation Risk Liability</b>					
Obligations with the public	-	-	24,004	-	24,004
Deposits from companies in the financial system and International Financial Organizations	-	-	-	-	-
Debts and financial obligations	238,074	325,589	823,423	7,815,902	9,202,988
Accounts payable	1,451	177,470	318,055	512,926	1,009,902
other liabilities	235	-	253	-	488
<b>Total</b>	<b>240,146</b>	<b>503,595</b>	<b>1,166,597</b>	<b>8,331,336</b>	<b>10,241,674</b>
<b>Financial Situation Risk contingent liabilities</b>					
	84,004	36,630	61,958	37,202	219,794
<b>Total</b>	<b>324,150</b>	<b>540,225</b>	<b>1,228,555</b>	<b>8,368,538</b>	<b>10,461,468</b>

### **Market risk**

Market risk is the probability of loss due to variations in financial market conditions. The main variations can occur in: i) interest rates, ii) exchange rates, and iii) prices.

### **Trading portfolio**

Regarding market risk, COFIDE is exposed to interest rate, exchange rate, and price risk, which affect the value of assets and positions in the trading portfolio.

As of December 31, 2022, the balance of trading derivative financial instruments amounts to S/ 701,293 thousand (Note 12) (in S/ 181,730 thousand as of December 31, 2021) and S/ 20,716 thousand for sovereign bonds (in S/ 23,472 thousand December 31, 2021).

COFIDE applies VaR ("Value at Risk") as a basic statistical measure to determine, manage and control market risks, since it estimates maximum expected losses in positions in the trading portfolio, for a time horizon of 10 days and a confidence level of 99%, under normal market conditions. The VaR calculation is analyzed by risk factors: interest rate and exchange rate, mainly.

To estimate the value at risk of the interest rate and exchange rate, the historical method is used, for which simulated market values are calculated for the instruments that make up the trading portfolio, as well as for the global position in foreign currency, this based on the historical information of the market variables of interest rates and exchange rates. These market values make it possible to obtain simulated variations in market values, with which the value at risk can finally be estimated based on a statistical confidence level. Additionally, stress tests are conducted quarterly, as well as model validation tests (Backtesting).



### **Non-Trading Assets and Liabilities**

For non-trading assets and liabilities, COFIDE is exposed to the following variations:  
i) interest rate, and ii) exchange rate.

#### **i. Interest rate risk**

Interest rate risk is caused by the possibility that changes in market interest rates adversely affect the financial condition of a company, affecting its profits and equity value.

COFIDE has established in its internal methodologies the differentiation between the effect of interest rate risk on earnings (profits), related to interest to be received and to be paid (repricing, reinvestment, or refinancing); and the effect on economic value (equity value), which is related to the current value of the company's assets and liabilities and the interest rates at which the future flows they generate are updated. In other words, the impact of changes in interest rates occurs in two ways: the first is an impact on expected earnings, which is directly related to reinvestment risk and refinancing risk, and to repricing risk. The second is related to the valuation of COFIDE's assets and liabilities and, therefore, to the economic value or real value of its assets.

The impact on expected earnings is determined by earnings at risk (GER, Spanish abbreviation), which corresponds to the expected variation in COFIDE's financial margin, given expected changes in interest rates. That is the impact on the profits of the company. The impact on equity is determined by the equity value at risk (VPR, Spanish abbreviation) which corresponds to the variation in the value of COFIDE's equity before c in the interest rates used for its valuation. That is the impact of changes in market interest rates on the statement of financial position.

The results of these 2 domestic interest rate risk indicators in a normal scenario are as follows:

	<b>12 31 2022</b>	<b>12 31 2021</b>
GER=	S/ 31,341.084 (1.111% p.e)	S/ 20,873,432 (0.685% p.e)
VPR=	S/ 60,783,217 (2.155% p.e)	S/ 81,299,736 (2.666% p.e)

Interest rate risk monitoring is reported to the Risk Committee, as well as to the ALCO Committee. The Risk Committee approves the various limits that are considered to be managed and monitoring is the responsibility of Risk Management.



## Repricing gap

To determine the impact of interest rate movements, a repricing gap analysis is performed. The analysis consists of assigning in different time gaps the balances of the transactions that will change the interest rate. Based on this analysis, the impact of the variation in interest rates is calculated for each gap.

The following table summarizes COFIDE's exposure to interest rate risks. COFIDE's financial instruments are shown at their carrying amounts.

As of December 31, 2022	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 years	5 and more years	do not accrue Interests	Balance Total
<b>Assets:</b>							
liquid assets	203,398	2,140	262,717	519,358	4,187	0	991,800
Investments	23,667	20,038	134,976	762,099	1,173,497	2,017,003	4,131,280
Credit Portfolio	231,103	587,965	2,317,700	2,177,998	1,553,421	(1,131,950)	5,736,237
Accounts Receivable - Trading Derivatives	0	0	924	0	0	0	924
Accounts Receivable, net	6,178	102,373	36,461	370,857	370,858	0	886,727
Other assets	0	0	0	72,053	0	30,052	102,105
<b>TOTAL ASSETS</b>	<b>464,346</b>	<b>712,516</b>	<b>2,752,778</b>	<b>3,902,365</b>	<b>3,101,963</b>	<b>915,105</b>	<b>11,849,073</b>
<b>Liabilities</b>							
Obligations with the Public	0	0	230,846	0	0	0	230,846
Business deposits from the financial system	17,470	34,290	140,509	0	0	0	192,269
Owed and Other Obligations	72,866	341,751	1,008,384	935,222	474,018	0	2,832,241
Outstanding Values	143,815	11,696	298,251	3,922,864	1,510,821	0	5,887,447
Accounts Payable - Derivatives Trading	515	2,358	13,042	0	0	0	15,915
Accounts Payable - Derivatives Coverage	0	0	692	2,766	0	0	3,458
Accounts payable	31,941	4,516	256,646	227,818	0	471	521,392
Other passives	206	0	530	0	0	48,107	48,843
Heritage	0	0	0	0	0	2,116,662	2,116,662
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>266,813</b>	<b>394,611</b>	<b>1,948,900</b>	<b>5,088,670</b>	<b>1,984,839</b>	<b>2,165,240</b>	<b>11,849,073</b>
Derivative Financial Instruments - Assets	22,464	187,595	491,234	0	25,813	0	727,106
Derivative Financial Instruments - Liabilities	22,966	190,740	511,175	0	29,658	0	754,539
<b>Marginal Gap</b>	<b>197,031</b>	<b>314,760</b>	<b>783,937</b>	<b>(1,186,305)</b>	<b>1,113,279</b>	<b>(1,250,135)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>197,031</b>	<b>511,791</b>	<b>1,295,728</b>	<b>109,423</b>	<b>1,222,702</b>	<b>0</b>	<b>0</b>
<b>As of December 31, 2021</b>							
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 years	5 and more years	do not accrue Interests	Balance Total
<b>Assets:</b>							
liquid assets	772,295	483,866	345,184	876,495	2,876	0	2,480,716
Investments	44,233	29,531	108,295	537,868	1,510,011	2,017,003	4,246,941
Credit Portfolio	141,600	389,711	1,250,105	2,712,773	1,516,495	(1,095,089)	4,915,595
Accounts Receivable - Trading Derivatives	398	0	1,208	0	0	0	1,606
Cuentas por Cobrar - Derivados de Cobertura	0	0	0	0	0	0	0
Accounts Receivable, net	5,682	26,654	40,124	229,123	534,618	0	836,201
Other assets	0	0	0	9,894	0	33,888	43,782
<b>TOTAL ASSETS</b>	<b>964,208</b>	<b>929,762</b>	<b>1,744,916</b>	<b>4,366,153</b>	<b>3,564,000</b>	<b>955,802</b>	<b>12,524,841</b>
<b>Liabilities</b>							
Obligations with the Public	0	0	24,004	0	0	0	24,004
Business deposits from the financial system	0	0	0	0	0	0	0
Owed and Other Obligations	93,454	125,053	525,760	1,310,764	375,320	0	2,430,351
Outstanding Values	144,620	200,536	297,663	1,980,840	4,148,978	0	6,772,637
Accounts Payable - Derivatives Trading	386	536	360	0	0	0	1,282
Accounts Payable - Derivatives Coverage	0	0	502	2,007	501	0	3,010
Accounts payable	1,216	177,470	317,802	512,926	0	488	1,009,902
Other passives	235	0	506	0	0	50,457	51,198
Heritage	0	0	0	0	0	2,232,457	2,232,457
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>239,911</b>	<b>503,595</b>	<b>1,166,597</b>	<b>3,806,537</b>	<b>4,524,799</b>	<b>2,283,402</b>	<b>12,524,841</b>
Derivative Financial Instruments - Assets	83,775	35,924	62,032	0	36,821	0	218,552
Derivative Financial Instruments - Liabilities	84,004	36,630	61,958	0	37,202	0	219,794
<b>Marginal Gap</b>	<b>724,068</b>	<b>425,461</b>	<b>578,393</b>	<b>559,616</b>	<b>(961,180)</b>	<b>(1,327,600)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>724,068</b>	<b>1,149,529</b>	<b>1,727,922</b>	<b>2,287,538</b>	<b>1,326,358</b>	<b>0</b>	<b>0</b>





**Sensitivity to changes in interest rates.**

Exposure to interest rate risk is supervised by the Assets and Liabilities Committee, as well as by the Risk Committee, the latter being the one that approves the maximum limits allowed.

Below is the sensitivity of the interest rate indicators, given a shock of 200 basis points (bps):

		12 31 2022		12 31 2021
GER=	S/	31,957,252 (1.133% p.e)	S/	21,290,554 (0.698% p.e)
VPR=	S/	61,82,633 (2.194% p.e)	S/	82,833,758 (2.717% p.e)

It should be noted that this information is obtained from COFIDE's internal interest rate model, updated to December 2021.

**ii. Foreign currency exchange risk**

Foreign currency exchange risk is related to the variation in the value of positions in the statement of financial position and outside of said statement that is negatively affected by movements in exchange rates. This risk depends on the position of each currency and the volatility of exchange rates. A significant part of the assets and liabilities is in US dollars. Management sets limits on exposure levels by currency, which are monitored monthly. Most foreign currency assets and liabilities are held in US dollars.

Foreign currency operations are conducted at free market exchange rates.

As of December 31, 2022, the free market-weighted average exchange rate published by the SBS for transactions in US dollars is S/ 3,808 per US\$ 1 for purchase and S/ 3,820 per US\$ 1 for sale (S/ 3,618 and S/ 3,624 as of December 31, 2021, respectively). As of December 31, 2022, the exchange rate for the accounting of the accounts of assets and liabilities in the foreign currency set by the SBS was the average of purchases and sales equivalent to S/ 3,814 per US\$ 1 (S/ 3,621 as of December 31, 2021).

The detail of COFIDE's position by currency is detailed below:



	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000	S/ 000
<b>Assets</b>								
Liquid assets	643,495	262,606	85,699	991,800	2,020,776	312,160	147,780	2,480,716
Investments available for sale, net	1,628,811	-	2,502,469	4,131,280	1,701,037	-	2,545,904	4,246,941
Loan portfolio, net	1,546,316	-	4,189,921	5,736,237	1,247,603	-	3,667,992	4,915,595
Derivatives for trading	924	-	-	924	1,606	-	-	1,606
Hedging derivatives	-	-	-	-	-	-	-	-
Accounts Receivable	755,093	-	131,634	886,727	771,715	-	64,486	836,201
Other assets	1	-	516	517	7	-	455	462
	<u>4,574,640</u>	<u>262,606</u>	<u>6,910,239</u>	<u>11,747,485</u>	<u>5,742,744</u>	<u>312,160</u>	<u>6,426,617</u>	<u>12,481,521</u>
<b>Liabilities</b>								
Obligations with the public	213,434	-	17,412	230,846	-	-	24,004	24,004
Deposits from financial system entities	-	-	192,269	192,269	-	-	-	-
Debts and financial obligations	839,248	288,134	1,704,859	2,832,241	602,162	348,657	1,479,532	2,430,351
Securities, titles and obligations in circulation	4,299,936	(17)	1,587,528	5,887,447	5,189,782	(26)	1,582,881	6,772,637
Trading derivatives	15,915	-	-	15,915	1,282	-	-	1,282
Hedging derivatives	-	3,458	-	3,458	-	3,010	-	3,010
Accounts payable	311	335	520,746	521,392	904	358	1,008,640	1,009,902
Other liabilities	32,124	-	5,168	37,292	35,207	-	4,513	39,720
	<u>5,400,968</u>	<u>291,910</u>	<u>4,027,982</u>	<u>9,720,860</u>	<u>5,829,337</u>	<u>351,999</u>	<u>4,099,570</u>	<u>10,280,906</u>
Currency derivatives position, net	671,636	25,813	(697,449)	-	144,527	36,822	(181,349)	-
<b>Monetary position, net</b>	<u>(154,692)</u>	<u>(3,491)</u>	<u>2,184,808</u>	<u>2,026,625</u>	<u>57,934</u>	<u>(3,017)</u>	<u>2,145,698</u>	<u>2,200,615</u>

As of December 31, 2022, COFIDE has recorded a net exchange gain of S/ 12,080 thousand (net exchange gain of S/ 13,897 thousand as of December 31, 2021), which are net under the caption "Profit/ Loss due to exchange difference" of the statement of profit or loss.

COFIDE manages exchange risk by matching its asset and liability operations, and monitoring the global exchange position monthly. COFIDE's global foreign exchange position is equal to long positions minus short positions in currencies other than the Sol. The global position includes positions in the statement of position (spot) and also positions in derivative financial instruments.

Variations in exchange rates affect the financial statements, modifying income and expenses expressed in local currency, as well as the valuation of all COFIDE's assets and liabilities. The exchange risk is conducted within the limits of the VaR calculation and the sensitivity analysis on exchange rates. Likewise, the regulatory and internal limits of foreign currency positions are monitored monthly.

The sensitivities for the case of variations in the US dollar can be seen in the following table. Due to its volume, the position in US dollars is the only exposure that could cause a material loss for COFIDE. Negative variations represent potential losses while positive ones represent potential gains.



<b>Sensitivity Analysis</b>	<b>change in exchange rates %</b>	<b>12 31 2022 S/ 000</b>	<b>12 31 2021 S/ 000</b>
<b>Devaluation</b>			
US dollar	5	(40,759)	(3,710)
US dollar	10	(81,519)	(7,420)
<b>Revaluation</b>			
US dollar	5	40,759	3,710
US dollar	10	81,519	7,420

### **Fair value**

Fair value is the amount for which an asset can be exchanged between an informed buyer and seller, or the amount for which an obligation can be settled between an informed debtor and creditor, under the terms of a transaction of free competition.

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

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

### **Financial instruments accounted for at fair value. Fair value is based on the following hierarchy:**

- Level 1: When quoted prices (unadjusted) are used in active markets for identical assets and liabilities.
- Level 2: When valuation techniques are used for which the data and variables that have a significant effect on the determination of the recorded fair value are observable, either directly or indirectly.
- Level 3: When valuation techniques are used in which there is no observable market information.

In positions valued at market prices, investments that are traded in centralized mechanisms are mainly considered.

Derivative financial instruments are included in positions valued using valuation techniques.



The fair value of COFIDE's investment in CAF, according to Official Letter No. 45853-2012-SBS, classifies said financial instrument as "Available-for-Sale Investments", taking as cost value the last accounting equity value recorded in the books by COFIDE, considering said value as its fair value.

### ***Determination of fair value and hierarchy of values***

The following table shows the analysis of financial instruments recorded at fair value, according to the hierarchy level:

Financial instruments recorded at fair value according to valuation methods	December 31, 2022			December 31, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Asset</b>	<b>S/ 000</b>	<b>S/ 000</b>	<b>S/ 000</b>	<b>S/ 000</b>	<b>S/ 000</b>	<b>S/ 000</b>
Investments available for sale						
- Debt instruments	1,990,395	-	1,990,395	2,086,366	-	2,086,366
- Equity instruments	123,882	-	123,882	143,572	-	143,572
Accounts receivable from derivatives	-	924	924	-	1,606	1,606
<b>Total</b>	<b>2,114,277</b>	<b>924</b>	<b>2,115,201</b>	<b>2,229,938</b>	<b>1,606</b>	<b>2,231,544</b>
<b>Liability</b>						
Accounts payable for derivatives	-	19,373	19,373	-	4,292	4,292
<b>Total</b>	<b>-</b>	<b>19,373</b>	<b>19,373</b>	<b>-</b>	<b>4,292</b>	<b>4,292</b>

The financial assets included in level 1 are those that are measured based on information that can be observable in the market, to the extent that the prices reflect an active, liquid market and are available in a centralized negotiation mechanism, agent, price provider, or regulatory entity.

The financial instruments included in level 2 are valued with market prices of other instruments that have similar characteristics or with financial valuation models that are based on information from observable variables in the market (interest rate curves, price vectors, etc.). COFIDE uses this method mainly to value derivative financial instruments.

### ***Hedging and negotiation transactions***

COFIDE is exposed to fluctuations in future cash flows of financial assets and liabilities in foreign currency and/or that generate interest at variable rates. COFIDE uses derivative financial instruments as cash flow hedges to cover these risks, as well as trading.

The following table details as of December 31, 2022, and December 31, 2021, the fair value of derivative financial instruments, recorded as an asset or liability, together with their nominal amounts and maturities. The reference amount, gross,



As of December 31, 2022, and December 31, 2021, the periods when the hedge cash flows are expected to occur and affect the statement of profit or loss, net of deferred income tax, are as follows:

	<u>Up to 1 year</u>	<u>From 1 to 3 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>
	<u>S/ 000</u>	<u>S/ 000</u>	<u>S/ 000</u>	<u>S/ 000</u>
Cash flow outflow (liabilities) 2022	<u>692</u>	<u>1,384</u>	<u>1,382</u>	<u>0</u>
Cash flow outflow (liabilities) 2021	<u>502</u>	<u>502</u>	<u>1,505</u>	<u>501</u>

As of December 31, 2022, COFIDE maintains a currency exchange-Swap operation (an operation as of December 31, 2021) that, under the SBS authorizations, qualifies as a cash flow hedge of indebtedness. Through this operation, in economic terms, the debt held by COFIDE is covered (Notes 8 and 12).

As of December 31, 2022, COFIDE has conducted thirty-six Forward currency exchange transactions (seven transactions as of December 31, 2021), which, under the authorizations of the SBS, qualify as trading, to cover sale positions (Notes 8 and 12).

COFIDE has a methodology for measuring the degree of effectiveness of the coverage of derivative financial instruments that are contracted for this purpose.

As of December 31, 2022, and December 31, 2021, COFIDE has not shown a decrease related to the effectiveness of these hedges in the statement of profit or loss.

**i. Instruments whose fair value is similar to the carrying amount.**

For short-term financial assets and liabilities, among which the available, interbank funds and other similar are classified.

**ii. Fixed-rate financial instruments**

Financial assets at a fixed rate (loan portfolio, obligations to the public, and deposits from companies in the financial system): According to the official letter SBS No. 1575-2014, the fair value of these items corresponds to their carrying amount.

Fixed-rate financial liabilities: These passive instruments may be listed or unlisted in active markets. For bonds issued by COFIDE, and quoted in active markets, the fair value corresponds to the quoted market value.

For liabilities that are not quoted in an active market (debts raised and bonds issued by COFIDE): Fair value is calculated based on the discounted value of future flows using the original effective interest rate.



The following table shows a comparison between the carrying amounts and the fair values of COFIDE's financial instruments, according to the previously explained methodology presented in the statement of financial position:

Fair Value and Book Value	12 31 2022		12 31 2021	
	Value in books S/ 000	Fair Value S/ 000	Value in books S/ 000	Fair Value S/ 000
<b>ASSET</b>				
Liquid Assets	991,800	991,800	2,480,716	2,480,716
Investments Available For Sale				
Capital Instruments	2,140,885	2,140,885	2,160,574	2,160,574
Debt Instruments	1,990,395	1,990,395	2,086,367	2,086,367
credit portfolio	5,736,237	5,736,237	4,915,595	4,915,595
Derivatives For Trading	924	924	1,606	1,606
Hedging Derivatives	-	-	-	-
Accounts Receivable	886,727	886,727	836,201	836,201
Other assets	517	517	462	462
<b>Total</b>	<b>11,747,485</b>	<b>11,747,485</b>	<b>12,481,521</b>	<b>12,481,521</b>
<b>LIABILITY</b>				
Obligations with the Public	230,846	230,846	24,004	24,004
Deposits of Companies of the Financial System	192,269	192,269	-	-
Debts and Financial Obligations	2,832,241	2,825,717	2,430,351	2,413,949
Securities, titles and obligations in circulation	5,887,447	5,906,287	6,772,637	6,790,215
Derivatives For Trading	15,915	15,915	1,282	1,282
Hedging Derivatives	3,458	3,458	3,010	3,010
Accounts payable	521,392	521,392	1,009,902	1,009,902
Other Liabilities	37,292	37,292	39,720	39,720
<b>Total</b>	<b>9,720,860</b>	<b>9,733,176</b>	<b>10,280,906</b>	<b>10,282,082</b>

### **Assets assigned in guarantee.**

As of December 31, 2022, COFIDE has conducted currency reporting transactions with a repurchase commitment that include funds in national currency for S/ 512,000 thousand, obtained from the BCRP, which accrue interest at an annual rate between 0.50% and are guaranteed with Restricted deposits in foreign currency in the BCRP for US\$ 136,305 thousand. As of December 31, 2021, COFIDE has conducted currency reporting operations with a repurchase commitment that includes funds in national currency for S/ 922,000 thousand, obtained from the BCRP, which accrue interest at an annual rate between 0.50% and 3.70% and they are guaranteed with Restricted Deposits in foreign currency in the BCRP for US\$ 271,120 thousand. The funds raised are destined to meet various obligations of COFIDE.

## **22. Other Risk Management**

### **A. Operational risk**

Operational risk originates from human errors, processes, systems, or external factors, including legal risk, but excludes strategic and reputational risk.



COFIDE has identified its operational risks by focusing on the transversal processes that make up its transactions. Likewise, successive improvements are made in the policies and methodologies for the identification, evaluation, and monitoring of operational risk, as well as in the definition of the roles and responsibilities of those in charge of its management.

Indicators have been established for the analysis of the causes and the effectiveness of control measures and mitigation of operational risks. On the other hand, various reports are made that allow continuous monitoring of these risks and determine the necessary measures for their mitigation, under the limits established by the Board of Directors. At the same time, the managements and departments designate operational risk coordinators, who are the experts in the processes and are in charge of assessing their risks by applying the operational risk methodology, considering the database of incidents and loss events. Likewise, the effectiveness of the controls is evaluated to mitigate a risk based on its design, operation, coverage, application, and maturity.

In this way, COFIDE continuously evaluates and improves the management of operational risks aligned with its strategic objectives.

Regarding the State of Emergency derived from COVID-19, initially, all the employees kept their work remotely, and then they gradually returned to the COFIDE facilities. Employees who work remotely use computer services through secure connections (VPN) and with access credentials to the active directory, which allow them to maintain the same access (applications, network drives, folders, among others). Additionally, messages were disseminated to all employees asking them to apply good information security practices to protect the information in remote work: good practices in remote work, emails, browsing, virtual meetings, and physical protection of the equipment. For employees who perform work at COFIDE facilities, rapid preventive tests have been taken; additionally, the COFIDE building is disinfected periodically.

## **B. Capital Management – Cash Equity**

COFIDE actively manages a capital base to cover the risks inherent in its activities. COFIDE's capital adequacy is monitored using, among other measures, the standards and ratios established by the SBS, with established policies for capital adequacy that define appetite levels and capital adequacy risk limits through indicators that they seek to optimize the risk-return ratio, as well as guidelines for the management and allocation of capital.

COFIDE's objectives when managing capital, which is a broader concept than the equity shown in the statement of financial position, are: (i) to comply with the capital requirements established by the SBS; (ii) safeguard COFIDE's ability to continue operating in such a way that it continues to provide returns to shareholders and



benefits to other participants; and (iii) maintain a strong capital base to support the development of its activities.

In accordance with the provisions of the SBS, COFIDE is obliged to maintain effective equity equal to or greater than 10% of the assets and risk-weighted contingencies, which include the requirement of effective equity for market risk, operational risk, and risk of credit. As of December 31, 2022, and December 31, 2021, COFIDE uses the standard method to calculate the Effective Equity requirement for credit and market risk and the basic method for operational risk. Likewise, on July 20, 2011, SBS Resolution No. 8425-2011 (Regulation for the Requirement of Additional Effective Equity) was released, through which companies must apply requirements for the economic cycle, for risk of concentration, for risk of market concentration, interest rate risk in the banking book and other risks. It is worth mentioning that the economic cycle requirement is activated or deactivated based on the rule of procyclical provisions for credits.

As of December 31, 2022, and December 31, 2021, COFIDE's effective equity, determined according to current legal regulations, is S/ 2,820,496 thousand and S/ 3,049,104 thousand, respectively; the same that is used to calculate certain limits and restrictions applicable to banking entities in Peru, which COFIDE Management considers to have fully complied with.

As of December 31, 2022, assets and contingent credits weighted for credit risk amount to S/ 9,863,915 thousand (S/ 9,631,436 thousand as of December 31, 2021), and the capital requirement for credit, market, and operational risk, determined by COFIDE according to current legal regulations, a total of S/ 1,052,276 thousand (S/ 1,014,010 thousand as of December 31, 2021); which generate a global capital ratio of 30.07% (29.73% as of December 31, 2021).

### **23. Legal Limits**

To date, monitoring of the global and individual limits of the Financial System Companies contained in the General Law has been fulfilled, as reported monthly in report No. 13 sent to the SBS.

### **24. Subsequent events**

On January 19, 2023, Compañía Eléctrica El Platanal SA- Celepsa, a subsidiary of UNACEM Corp. SAA, signed with La Fiduciaria SA, the latter on behalf of Trust No. G00-3-1211-0488, a transfer contract of shares, under which Celepsa will acquire, subject to the authorization of INDECOPI, in compliance with the applicable regulations, 100% of the shares representing the capital stock of Termochilca SA. Likewise, Celepsa informed that it has the commitment to acquire together with the aforementioned shares, 100% of the guaranteed credits of Termochilca SA, within which is COFIDE. In this sense, we confirm the participation of COFIDE as one of





the creditor banks in the transaction. It should be noted that the aforementioned Transaction allows COFIDE to improve its high-risk portfolio indicators."

Through the Extraordinary General Shareholders' Meeting held on January 24, 2023, the repurchase of 10% of CAF's preferred shares (The ninth anniversary of the date of issuance) was approved for the amount of USD 826 thousand.

The Corporation's Management is not aware of other subsequent events that occurred between the closing date of these financial statements and the date of issuance that could significantly affect them.

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