



Corporación Financiera de  
Desarrollo S.A. - COFIDE  
Financial Statements

**As of December 31, 2021 and 2020**

**(including Independent Auditors' Report)**

**(TRANSLATION OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN SPANISH)**



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*(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)*

## INDEPENDENT AUDITORS' REPORT

### **To the Stockholders and Directors of Corporación Financiera de Desarrollo S.A.**

We have audited the accompanying financial statements of Corporación Financiera de Desarrollo S.A. - COFIDE, which comprise the statement of financial position as of December 31, 2021 and 2020, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the COFIDE's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the COFIDE's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Corporación Financiera de Desarrollo S.A. - COFIDE as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with accounting standards established for financial institutions in Peru by the SBS.

Lima, Peru,

March 15, 2022

Countersigned by:

A handwritten signature in black ink that reads 'Caipo y Asociados' in a cursive script, with a long horizontal flourish underneath.

A handwritten signature in black ink, appearing to read 'Eduardo Alejos', written in a cursive style over a horizontal line.

Eduardo Alejos (Partner)  
Peruvian CPA Registration 29180

**Corporación Financiera de Desarrollo S.A. - COFIDE**

# Financial Statements

**As of December 31, 2021 and 2020**

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(Translation of Financial Statements originally issued in Spanish)

**Corporación Financiera de Desarrollo S.A. - COFIDE**

Statement of Financial Position

As of December 31, 2021 and 2020

<i>In thousands of soles</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Cash and cash equivalents	5	2,480,716	1,997,354
Available-for-sale investments	6	4,246,941	4,795,635
Loan portfolio, net	7	4,915,595	5,558,630
Held-for-trading and hedging instruments	8	1,606	5,506
Accounts receivable, net	8	836,201	47,764
Property, plant and equipment, net	9	4,600	4,554
Intangible assets, net	8	2,895	1,930
Current tax	18	9,006	19,393
Deferred tax	18	9,894	-
Other assets	8	17,387	15,583
<b>Total assets</b>		<b>12,524,841</b>	<b>12,446,349</b>
Suspense and Contingent Accounts	14	71,332,363	69,903,746

<i>In thousands of soles</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Liabilities</b>			
Deposits and obligations	10	24,004	34,808
Financial entities deposits and international financial institutions	10	-	175,914
Debts and financial obligations	11	9,202,988	9,158,529
Held-for-trading and hedging instruments	12	4,292	-
Accounts payable	12	1,009,902	742,635
Provisions	12	38,705	40,612
Deferred tax	18	-	199,132
Other liabilities	12	12,493	16,363
<b>Total liabilities</b>		<b>10,292,384</b>	<b>10,367,993</b>
<b>Equity</b>			
	13		
Capital stock		1,896,287	1,896,287
Additional capital		38,377	21,760
Reserve requirements		6,835	4,790
Retained earnings		233,016	-
Net profit or loss		41,223	20,458
Adjustments to equity		16,719	135,061
<b>Total equity</b>		<b>2,232,457</b>	<b>2,078,356</b>
<b>Total equity and liabilities</b>		<b>12,524,841</b>	<b>12,446,349</b>
Suspense and Contingent Accounts	14	71,332,363	69,903,746

The accompanying notes on pages 7 to 104 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

**Corporación Financiera de Desarrollo S.A. - COFIDE**

Statement of Profit or Loss

For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Interest revenue</b>			
Cash and cash equivalents		15,851	16,959
Available-for-sale investments		131,450	131,517
Direct loan portfolio		258,069	287,147
Accounts receivable	8(a)	6,664	-
Other finance revenue		239	383
		<b>412,273</b>	<b>436,006</b>
<b>Interest expense</b>			
Deposits and obligations		(157)	(40)
Deposits and obligations with local and foreign financial institutions		(914)	(2,926)
Local loans and borrowings		(25,088)	(51,458)
Foreign loans and borrowings		(18,300)	(21,747)
Other local and foreign loans and borrowings		(4,224)	(2,887)
Fees and other charges on loans and borrowings		(6,018)	(10,604)
Outstanding instruments and liabilities		(320,670)	(207,988)
Accounts payable interest		(7,976)	(7,266)
Profit or loss from hedging transactions		(1,424)	(1,476)
Other borrowing costs		(6,041)	(2,535)
		<b>(390,812)</b>	<b>(308,927)</b>
<b>Gross profit margin</b>		<b>21,461</b>	<b>127,079</b>
Provision for direct loan losses	7(h)	(356,434)	(120,107)
<b>Net profit margin</b>		<b>(334,973)</b>	<b>6,972</b>
<b>Financial service income and expense, net</b>			
Revenue from indirect loans		1,571	3,055
Revenue from trust and trust fees		124,061	62,412
Other income		41	281
Expenses for trusts and trust fees		-	(80)
Other expenses		(12,765)	(16,679)
		<b>112,908</b>	<b>48,989</b>
<b>Net profit margin of financial service revenue and expense</b>		<b>(222,065)</b>	<b>55,961</b>
<b>Profit or loss from financial transactions</b>			
Available-for-sale investments	6(a)	421,501	10,696
Held-for-trading investments		6,357	20,491
Profit or loss from hedging transactions	12(a)	(735)	5,689
Exchange difference, net		13,897	(30,632)
Others		2,453	1,441
		<b>443,473</b>	<b>7,685</b>
<b>Operating margin</b>		<b>221,408</b>	<b>63,646</b>

The accompanying notes on pages 7 to 104 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

**Corporación Financiera de Desarrollo S.A. - COFIDE**

Statement of Profit or Loss

For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Administrative expenses</b>			
Personnel and Board of Directors expenses	15	(37,254)	(34,376)
Third Party Service Expenses	16	(25,213)	(21,559)
Taxes and contributions		(4,528)	(4,385)
Depreciation and amortization		(2,813)	(2,021)
		<b>(69,808)</b>	<b>(62,341)</b>
<b>Net operating margin</b>		<b>151,600</b>	<b>1,305</b>
<b>Measurement of net assets and provisions</b>			
Provision for indirect loan losses	7(h)	1,738	12,505
Allowance for impairment loss on accounts receivable	8(a)	(8,633)	(2,434)
Provision for realizable, received as payment, recovered and repossessed assets, and others		78	-
Impairment of investments		593	(690)
Impairment of fixed assets		(310)	(202)
Provision for litigations and claims		(565)	(1,082)
Other provisions		(440)	(2,471)
		<b>(7,539)</b>	<b>5,626</b>
<b>Operating profit or loss</b>		<b>144,061</b>	<b>6,931</b>
Other income and expenses	7	(32,437)	1,318
<b>Profit before tax</b>		<b>111,624</b>	<b>8,249</b>
Income tax	18.C	(70,401)	12,209
<b>Net profit or loss</b>		<b>41,223</b>	<b>20,458</b>
Basic and diluted earnings per share (in soles)	17	0.021	0.010

The accompanying notes on pages 7 to 104 are an integral part of these financial statements.

**Corporación Financiera de Desarrollo S.A. - COFIDE**  
Statement of Profit or Loss and Other Comprehensive Income  
For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Net profit or loss	41,223	20,458
<b>Other comprehensive income</b>		
Available-for-sale investments	(165,475)	45,944
Cash flow hedges	(2,386)	(5,184)
	<b>(167,861)</b>	<b>40,760</b>
<b>Income tax on items of other comprehensive income</b>		
Available-for-sale investments	48,815	(13,553)
Cash flow hedges	704	1,529
	<b>49,519</b>	<b>(12,024)</b>
<b>Other comprehensive income</b>	<b>(118,342)</b>	<b>28,736</b>
<b>Other comprehensive income, net of income tax</b>	<b>(77,119)</b>	<b>49,194</b>

*The accompanying notes on pages 7 to 104 are an integral part of these financial statements.*



## Corporación Financiera de Desarrollo S.A. - COFIDE

### Statement of Changes in Equity

For the years ended December 31, 2021 and 2020

In thousands of soles	Note	Stockholders' equity					Adjustments to equity				
		Principal stock (note 13.A)	Principal capital (note 13.B)	Reserve requirements (note 13.C)	Retained earnings (note 13.D)	Net profit or loss	Total stockholder funds	Investments in equity instruments at fair value (note 13.D)	Hedging instruments cash flow (note 13.D)	Total adjustments to equity (note 13.D)	Total equity
Balance as of January 1, 2020		1,896,287	84	2,149	16,229	26,409	1,941,158	107,107	(782)	106,325	2,047,483
Cost of bond repurchase SBS Resolution 4289-2019-SBS	13.D.iii	-	-	-	(16,229)	-	(16,229)	-	-	-	(16,229)
<b>Other comprehensive income</b>											
Net profit or loss		-	-	-	-	20,458	20,458	-	-	-	20,458
Other comprehensive income		-	-	-	-	-	-	32,391	(3,655)	28,736	28,736
<b>Total other comprehensive income</b>		-	-	-	<b>(16,229)</b>	<b>20,458</b>	<b>4,229</b>	<b>32,391</b>	<b>(3,655)</b>	<b>28,736</b>	<b>32,965</b>
<b>Changes in equity (not included in comprehensive income)</b>											
Capitalization of profits		-	21,676	-	(21,676)	-	-	-	-	-	-
Dividends		-	-	-	(2,092)	-	(2,092)	-	-	-	(2,092)
Transfers to legal reserve and reclassification between equity accounts		-	-	2,641	23,768	(26,409)	-	-	-	-	-
<b>Total changes in equity</b>		-	<b>21,676</b>	<b>2,641</b>	-	<b>(26,409)</b>	<b>(2,092)</b>	-	-	-	<b>(2,092)</b>
<b>Balance as of December 31, 2020</b>		<b>1,896,287</b>	<b>21,760</b>	<b>4,790</b>	-	<b>20,458</b>	<b>1,943,295</b>	<b>139,498</b>	<b>(4,437)</b>	<b>135,061</b>	<b>2,078,356</b>
Balance as of January 1, 2021		1,896,287	21,760	4,790	-	20,458	1,943,295	139,498	(4,437)	135,061	2,078,356
Adjustments from corrections of errors	13.D.iv and 13.D.v	-	-	-	233,016	-	233,016	-	-	-	233,016
<b>Other comprehensive income</b>											
Net profit or loss		-	-	-	-	41,223	41,223	-	-	-	41,223
Other comprehensive income		-	-	-	-	-	-	(116,660)	(1,682)	(118,342)	(118,342)
<b>Total other comprehensive income</b>		-	-	-	-	<b>41,223</b>	<b>41,223</b>	<b>(116,660)</b>	<b>(1,682)</b>	<b>(118,342)</b>	<b>(77,119)</b>
<b>Changes in equity (not included in comprehensive income)</b>											
Capitalization of profits		-	16,617	-	(16,617)	-	-	-	-	-	-
Dividends		-	-	-	(1,796)	-	(1,796)	-	-	-	(1,796)
Transfers to legal reserve and reclassification between equity accounts		-	-	2,045	18,413	(20,458)	-	-	-	-	-
<b>Total changes in equity</b>		-	<b>16,617</b>	<b>2,045</b>	-	<b>(20,458)</b>	<b>(1,796)</b>	-	-	-	<b>(1,796)</b>
<b>Balance as of December 31, 2021</b>		<b>1,896,287</b>	<b>38,377</b>	<b>6,835</b>	<b>233,016</b>	<b>41,223</b>	<b>2,215,738</b>	<b>22,838</b>	<b>(6,119)</b>	<b>16,719</b>	<b>2,232,457</b>

The accompanying notes on pages 7 to 104 are an integral part of these financial statements.

**Corporación Financiera de Desarrollo S.A. - COFIDE**

## Statement of Cash Flows

For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Reconciliation of the net profit to cash and cash equivalents from operating activities</b>		
Net profit or loss	41,223	20,458
<b>Adjustments</b>		
Income from sale of CAF shares	(416,878)	-
Provision for loan portfolio, net of recoveries	354,696	107,602
Deferred tax	59,376	(18,290)
Depreciation and amortization	2,813	2,021
Reversal of an impairment loss on investments	(593)	690
Provision for country risk	210	398
Other provisions	9,660	2,074
<b>Net changes in assets and liabilities</b>		
Loans	300,735	(1,496,508)
Available-for-sale investments	36,948	(12,545)
Accounts receivable and others	(362,940)	(1,130,927)
Unsubordinated financial liabilities	(714,451)	1,515,699
Accounts payable and others	263,427	554,725
<b>Net profit for the period after net changes in assets, liabilities and adjustments</b>	<b>(425,774)</b>	<b>(444,804)</b>
Cash paid for income tax	-	-
<b>Net cash flows used in operating activities</b>	<b>(425,774)</b>	<b>(444,804)</b>
<b>Cash flows from investing activities</b>		
Cash outflows from acquisition of property, plant and equipment and intangible assets	(4,133)	(428)
Other outflows related to investment activities	-	(1,391)
<b>Net cash used in investing activities</b>	<b>(4,133)</b>	<b>(1,819)</b>
<b>Cash flows from financing activities</b>		
Cash paid for dividends	(1,796)	(2,092)
Deposits with financial institutions and international financial institutions	(175,914)	147,987
Outstanding securities	758,910	(255,418)
<b>Net cash used in financing activities</b>	<b>581,200</b>	<b>(109,523)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>151,293</b>	<b>(556,146)</b>
Opening balance of cash and cash equivalents	924,201	1,480,347
<b>Closing balance of cash and cash equivalents</b>	<b>1,075,494</b>	<b>924,201</b>
Restricted cash and cash equivalents	1,410,256	1,077,521
<b>Cash and cash equivalent according to the statement of financial position</b>	<b>2,485,750</b>	<b>2,001,722</b>

The accompanying notes on pages 7 to 104 are an integral part of these financial statements.

## **Corporación Financiera de Desarrollo S.A. - COFIDE**

Notes to the Financial Statements

December 31, 2021 and 2020

### **1. Background and Economic Activity, Approval of the Financial Statements**

#### **A. Background and Economic Activity**

Corporación Financiera de Desarrollo S.A. (hereinafter COFIDE) is a mixed capital company where the Peruvian Government holds 99.2% of shares, represented by the National Fund for Financing State Enterprise Activity (FONAFE, for its Spanish acronym) attached to the Ministry of Economy and Finance (MEF), and the Andean Development Corporation – Development Bank of Latin America (hereinafter the CAF) holds 0.6% of shares. The percentage of 0.2% of the total capital stock corresponds to Class B Preferred shares, which are currently in the COFIDE portfolio.

COFIDE was founded on March 18, 1971 through Law Decree 18807 and has administrative and financial independence. It aims at contributing to Peru's overall development, by collecting funds and granting financing through FIs, for the promotion and financing of productive investments and public and private infrastructure nation-wide, as well as for the development of micro, small and medium-sized enterprises (MIPYMES, for its Spanish acronym) and local capital market.

COFIDE, acting as trustee, is also engaged in managing funds, programs and securities received from state-owned enterprises and financial institutions. Accordingly, it charges fees.

COFIDE's activities are governed by different legal provisions included in its bylaws, specifically issued to outline its framework for action. Its activities are also governed by Law 26702 "General Law of the Financial and Insurance Systems and SBS Organic Law" (hereinafter the Banking Law) and Legislative Decree 1028, dated June 21, 2008.

COFIDE's legal domicile is located at Augusto Tamayo 160, San Isidro, Lima, Peru.

#### **B. Economic Activity in national state of emergency (COVID-19)**

Supreme Decree 044-2020-PCM, dated March 15, 2020, declared a national state of emergency due to the COVID-19 outbreak. Consequently, the land borders are closed, mandatory social isolation and immobilization was established, and the non-essential business activities are closed. Only essential services —e.g., food-related services, health and medical care services, and financial services, can continue their business activities. The Peruvian government issued other supreme decrees to extend the national state of emergency in order to stop the spread of COVID-19 in Peru. At reporting date, the national state of emergency has been extended until April 30, 2022 and the public health emergency period was extended until August 28, 2022.

In this sense, the MEF, the BCRP and the SBS adopted temporarily 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 payments of overdue credits, the authorization to withdraw some funds from pension plans and the establishment of credit programs.

**Corporación Financiera de Desarrollo S.A. - COFIDE**

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COFIDE did not stop its activities, even during the quarantine period established by the Peruvian government. COFIDE was responsible for the management of the government financing programs, such as Reactiva, PAE and FAE, which were aimed 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 spread at work in accordance with Supreme Decree 044-2020-PCM.

Regarding the management of business continuity plans, at the beginning of national state of emergency, remote access to employees was gradually activated. First, it was implemented for a group of 60 employees and gradually extended to its entirety. The return to the COFIDE facilities is being carried out gradually. The employees who remain in remote work use computer services through secure connections—i.e., Virtual Private Network (VPN), and with access credentials to the active directory, which allow maintaining the same accesses assigned to them (applications, network drives, folders, etc.). Likewise, the information backup procedures continued to function properly.

Additionally, messages were diffused to all employees to apply good information security practices in order to protect information in remote work: Good practices with remote work, be careful with receiving emails, safe Internet browsing, virtual meetings and physical protection of the equipment.

Each type of work—i.e., on-site, remote or leave with payment, applied to each employee has been evaluated according to employees 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 on-site work, established the protocol for taking serological and molecular tests, adaptation of our facilities and strict compliance with our "Work Protocol at Headquarters."

The initiative of taking of tests in COFIDE is aligned to the strengthening of the "Plan for the surveillance, prevention and control of workers' health in COFIDE", which is optional according to Ministerial Resolution 239-2020- MINSa.

In 2021, 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 "Security Directives of the information". Likewise, COFIDE published the Regulations for "Management of remote work in COFIDE during the national state of emergency".

As preventive measures against the effects of the pandemic, during 2021 COFIDE approved that the work of the staff be carried out in a mixed way (face-to-face and remote) and to ensure the health of its workers, it continues to carry out health control measures.

**Corporación Financiera de Desarrollo S.A. - COFIDE**

Notes to the Financial Statements

December 31, 2021 and 2020

**C. Peruvian government programs for economic reactivation**

Due to the national state of emergency due to COVID-19, the Peruvian government established the following economic recovery programs:

**(i) Programs that are part of COFIDE financial statements**

- **Business Support Fund for Micro and Small Businesses (FAE-MYPE):** This Program involves funds from the Peruvian government to guarantee working capital loans for micro and small businesses (MYPE, for its Spanish acronym). The access to loans under this program will help to cover costs and loss of income resulting from all activities suspended during the national state of emergency due to COVID-19, by granting working capital loans to MYPE.

COFIDE manages this program and grant loans to financial institutions, which will channel funds to MYPE. Eligible MYPE can request loans from their financial institution or credit union, provided that such institution or union has signed a credit channeling agreement with COFIDE. Such loans are granted under preferential conditions and for a term of up to 36 months, with a grace period of up to 12 months. Initially, 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 guarantee of 30%, 50% and 70%. Currently, the program only involves new loans for working capital and with a credit limit of up to S/ 30 thousand for each MSB, with a guarantee between 98% (loans of up to S/ 10 thousand) and 90% (loans between S/ 10 thousand to S/ 30 thousand). The term of the Program was until December 31, 2020.

Through Emergency Decree 091-2021 of September 30, 2021, the acceptance period for the rescheduling of credits guaranteed with the program was extended until December 31, 2021.

As of December 31, 2021, COFIDE has loans and credit guarantee granted by the program FAE-MYPE amounting to S/ 916,515 thousand (2020: S/ 1,883,815 thousand) (note 7.a) and S/ 887,578 thousand respectively (2020: S/ 1,574,043 thousand) (note 14).

- **Business Support Fund for Tourism (FAE-TOURISM):** This program is aimed at MYPEs that carry out lodging activities, interprovincial passenger land transport, tourist transport, travel and tourism agencies, restaurants, leisure activities, organization of congresses, conventions and events, tourist guidance, and production and commercialization of handicrafts. This loan applies for working capital loans and the credit limit is S/ 750 thousand per customer, with coverage ratio 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 published on September 30, 2021

As of December 31, 2021, COFIDE has loans and credit guarantee granted by the program FAE-Tourism amounting to S/ 124,039 thousand and S/ 124,039 thousand, respectively (2020: S/ 46,494 thousand and S/ 46,494 thousand, respectively) (notes 7 and 14).

**Corporación Financiera de Desarrollo S.A. - COFIDE**

Notes to the Financial Statements

December 31, 2021 and 2020

- **Business Support Fund for Farmers (FAE-AGRO):** This program is aimed to farmer that carry out family farming. This program involves a guaranteed loan so that banks can grant loans for working capital. Therefore, this loan applies for working capital loans and the credit limit is S/ 30 thousand per customer, with coverage ratio of 95% and 98%. For this program, the amount disbursed by COFIDE corresponds to the same amount of coverage. The term of the Program was until June 30, 2021 and by means of Emergency Decree 091-2021 of September 30, 2021 it was extended until March 31, 2022.

As of December 31, 2021, COFIDE has loans and credit guarantee granted by the program FAE-Agro amounting to S/ 25,767 thousand and S/ 25,767 thousand, respectively (2020: S/ 40,780 thousand and S/ 40,780 thousand, respectively) (note 14).

- **PAE-MYPE:** Through Emergency Decree No. 019-2021, the Business Support Program (PAE - MYPE) for Small and Micro Enterprise (MYPE, for its Spanish acronym) is created in order to grant the National Government Guarantee to loan portfolio intended for working capital that meet the conditions and requirements to access the PAE-MYPE, up to thousands of S/ 2,000,000.

The MYPE that will be able to access the PAE-MYPE are those that obtain credits for working capital after March 12, 2021, the date of entry into force of the PAE-MYPE Operating Regulations and that have been most affected by the recent closures. of activities or have had a late restart of activities. Such loans are granted under PAE-MYPE for a term of up to 36 months, with a grace period of up to 12 months. The Program was in force until September 30, 2021 and was exceptionally extended until March 31, 2022 according to Emergency Decree 091-2021 of September 30, 2021.

As of December 31, 2021, COFIDE records loans granted by the PAE-MYPE for a total of S/ 62,429 thousand (note 7) and with and with loan guarantees for a total of thousands of S/ 62,429 (note 14).

- **Report operations with loan portfolio rescheduling:** BCRP Official Letter 0021-2020, dated June 7, 2020, provided the possibility for financial institutions to obtain economic funding at a rate of 0.5% through Reporting Operations. Under this operation, financial institutions undertake to reschedule the loan portfolio of their customers or portfolio purchased from other financial institutions, temporarily reducing the interest rate for the duration of the operation with the BCRP.

As of December 31, 2021, the balance of this financing fund amounts to S/ 1,000,621 thousand, which includes principal and interest (S/ 720,000 thousand as of December 31, 2020) (note 12.b). Such loans are mainly destined to finance the Business Support Program for Micro and Small Businesses (FAE – MYPE).

**(ii) Programs in which COFIDE participated as Administrator**

- **Reactiva Peru Program:** Legislative Decree 1455 and its amendments established Reactiva Peru Program for companies affected by the national state of emergency due to COVID-19. Its objective is to promote financing for replacement of working capital to companies that must comply with short-term payments and obligations, in order to ensure continuity in the payment chain. This program involves a fund of up to S/ 60,000,000 thousand to guarantee new loans granted by financial institutions and whose guarantees are administered by COFIDE. Supreme Decree 335-2020-EF, dated October 30, 2020, extended the currency of this program until November 30, 2020.

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COFIDE does not grant loans directly to companies, which could request loans from financial institutions that had a framework guarantee contract or an adhesion agreement to the constitutive act of securitization with COFIDE. The credit limit is determined in the credit evaluation carried out by the financial institution, taking into consideration the program operating regulations. Likewise, the credit limit for each company did not exceed S/ 10,000 thousand, with coverage ratio of 98% (loans up to S/ 90 thousand), 95% (loans between S/ 90 thousand to S/ 750 thousand), 90% (loans from S/ 750 thousand up to S/ 7,500 thousand) and 80% (loans from S/ 7,500 thousand up to S/ 10,000 thousand). BCRP auctioned funds where financial institutions participated offering final rates for the beneficiary.

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 loans granted through the financial institutions under this program become delinquent and the financial institutions require to honor the guarantee, the Peruvian Government, 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 at the same the coverage ratio.

Through Emergency Decree 026-2021 of March 6, 2021 and Emergency Decree 039-2021 of April 22, 2021, the Peruvian government stated that loans granted under the Reactiva Peru Program may be rescheduled, provided that they meet the legal requirements (mainly due to a drop in sales). The term of validity for the rescheduling was until September 30, 2021 and extended until December 31, 2021, by means of Emergency Decree 091-2021 of September 30, 2021.

- **Crecer Fund:** This fund was created to promote the strengthening of micro, small and medium businesses through hedging, credit and investment instruments. If the loans granted under this program become delinquent and the financial institutions require to honor the guarantee, the Peruvian Government, through COFIDE, will pay the coverage amount. Subsequently, 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. The validity term of the CRECER Fund is until the year 2049.
- **Guarantee COVID-19 program:** Its objective is to guarantee rescheduled revolving and non-revolving, personal, mortgage, vehicles and MYPE loans, whether they are for natural persons or MYPE, after reducing the interest rate, forgiving one or more installments in the payment schedule or a combination of both by the financial system entities. The latter must previously sign a guarantee agreement with COFIDE, which establishes the operational framework for granting the guarantee within the scope of the program. The coverage percentages are defined between 40% and 80% for revolving and non-revolving loans, 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 loan. The credit limits for consumption and personal loans amount up to S/ 10 thousand; MYPE loans amount up to S/ 20 thousand; vehicular loans amount up to S/ 50 thousand; mortgages amount up to S/ 250 thousand.

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- **Capital Strengthening of Specialized Microfinance Institutions:** Through Emergency Decree No. 037-2021, published on April 15, 2021, the Patrimonial Strengthening Program of Specialized Microfinance Institutions was created, which aims to establish extraordinary complementary measures in economic and financial matters and allowing the strengthening assets of specialized microfinance institutions. Likewise, facilitating their corporate reorganization, in order 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 Peruvian 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 specialized microfinance institutions.

### **D. Approval of the financial statements**

The financial statements for the year ended December 31, 2021 have been issued with management approval on January 27, 2022 and will be presented to the Board of Directors and the General Stockholders' Meeting for corresponding approval. In management's opinion, the Board of Directors and the General Shareholder's Meeting will approve the accompanying financial statements without amendments. The General Stockholders' Meeting, held March 31, 2021, approved the financial statements as of December 31, 2020.

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

### **A. Statement of compliance**

The accompanying financial statements have been prepared based on COFIDE's accounting records and are presented in accordance with current regulations and accounting principles for financial institutions in Peru authorized by the SBS. In the absence of such applicable SBS regulations, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym), are applied.

Such standards comprise the standards and interpretations issued by the International Accounting Standards Board (IASB), which include IFRSs, International Accounting Standards (IAS), and pronouncements issued by the International Financial Reporting Interpretations Committee (IFRIC).

### **B. Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for the following:

- Derivative instruments are measured at fair value.
- Available-for-sale financial instruments are measured at fair value.

### **C. Functional and presentation currency**

These financial statements are presented in soles (S/), in accordance with the SBS regulations, which is COFIDE's functional and presentation currency. The information presented in soles (S/) has been rounded to the nearest thousand (S/ 000), unless otherwise indicated.

### **D. Use of judgments and estimates**

The information contained in these financial statements is the responsibility of management and the Board of Directors. In preparing these financial statements, management has made judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. They are based on significant historical experience and other factors. Actual results may differ from these estimates.



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Estimates are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively by recognizing the effects of such revisions in the relevant items in the statement of profit or loss of the period in which the reviews are conducted.

In preparing these financial statements, COFIDE considers the following significant estimates:

- provision for direct and indirect loan losses;
- fair value of investments;
- allowance for impairment loss on investments;
- fair value of derivative instruments;
- allowance for impairment loss on accounts receivable;
- provision for realizable, received as payment and repossessed assets;
- useful life of property, furniture, and equipment, and intangible assets;
- Provision for legal contingencies;
- current and deferred tax; and
- impairment of non-monetary items.

Management used critical judgment when applying accounting policies for the preparation of these financial statements, as explained in the relevant accounting policies (note 3).

### **3. Significant Accounting Policies**

In preparing its financial statements, COFIDE has applied the following significant accounting principles and practices, which are consistent to those of the prior period, unless otherwise indicated.

#### **A. Financial instruments**

##### ***Recognition of financial instruments***

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

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

##### ***Classification of Financial Instruments***

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

The classification of financial instruments on initial recognition depends on the objective for acquiring the financial instruments and their contractual cash flow characteristics. At initial recognition, a financial instrument is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets or financial liabilities measured at fair value through profit or loss (FVTPL).

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A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the term established generally by regulation or convention in the marketplace concerned is recognized on the trade date.

***Derecognition of financial assets and financial liabilities***

***Financial assets***

A financial asset or, when applicable, part of a financial asset or part of a group of similar financial assets is derecognized when: (i) the rights to receive the cash flows from the asset have expired; or (ii) the COFIDE has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay total cash flows to a third party under a pass through agreement; and (iii) the COFIDE has transferred substantially all risks and rewards of ownership of the financial asset; or the COFIDE has neither transferred nor retained substantially all risks and rewards of ownership of the financial asset, but has transferred control of the asset.

***Financial liabilities***

A financial liability is derecognized when its contractual obligations are discharged or canceled or expire.

When an existing financial liability is replaced by other of the same borrower in terms significantly different, or terms are significantly modified, such replacement or modification is treated as derecognition of the original liability and a new liability is recognized. COFIDE recognizes the difference between both of them in the profit or loss for the year.

***Impairment of financial assets***

COFIDE assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets may be impaired.

A financial asset or group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred subsequent to the initial recognition of the asset (loss event), and if such loss event had an impact on the expected future cash flows of the financial asset or group of financial assets that can be estimated reliably. Evidence of an impairment includes observable data about significant financial difficulty of the issuer or the borrower; default or delay in payments of principal and interest; and it is becoming probable that the borrower will enter bankruptcy or other financial reorganization indicating a decrease in future cash flows (such as adverse changes in the economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligation).

***Offsetting financial instruments***

Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position when management has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**B. Derivative instruments**

A derivative is a financial instrument with all three of the following characteristics:

- (a) its value changes in response to the change in a financial instrument price;
- (b) it requires no initial net investment or an initial net investment that is smaller than the one that would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (c) it is settled at a future date.

*(Translation of Financial Statements originally issued in Spanish)*

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COFIDE classifies and records derivative instruments in accordance with the Accounting Manual and SBS Resolution 1737-2006 and its amendments. The accounting treatment provided by the SBS includes relevant aspects established by IAS 39 *Financial Instruments: Recognition and Measurement*.

At initial recognition, derivative instruments shall be classified into one of the following two categories:

### ***Held-for-trading instruments***

At initial recognition, held-for-trading instruments are measured at fair value in the statement of financial position. Subsequently, any change in the fair value of such instruments shall affect the profit or loss for the period.

Additionally, they are recorded in suspense accounts and measured at the spot exchange rate.

### ***Hedging instruments***

Hedging instruments shall meet certain requirements established by the SBS regarding procedures, techniques and proper and timely documents supporting the strategy for undertaking the hedge.

At initial recognition, interest rate swaps, currency swaps and forward contracts are measured at fair value.

Cash flow hedges are recorded as hedging instruments under both assets and liabilities, as applicable, in the statement of financial position and are measured at fair value. If the cash flow hedges are determined to be effective hedges of exchange rate and interest rate risks, changes in the fair value are directly recorded in 'adjustments to equity' in equity. These amounts are reclassified to profit or loss of the period in which the financial liability is settled and are presented in 'gains and losses on derivative instruments' in the statement of profit or loss.

Regardless of the type of hedging instrument, they shall be assessed on a regular basis and regarded as highly effective (actual results within a range of 80%-125%) to reduce the hedged risk. Any hedge ineffectiveness shall be recognized in profit or loss for the period.

Fair value is calculated based on exchange and interest rates. Gains and losses on changes in the fair value are recorded in the statement of profit or loss.

The face value of derivative instruments is recorded in the agreed-upon currency in suspense accounts (note 14 (d)).

### **C. Recovery of provision for loan losses**

Direct loans are recorded when fund expenditures are made in favor of customers. Indirect (contingent) loans are recorded when supporting documents are issued and may become direct loans in the event of making a payment to third parties. Likewise, a direct loan is considered as a refinanced or restructured loan when there are changes in its original term due to financial difficulties of the borrower.

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In accordance with Supreme Decree 113-2017/EF, dated April 29, 2017, COFIDE's policy on loans is as follows:

- The maximum investment for both direct and indirect loans shall be of up to 25% of the total project financing.
- Exceptionally, up to 50% of the total project financing may be financed, provided that it is a specialized loan approved by FONAFE's Board of Directors.

Finance leases from portfolio transfer agreements are recorded as loans in accordance with current SBS regulations.

**i. Types of loans**

In accordance with SBS Resolution 11356 -2008 "Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements," loans are classified as: i) corporate loans; ii) large-business loans; iii) medium-business loans; iv) small-business loans; v) micro-business loans; vi) revolving loans; vii) non-revolving loans; and viii) mortgage loans. This classification considers the nature of customer (legal entity, Government or legal person), purpose of loan, business size measured using revenue, debt, among others.

**ii. COVID-19 measures**

As a consequence of COVID-19, it was declared national state of emergency and mandatory social isolation (note 1.B); therefore, the SBS adopted a series of exception measures with accounting impact, which, in terms of credit, are detailed below:

**Rescheduled loans**

They are those loans in which, prior evaluation, their contractual conditions have been modified. However, they were not refinanced, provided that the total term of such loans does not exceed a 6- or 12-month period, depending on the type of credit, and that on the date of the national state of emergency declaration, the debtors are up to date with their payments. The balance of capital and interests of the rescheduling are controlled in memorandum accounts.

The type of loans rescheduled are the following:

- Massive rescheduling Massive rescheduling of loans with or without approval of the customer and without prior credit evaluation has the following requirements:

The customer shall have a maximum of 15 days past due as of February 29, 2020 or March 15, 2020;

The maximum date to request the first rescheduling is May 30, 2020 for credits to large companies and corporate credits, and June 30, 2020 for retail credits to medium-sized companies.

The maximum date for rescheduling is 6 months for loans to large companies and corporate loans, and 12 months for retail loans and medium-sized companies.

As of December 31, 2021 and 2020, COFIDE did not conducted mass rescheduling.

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- Individual rescheduling: The maximum date to request the first rescheduling is May 30, 2020 for credits to large companies and corporate credits, and June 30, 2020 for retail credits to medium-sized companies. The maximum rescheduling term is 6 months for loans to large companies and corporate loans and 12 months for retail loans to medium-sized companies.

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

Financial institutions shall apply the accrual criterion for the accounting record of the retail loans interest that shall be rescheduled. If such retail loans change the accounting treatment to default after the payment obligation according with the new schedule is resumed, the entity shall reverse the accrued and unpaid interest, having 6 months to carry out such reverse proportionally.

For wholesale debtors with massive rescheduling loan, the accounting treatment of interest shall be subject to the assumption method. If the rescheduling is conducted due to an individual analysis, the accrual criterion may be applied.

On December 17, 2020, SBS Resolution 3155-2020 was published, which provides that, from the entry into force of the aforementioned resolution:

- Rescheduled loans of borrowers rated as Standard are considered borrowers with a credit rating greater than Standard; thus, they are classified as With Potential Problems (WPP). Specific provisions are applied to loans in WPP level, which are applicable to consumer, micro-business and small-business loans.
- For the accrued interests of the rescheduled loans, in the current accounting situation, corresponding to the portfolio of revolving, non-revolving, micro-business and small-business loans, for which the customer has not made the payment of at least a full installment that includes capital in the last six months to the closing of the accounting information, a provision requirement corresponding to the "substandard" risk category will be applied to them.
- Accrued interest not collected as of the rescheduling date, recognized as revenue, that is capitalized as a result of the rescheduling, must be repaid and recorded as deferred revenue, being recorded as revenue based on the new term of the loan and as installments are settled.
- The provisions indicated above do not affect the classification of the debtor in the debtors credit report.

Through SBS Resolution 3922-2021, applicable to consumer loans, micro and small enterprises and medium-sized enterprises, it is provided that:

- However, borrowers rated as Standard and With Potential Problems that did not pay at least one full installment, including principal, in the last six months at the end of the reporting period shall be rated as Substandard. Likewise, borrowers rated as Standard, Potential Problems and Substandard that did not pay at least one full installment, including principal, in the last twelve months shall be rated as Doubtful. Accordingly, the entity shall recognize a specific provision for loans classified as Substandard or Doubtful, respectively.

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- Unearned, accrued interest on current rescheduled consumer, micro-business, small-business and medium-business loans shall be rated as Substandard.
- However, accrued interest on loans of borrowers that did not pay at least one full installment, including principal, in the last six months at the end of the reporting period shall be subject to specific provisions under the classification of Loss.
- The provisions indicated above do not affect the classification of the debtor in the debtors credit report.

Through Official Letters 6302-2021-SBS and 13613-2021-SBS, it is provided that as of March 16, 2021, unilateral modifications of credit operations may be made as long as the conditions indicated in said resolutions are met.

***Suspension of counting days past due***

The suspension of past due days count applicable to those credits that were more than 15 days past due as of February 29, 2020, which must be maintained only until August 31, 2020. In addition, days past due suspended shall be considered for the credit classification process and for the calculation of the provision for loans during the time they are suspended.

***iii. Credit risk ratings***

The borrower's credit ratings established by the SBS are standard, with potential problems, substandard, doubtful and loss. For wholesale loan portfolio (corporate loans, large-business loans and medium-business loans), the rating is based on the borrower's ability to meet its debt obligation, cash flows, level of compliance with obligations, rating designated by other financial institutions, financial position, and management quality. For retail loan portfolio (small-business loans, micro-business loans, revolving and non-revolving loans, and mortgage loans), the rating is based on the borrower's level of compliance with obligations, reflected in the defaults and delays, and rating designated by other financial institutions.

***iv. Provisions for loan losses required***

The provision for loan losses is measured in accordance with the criteria and percentages established in SBS Resolution 11356-2008 "Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements." Also, in measuring the provision, COFIDE considers the types of loans, collaterals and borrower's credit rating.

Through Official Letter 712-2017, dated January 6, 2017, the SBS determined that the loans from participation agreements shall be considered as portfolio transfer, in accordance with Article 4 of the "Regulation on Loan Portfolio Transfer and Acquisition" (SBS Resolution 1308-2013). Accordingly, from 2017, the loans from participation agreements were recorded as direct loans of COFIDE, without considering the financial intermediary (foreign banks) as a borrower.

According to current regulations, COFIDE considers two types of provisions for loan portfolio: general and specific.

The general provision is recorded in a preventive manner for direct and indirect loans, and additionally for the procyclical component when the SBS orders its application. The general provision also includes voluntary provisions.

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The specific provision is recorded for direct loans and exposure to credit risk of borrower's indirect loans rated in a credit rating higher than "standard."

In accordance with internal policies and as permitted by the SBS, COFIDE recognizes voluntary provisions for loan portfolio, whose level depends on management's assessment on the macroeconomic situation in the country and other macroeconomic factors and their impact on FIs and borrowers (note 7).

In this regard, the "Guidelines for allocation of voluntary provisions" (hereinafter the Guidelines), approved by COFIDE's Board of Directors on November 25, 2015, consolidates the Board of Directors' Agreements 066-2005, 003-2007 and 095-2010 and establishes the effectiveness of the allocation of voluntary provisions, considering the following order:

- (a) For currency-induced credit risk (CICR): it is measured based on the rating by CICR designated to each final borrower and FIs on a semi-annual basis.
- (b) For final borrowers of corporate, specialized or structured loans: it is measured based on the rating of the final borrower and provision rates associated with each rating:

<b>Rating</b>	<b>Minimum rate</b>
Standard	0.70%
With potential problems	5.00%
Substandard	25.00%
Doubtful	60.00%
Loss	100.00%

- (c) For transferred loan portfolio: it is measured based on the transferred loan portfolio, rated as substandard, doubtful, loss, restructured or refinanced.
- (d) For financial institutions: it is measured based on net loan guarantees granted by rural savings and credit banks, municipal savings and credit banks, small and micro-enterprise development agencies (SMEDAs), financial institutions, leasing companies, cooperative businesses and banks:

<b>In order</b>	<b>Provision percentage</b>
Rural savings and credit banks	50%
Municipal savings and credit banks	30%
SMEDAs	30%
Financial institutions	30%
Leasing companies	30%
Cooperative businesses	40%
Banks	35%

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

Additionally, in accordance with SBS Resolution 041-2005 "Regulation on Currency-Induced Credit Risk Management," COFIDE assesses the exposure to CICR of the loan portfolio in foreign currency and recognizes provisions, according to the SBS regulations.

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COFIDE uses the aforementioned criteria to recognize a specific provision for accounts receivable from transferred loan portfolio, included in 'accounts receivable' (note 8 (a)).

As of December 31, 2021 and 2020, provisions are determined in accordance with SBS. The minimum percentages for recognizing a provision are as follows:

<b>Credit risk ratings</b>	<b>No collateral</b>	<b>Preferred collateral</b>	<b>Preferred easily realizable collateral</b>	<b>Self-liquidating preferred collateral</b>
<b>Standard</b>				
Corporate loans	0.70	0.70	0.70	0.70
Large-business loans	0.70	0.70	0.70	0.70
Medium-business loans	1.00	1.00	1.00	1.00
Small-business loans	1.00	1.00	1.00	1.00
Micro-business loans	1.00	1.00	1.00	1.00
Revolving loans	1.00	1.00	1.00	1.00
Non-revolving loans	1.00	1.00	1.00	1.00
Mortgage loans	0.70	0.70	0.70	0.70
With potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

As of December 31, 2021 and 2020, the procyclical component for the provision for loan portfolio is deactivated, according to SBS Circular B-2224-2014. Through SBS Resolution 3718-2021 that modified the Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions, modifications were made to the criteria for the activation of procyclical provisions, establishing that it can be activated as of December 31, 2023.

Provisions for direct loans are presented 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 a zero percent provision rate for credit risk to the part of the loans covered by the guarantee of the Reactiva Peru, PAE and FAE-MYPE program (note 1.C).

**D. Investments**

COFIDE applies the recognition and measurement criteria to investments in instruments, in accordance with SBS Resolution 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions" and amendments.

Investments can be classified as: investments at FVTPL, available-for-sale investments and held-to-maturity investments. COFIDE only presents investments classified under the following category:

**i. Available-for-sale investments**

This category comprises those instruments that are held by management with an intention of trading them and with the objective of generating a profit from their trading before their maturity date. It includes all investments in instruments not classified as investments at FVTPL or held-to-maturity investments. In accordance with SBS Resolution 7033-2012 "Regulation on the Classification and Measurement of Investments of Financial Institutions" and amendments, at initial recognition, these investments are measured at fair value including transaction costs that are directly attributable to the acquisition of the investment.



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They are subsequently remeasured at fair value. Any gains and losses on changes in the fair value of the instrument are recognized in equity until the instrument is either sold or realized, which is when gains and losses are recognized in profit and loss, except for impairment losses that are recorded in profit and loss.

Also, gains and losses on changes in the exchange rate of debt instruments stated in foreign currency are directly recognized in profit or loss of the period in which they occur.

***Investment in the CAF***

In accordance with IAS 39 and SBS Resolution 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions," if the quoted price in an active market is not available for an investment in equity instrument and its fair value cannot be reliably measured, it is measured at cost.

According to the harmonization process of IFRSs and SBS Official Letter 45853-2012, issued December 5, 2012 and establishing the accounting treatment of investments under IFRSs, COFIDE classifies this investment as an available-for-sale investment, and its cost is equivalent to the cost recorded in books and reported by COFIDE to the SBS as of December 31, 2012. Additionally, through SBS Official Letter 32034-2017, the SBS authorized the realization of the 2012 unrealized gain, net of deferred tax (note 6).

***Impairment of investments***

If an available-for-sale investment is impaired, the accumulated loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment previously recognized in the statement of profit or loss) is removed from equity and recognized in the statement of profit or loss. Impairment of unlisted securities shall be the difference between the carrying amount and the present value of net expected future cash flows, discounted using current market rates for similar instruments.

As of December 31, 2021, COFIDE recognized an impairment loss on investments in investment funds for US\$ 1,620 thousand, equivalent to S/ 6,419 thousand and commercial papers for S/ 3,000 thousand (2020: Investment funds for US\$ 1,610 thousand, commercial papers for S/3,000 thousand and for corporate bonds for US\$ 191 thousand) (note 6 (b)).

**E. Property, plant and equipment**

An item of property, plant and equipment is measured at its cost less any accumulated depreciation and any accumulated impairment losses. Initial and subsequent costs of an item of property, plant and equipment are recognized as property, plant and equipment only if it is probable that future economic benefits associated with the item will flow to COFIDE and the cost can be measured reliably.

Repair and maintenance costs are recognized as expenses in the period in which they are incurred. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item. They are recognized in profit or loss of the period in which the item is derecognized.

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Depreciation is calculated on a straight-line basis over the estimated useful life of assets. The estimated useful lives are as follows:

<b>Item</b>	<b>Useful life</b>
Buildings	33 years
Furniture and fixtures	10 years
Vehicles	5 years
Various equipment	4-10 years

**F. Realizable, received in payment and repossessed assets**

Received in payment and repossessed assets are measured at the lower of the award value or the value agreed upon in the payment-in-kind contract and the net realizable value. At initial recognition, recovered assets as a result of the agreement termination, if any, are measured at the lower of the outstanding debt value and the net realizable value. If the outstanding debt value is higher than the value of the recovered asset, the difference is recognized as a loss, provided that its recovery is remote.

Likewise, in accordance with Resolution 1535-2005 "Regulation on the Accounting Treatment of Repossessed and Recovered Assets and Provisions" and amendments, COFIDE records provisions as follows:

- For assets received, a provision for 20% of the value on the award or recovery date.
- For fixed assets, a monthly provision, within a maximum term of 42 months, of the net value obtained in the twelfth or eighteenth month of the asset's repossession or recovery for up to 100% of the asset's carrying amount, depending on whether an extension is granted by the SBS. The net carrying amount of fixed assets is compared with the net realizable value determined by an independent appraiser. The Bank recognizes a provision for impairment loss if the carrying amount exceeds the net realizable value.
- For assets other than fixed assets, a provision for the remaining balance within a period of not more than 12 or 18 months, depending on whether an extension is granted by the SBS.

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

**G. Intangible assets**

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

Amortization is calculated on a straight-line basis over the estimated useful life of assets. The estimated useful lives and amortization methods are reviewed at the end of each reporting date to assess if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset. The effects of a change in an accounting estimate are prospectively recorded in profit or loss of the period in which they occur.

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Software licenses acquired are capitalized based on costs incurred to acquire and use the specific software. Such costs are amortized on a straight-line basis over the estimated useful life of the asset. Their estimated useful life is between 3 and 5 years.

Costs of software maintenance and development are recognized as expenses when they are incurred. Costs incurred to develop software recognized as assets are amortized over their estimated useful life.

After initial recognition, COFIDE measures an intangible asset at cost.

**H. Impairment of financial assets**

COFIDE assessed on a regular basis whether there is any indication that a tangible and intangible asset may be impaired. If any such indication exists, COFIDE estimates the recoverable amount of the asset in order to determine any impairment loss.

The recoverable amount of an asset is the higher of its fair value less costs of sale and its value in use. The value in use is the present value of the future cash flows discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A reversal of an impairment loss for an asset is recognized in profit or loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years.

**I. Debts and financial obligations**

Liabilities for loans and borrowings and for the issue of instruments (corporate, senior and subordinated bonds) are measured at fair value. Any accrued interest is recognized in the statement of profit or loss.

Premiums or discounts granted in the placement of bonds and loans are deferred and amortized during their effective term.

**J. Intermediated exchange of bonds**

***i. Evaluation of a derecognition of financial liabilities***

COFIDE will eliminate a financial liability (or a part of it) from its statement of financial position when, and only when, it has been extinguished. That is, when the obligation specified in the corresponding agreement has been paid or canceled, or has expired.

The difference between the carrying amount of a financial liability (or a part of it) that has been canceled or transferred to a third party and the consideration paid that will include any transferred asset other than the cash or liability assumed will be recognized in the profit or loss for 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 derecognizes, based on the relative fair values of one and the other on the repurchase date. In profit or loss, the difference between (a) the carrying amount assigned to the derecognized party and (b) the consideration paid, including any transferred assets other than cash and any assets assumed, by the given party will be derecognized.

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A swap between a lender and a borrower, of debt instruments with substantially different conditions, will be accounted for as a settlement of the original financial liability, recognizing a new financial liability. The same will be conducted when there is a substantial change in the current conditions of a financial liability or a 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 (equivalent to S/ 331,322 thousand) in face value, which were financed by COFIDE resources, considering this operation as a reduction of the liability (note 11 (g)). As a result of this repurchase, a surcharge (expense) of US\$ 13,231 thousand (S/ 47,909 thousand) (note 13.D.iv).

**ii. 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 reduction 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 stated;
- change in the interest base (fixed rate to variable rate, or vice versa);
- changes in the characteristics of the conversion of the financial liability to an equity instrument or vice versa;
- substantial changes in covenants;
- changes in levels of subordination; and
- substantial changes in the maturity period when the instrument is close to maturity.
- In the time evaluation of the debt exchange keeping the same creditor.

**iii. Accounting recognition of restructuring costs**

If an exchange of debt instruments or a modification of the conditions is accounted for as:

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

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**iv. Accounting recognition of the modification of contractual cash flows**

In a continuation or termination 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 the present value of the estimated future cash flows using the original effective interest rate of the financial instrument. The adjustment will be recognized in profit or loss as income or expense.

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

**K. Income tax**

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

**i. Current tax**

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period, and any adjustment to the income tax payable (recoverable) in respect of prior years. Current tax liabilities (assets) are measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current tax also comprises any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

**ii. Deferred tax**

A deferred tax asset and liability is recognized for all temporary differences—i.e., differences between the carrying amount (for financial reporting purposes) of an asset or liability and its tax base (for tax purposes).

A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of such deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities shall reflect the tax consequences that would follow from the manner in which the COFIDE expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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**L. Employee benefits**

**i. Short-term employee benefits**

Employee benefits comprise, among others, short-term employee benefits—e.g., wages, salaries and social security contributions; paid annual leave and paid sick leave; and profit-sharing and bonuses—, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services. These benefits are recognized in profit or loss in the period in which the employee renders the services that entitles it to such benefits.

The relevant liabilities payable are presented in 'other liabilities.'

**Employees' profit sharing**

COFIDE recognizes a liability and an expense for employees' profit sharing equivalent to 5% of taxable income determined in accordance with current tax law.

**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.

**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.

**ii. Long-term benefits**

COFIDE's net obligation in respect of long-term benefits is the amount of future benefit that employees have earned in exchange for their service in prior periods. Such benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss when they occur.

**M. Provisions, contingent liabilities and contingent assets**

**i. Provisions**

A provision is recognized when COFIDE has a present obligation (legal or implicit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It considers the risks and uncertainties surrounding the amount to be recognized as a provision.

**ii. Contingent liabilities and contingent assets**

Contingent liabilities are not recognized in the financial statements. They are only disclosed in notes to the financial statements. COFIDE is not required to disclose a contingent liability when the possibility of an outflow of resources embodying economic benefits is remote.

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

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If it becomes probable that an outflow of economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs. If it has become virtually certain that an inflow of economic benefits will arise, the asset is recognized in the financial statements of the period in which the change occurs.

**N. Dividend distribution**

Dividend distribution is recognized as a liability in the financial statements in the period in which dividends are approved by COFIDE's stockholders.

**O. Income and expense recognition**

Income and expenses for interest and service fees are recognized in profit or loss of the period in which they are accrued, based on the effective term of transactions generating them and, on the interest, rates freely agreed upon with customers, except for interest on past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized as earned when it is paid. If management determines that the borrower's financial condition has improved and the placement is reclassified to the current situation and/or to the "standard," "with potential problems" or "substandard" categories, interest is recognized on an accrual basis again.

Revenue from an available-for-sale investment previously recognized in equity is recognized in profit or loss of the period in which 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 sol are foreign currency transactions. They are recognized using exchange rates ruling 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.

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**R. Basic earnings per share**

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of outstanding shares during the period. For the purpose of calculating 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. Repurchase agreements**

COFIDE applies SBS Resolution 5790-2014, which establishes that financial assets sold under repurchase agreements on a specified future date are not derecognized from the statement of financial position since COFIDE retains substantially all the risks and rewards of ownership of the financial asset.

COFIDE recognizes cash paid and a liability recorded in 'accounts payable' for the obligation to refund such cash at maturity. Likewise, it shall reclassify the financial asset in accordance with the SBS regulations. The accounting treatment of returns shall depend on the agreements between the parties. The difference between the final amount and initial amount will be recognized as an expense against a liability within the transaction term using the effective interest method.

As of December 31, 2021 and 2020, COFIDE enters into repurchase agreements (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 issued but not yet adopted***

A number of new standards, amendments and interpretations have been issued or amended by the IASB and are effective for annual periods beginning on or after January 1, 2022.

<b>IFRSs, amendments and interpretations</b>	<b>Effective date</b>
<i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Annual periods beginning
Property, Plant and Equipment Amounts obtained prior to intended use (Amendments to IAS 16).	on or after January 1, 2022.
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	



(Translation of Financial Statements originally issued in Spanish)

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<b>IFRSs, amendments and interpretations</b>	<b>Effective date</b>
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)	
<i>IFRS 17 Insurance Contracts</i>	
<i>Disclosure of Accounting Policies</i> (amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after January 1, 2023.
<i>Definition of Accounting Estimates</i> (Amendments to IAS 8)	
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to IAS 12).	
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to IFRS 10 and IAS 28)	Available for optional adoption. Effective date deferred indefinitely.

### **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 reporting date, the CNC through:

- Resolution 001-2021-EF/30, dated November 15, 2021, made official the amendments to IFRS 16 *Leases*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 1 *Presentation of Financial Statements*, IAS 12 *Income Taxes*, and the 2021 edition of IFRS, including the Conceptual Framework for Financial Reporting.

As indicated in note 2.A, the standards and amendments detailed in *i.* and *ii.* shall only be applicable to the COFIDE in the absence of applicable SBS regulations for situations not covered in the Accounting Manual. Management has not determined the effects on the preparation of its financial statements since those standards have not been adopted by the SBS.

### **iii. Main pronouncements issued by the SBS in 2021**

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

- Through SBS Resolution 00049-2021, dated January 6, 2021, the treatment for ownership of repossessed and recovered assets, under the Regulation on the Treatment of Repossessed and Recovered Assets and its Provisions, approved by SBS Resolution 1535-2005, was extended until December 31, 2021 for entities requesting it.
- Official Letter 6302-2021-SBS, dated February 5, 2021, which establishes the complementary prudential measures related to the national state of emergency (Supreme Decree 044-2020-PCM), among which the following stand out:
  - Empower companies in the financial system to make contractual modifications or rescheduling in the framework of COVID-19, after individual evaluation of the customer's ability to pay as well as other conditions.
  - Criteria for recognition of revenue (earning or received).
  - Treatment of accrued and unearned interest at the rescheduling date.
  - Treatment of provisions for uncollectible loans in the event that the debtor improves its risk classification.

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As of December 31, 2021, the balances of rescheduled loans and not considered as "refinanced loans", for the aforementioned concept, amount to approximately S/ 29,568 (2020: S/ 67,967).

- Through Official Letter 13613-2021-SBS, dated March 16, 2021, establishing complementary prudential measures related to the national state of emergency (Supreme Decree 044-2020-PCM), among which the following stand out: the conditions for unilateral rescheduling and revenue recognition criteria.
- Through SBS resolution 0779-2021, dated March 16, 2021. the Regulation on the Consolidated Supervision of Financial Conglomerates and Mixed Activity, effective April 1, 2021, was modified to apply IFRS 10 *Consolidated Financial Statements* in the preparation of consolidated financial statements, where the provisions of the Regulation do not apply.
- Through SBS Resolution No. 1333-2021, dated April 30, 2021, clarifications on prudential and accounting matters were set out, which modified the Accounting Manual for Financial Institutions. They shall be considered by financial institutions when rescheduling loans guaranteed with the Reactiva Peru Program.
- Through Official Letter 22799-2021-SBS dated May 6, 2021, the counting of days past due of loans granted through the Reactiva Peru program was stopped over the period of debt rescheduling under such program.
- Through Official Letter 27358-2021-SBS, dated June 2, 2021, until March 31, 2022, the regulatory capital shall be equal to or greater than 8% of the total risk-weighted assets and indirect loans, which corresponds to the sum of the regulatory capital requirements for market risk multiplied by 10, the regulatory capital requirements for operational risk multiplied by 10, and the credit risk-weighted assets and indirect loans.
- Through Official Letter 27360-2021-SBS, dated June 2, 2021, clarifications on the rescheduling of loans guaranteed with the Reactiva Peru program in relation to accounting treatment, provisions, calculation of regulatory capital and legal limits.
- SBS resolution 1760-2021, dated June 16, 2021, amended the "Regulation on Market Risk Management" and the "Accounting Manual for Financial Institutions."
- Official Letter 31933-2021-SBS, dated July 1, 2021, the rescheduled loans guaranteed by the FAE -MYPE program are subject to the same treatment for loans guaranteed by the FAE -MYPE program, and the Accounting Manual for Financial Institutions was modified.
- Official Letter 32591-2021-SBS, dated July 5, 2021, provided clarifications on the rescheduling of loans guaranteed with the FAE-MYPE.

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- SBS Resolution 2451-2021, dated August 20, 2021, the minimum procedures for the management, classification, reporting and constitution of provisions for disputes are approved, and the Accounting Manual for the Companies of the Financial System is modified, which is effective as of January 1, 2022.
- SBS Resolution 3718-2021, dated December 7, 2021, twchich modifies the Regulation for the Evaluation and the Debtor's Classification and the Requirement of Provisions is modified, regarding the activation criteria of the procyclical provisions and the minimum rates of the procyclical component.
- SBS Resolution 3748-2021, dated December 10, 2021, which approves the Regulation of Commissions and Expenses of the Financial System, in addition to modifying the Regulation of Management of Market Conduct, Regulation of Credit and Debit Card; and the Regulation of Infractions and Sanctions of the SBS.
- SBS Resolution 3791-2021, dated December 14, 2021, the Regulation on the Leverage Ratio applicable to Financial Institutions was approved and the Accounting Manual for Financial Institutions was modified. This resolution comes into force from the quarterly information that includes the months of April to June 2022.
- SBS Resolution 3921-2021, dated December 23, 2021, the Regulation on the Additional Regulatory Capital Requirement was modified in relation to the calculation of the additional regulatory capital requirement for market risk, considering the criteria of size, interconnection, substitutability and complexity in order to adapt it to international standards and obtain a more risk-sensitive approach.
- SBS Resolution 3922-2021, dated December 23, 2021, the Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements (SBS Resolution 11356-2008), effective December 2021, was modified in relation to loans recognized as rescheduled loans due to the public health emergency.

Accrued interest not collected as of the rescheduling date, recognized as revenue, that is capitalized as a result of the rescheduling, must be repaid and recorded as deferred revenue, being recorded as revenue based on the new term of the loan and as installments are settled.

**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 (prior maturity date was September 2031).

Due to the new loan terms and conditions (forecast transaction), management unwound the hedging instrument related to the loan and created an escrow account for JPY 9,000,000 thousand (100% of the principal), equivalent to S/ 311,787, and US\$ 4,391 thousand, equivalent to S/ 17,507 thousand corresponding to 1 year of interest (2020: S/ 315,621 thousand and S/ 15,900 thousand) to secure the loan that AFLAC granted to COFIDE (note 11 (a)).

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**5. Cash and cash equivalents**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Banco Central de Reserva del Perú – BCRP (a)	177,412	431,951
Checking accounts (b)	863,064	474,559
Other cash and cash equivalents (c)	1,410,256	1,077,521
Accrued interest on cash and cash equivalents	35,018	17,691
	<b>2,485,750</b>	<b>2,001,722</b>
Provision for country risk (d)	(5,034)	(4,368)
	<b>2,480,716</b>	<b>1,997,354</b>

- (a) As of December 31, 2021, the BCRP has US\$ 3,202 thousand, equivalent to S/ 12,766 thousand and S/ 16,330 thousand (2020: US\$ 2,119 thousand, equivalent to S/ 7,674 thousand and S/ 8,217 thousand). These amounts correspond to the legal reserves that financial institutions located in Peru shall hold for deposits and obligations with third parties. These reserve funds are deposited with the BCRP. Bank reserve funds of the legal reserve requirements do not accrue interest. Bank reserve funds of the additional reserve requirements shall be paid at an interest rate established by the BCRP. In accordance with current regulations, bank reserve funds are nonforfeitable.

As of December 31, 2021, the BCRP has US\$ 37,200 thousand, equivalent to S/ 148,316 thousand (2020: US\$ 81,709 thousand, equivalent to S/ 295,869 thousand and S/ 120,191 thousand) for overnight deposits with the BCRP, which accrue interest at an effective rate of 0.0529% in foreign currency (2020: 0.1317% in foreign currency and 0.15% in local currency). In 2021, overnight deposits accrued interest for US\$ 18 thousand and S/ 195 thousand (2020: US\$ 222 thousand and S/ 101 thousand), which is included in 'interest revenue from cash and cash equivalents' in the statement of profit or loss.

- (b) As of December 31, 2021 and 2020, checking accounts comprise cash and cash equivalents held in local and foreign banks of less than one year, and stated in local and foreign currency. They have free withdrawal option and accrue interest at market rates.
- (c) As of December 31, 2021, it corresponds to restricted funds in foreign currency held at the BCRP for US\$ 271,120 thousand, equivalent to S/ 1,080,956 thousand (2020: US\$ 206,017 thousand, equivalent to S/ 745,988 thousand) which secure repurchase agreements in local currency collected from the BCRP (note 12 (b)); and an escrow account with JP Morgan for JPY 9,000,000 (100% of the Parent Company), thousand, equivalent to S/ 311,787 thousand, and US\$ 4,391 thousand, equivalent to S/ 17,507 thousand, corresponding to one year of interest (2020: S/ 315,621 thousand and S/ 15,900 thousand) (note 4 and 11 (a)).
- (d) It corresponds to the provision for country risk, which was recognized for time deposits and checking accounts held in foreign banks (subject to regulatory provision for country risk). Such provision is recognized in accordance with SBS regulations and COFIDE's internal policies.

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**6. Available-for-sale investments**

As of December 31, 2021, comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Shares of the CAF (a)	2,017,003	2,339,156
Investment funds	138,338	124,659
Mutual funds	9,806	-
Shares in local or foreign entities	1,887	1,632
Impairment of investments (b)	(6,460)	(5,830)
<b>Equity instruments</b>	<b>2,160,574</b>	<b>2,459,617</b>
Structured bonds	1,084,687	1,262,289
Corporate bonds	906,904	929,420
Securitization bonds	50,180	57,018
Sovereign bonds	23,472	28,470
Commercial papers	3,000	39,862
Impairment of investments (b)	(3,000)	(3,691)
	<b>2,065,243</b>	<b>2,313,368</b>
Accrued interest	21,124	22,650
<b>Debt instruments</b>	<b>2,086,367</b>	<b>2,336,018</b>
	<b>4,246,941</b>	<b>4,795,635</b>

- (a) The investment in the CAF was a contribution of Class B shares from the Peruvian Government from years between 1989 and 2000. To December 31, 2021, class B shares have a face value of US\$ 5,000 thousand each, equivalent to S/ 19,935 thousand (2020: US\$ 5,000 thousand each, equivalent to S/ 18,105), and entitle the holder to appoint a representative of the Board of Directors.

According to the harmonization process of IFRSs and SBS Official Letter 45853-2012-SBS, establishing the accounting treatment under IFRSs, from January 1, 2013, COFIDE classifies the investment in shares of the CAF as an available-for-sale investment, and its cost is equivalent to the cost recorded in books and reported by COFIDE to the SBS as of December 31, 2012 (note 3 (d)(i)). Based on CAF's financial statements as of September 30, 2021, these shares would have an equity value of S/ 4,116,934 thousand (2020: S/ 4,294,693 thousand).

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 31086 "Law on National Debts for the year 2021," published on December 6, 2020, effective on January 1, 2021, 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. The aforementioned acquisition will be canceled within a maximum period of ten (10) years and with a minimum of two (02) years of grace. To this end, the DGTP is authorized to enter into an internal debt operation with COFIDE, under the modality of acquiring goods in installments.

**Corporación Financiera de Desarrollo S.A. - COFIDE**

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On June 30, 2021, COFIDE and the MEF signed an 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 the shares acquired of US\$ 191,558 thousand, equivalent to S/ 763,742 thousand, in a term of ten (10) years that includes a grace period of two (02) years, with an interest rate 1.5% annual effective rate (note 8(a) and note 8(d)). Likewise, as a result of said sale, a gain of US\$ 108,055 thousand was generated, equivalent to S/ 416,878 thousand recorded in the caption of results from financial operations of the income statement for the year.

As of December 31, 2021, COFIDE holds 84,461 Class B shares representing 7.840% of shares in the CAF's capital (2020: holds 97,951 shares representing 9.119% participation).

- (b) Management reviewed the carrying amount of its investments in investment funds and recognized an impairment loss of the investment fund of Latam Peru for US\$ 1,620 thousand, equivalent to S/ 6,460 thousand as of December 31, 2021 (2020: US\$ 1,610 thousand, equivalent to S/ 5,369 thousand).

Likewise, it recognized an impairment loss of commercial papers of Ingenieros Civiles y Contratistas Generales S.A. for S/ 3,000 thousand, (2020: impairment losses of corporate bonds of Aeropuerto Internacional de Tocumen S.A. for US\$ 191 thousands, equivalent to S/ 691 and of the commercial papers of Ingenieros Civiles y Contractors Generales S.A. for S/ 3,000 thousand).

Except as otherwise described and subsequent to the identification of an impairment loss on investments under SBS Resolution 7033-2012 and amendments, management did not identify any events or changes in circumstances indicating that the carrying amount of investments exceeds the recoverable amount as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, in accordance with internal policies, COFIDE makes investments in instruments rated between BBB- and AAA for S/ 3,911,829 thousand and S/ 4,438,494 thousand, respectively.

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**Corporación Financiera de Desarrollo S.A. - COFIDE**

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

<i>In thousands of soles</i>	Maturity	Coupon rate (%)		Market price		Adjustments to equity	
		2021	2020	2021	2020	2021	2020
<b>Type of instrument</b>							
<b>Local currency</b>							
Structured bonds	January 2033 to June 2037	8.34 to 8.76	8.14 to 8.76	303,137	368,375	(13,421)	50,797
Corporate bonds	September 2025 to October 2034	5.87 to 9.19	5.87 to 9.19	157,903	184,129	(7,636)	15,406
Securitization bonds	September 2034 to August 2035	5.97 to 6.05	5.97 to 6.05	34,130	40,332	(11,144)	(6,097)
Sovereign bonds	February 2029 to August 2040	3.47 to 5.52	3.47 to 5.52	23,925	28,849	(3,203)	1,479
Mutual funds	No contractual maturity	-	-	9,806	-	(194)	-
Commercial papers	August 2018 to January 2021	-	7.61	3,000	3,697	-	1
				<b>531,901</b>	<b>625,382</b>	<b>(35,598)</b>	<b>61,586</b>
Shares of the CAF	-	-	-	2,017,003	2,339,156	-	-
				<b>2,548,904</b>	<b>2,964,538</b>	<b>(35,598)</b>	<b>61,586</b>
<b>Foreign currency</b>							
Structured bonds	October 2033 to April 2037	4.61 to 8.24	4.61 to 8.24	787,799	901,843	32,695	67,527
Corporate bonds	August 2027 to March 2038	3.84 to 6.18	3.80 to 6.18	762,389	758,532	5,110	42,004
Investment funds	No contractual maturity	-	-	138,339	124,659	33,750	27,868
Securitization bonds	December 2034	5.08	5.08	17,083	17,742	(4,386)	(1,781)
Shares of Banco Latinoamericano de Comercio Exterior S.A.	No contractual maturity	-	-	1,887	1,632	822	665
Commercial papers	December 2021	-	6.81	-	36,210	-	-
Mutual funds	No contractual maturity	-	-	-	-	-	-
				<b>1,707,497</b>	<b>1,840,618</b>	<b>67,991</b>	<b>136,283</b>
Impairment losses				(9,460)	(9,521)	-	-
				<b>4,246,941</b>	<b>4,795,635</b>	<b>32,393</b>	<b>197,869</b>

**Corporación Financiera de Desarrollo S.A. - COFIDE**

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As of December 31, 2021 and 2020

**7. Loan Portfolio, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Direct loans (a)</b>			
Current loans		4,807,727	5,385,355
Refinanced loans (a.1)		1,162,646	582,299
Loans past due		421,142	637,001
Loans under legal collection		497	497
		<b>6,392,012</b>	<b>6,605,152</b>
<b>Plus</b>			
Accrued interest on loans		40,312	21,434
<b>Less:</b>			
Provision for loan losses (h)		(1,471,635)	(1,067,674)
Deferred interest		(45,094)	(282)
		<b>(1,476,417)</b>	<b>(1,046,522)</b>
		<b>4,915,595</b>	<b>5,558,630</b>
<b>Indirect loans – collaterals pledged and letters of guarantee</b>	<i>14</i>	<b>161,411</b>	<b>162,938</b>

- (a) The balance of the loan portfolio (direct loans) corresponds to loans in foreign currency granted to FIs and for tier 1 portfolio.

Loans granted to FIs are secured through contractual clauses included in contracts for channeling funds entered into with each borrower, where COFIDE is entitled to i) the 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 FI fails to meet the payment of the debt or when COFIDE considers that there are specific circumstances complicating the refund of the funds granted.

As of December 31, 2021, loans rescheduling amount to S/ 858,534 thousand (2020: S/ 902,782 thousand).

As of December 31, 2021, the balance of loans granted to FIs include S/ 461,802 thousand from participation agreements (2020: S/ 809,768 thousand).



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As indicated in note 1.C, COFIDE acts as administrator of the FAE-MYPE, FAE - Tourism, FAE - AGRO and PAE-MYPE. As of December 31, 2021 and 2020, COFIDE placed loans under these programs for S/ 1,128,750 thousand and S/ 1,971,088 thousand, respectively, as detailed below:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Types of loans</b>		
Corporate	1,089,157	1,912,999
Large-business	38,502	57,170
Medium-business loans	1,091	919
	<b>1,128,750</b>	<b>1,971,088</b>

- (a.1) As of December 31, 2021, the refinanced loans correspond mainly to the 4 operators of High Capacity Segregated Corridors - COSAC for US\$ 131,815 thousand equivalent to S/ 525,546 thousand (2020: US\$ 146,442 thousand equivalent to S/ 530,267 thousand), Lis Argentis for US\$ 76,102 thousand, equivalent to S/ 303,419 thousand and Minera IRL for US\$ 70,000 thousand, equivalent to S/ 279,090 thousand.

***Situation of the refinanced loan granted to High Capacity Segregated Corridors – COSAC***

In December 2018, COFIDE and the operators of COSAC subscribed a memorandum of understanding and temporary renewable payment agreements through which the monthly payment mechanisms are met while the parties continue the efforts to reconcile their discrepancies regarding the debt in their charge. such debt consists of determining the debt balances (in terms of principal and interest), and establishes the terms and conditions of a definitive agreement.

Due to the current public health emergency, COFIDE and the operators will proceed to sign new addenda to the respective transitory agreements for the recognition and payment of obligations as long as the discrepancies mentioned above regarding the debt that will be the subject of a definitive payment agreement are solved.

The COFIDE's recovery strategies consist of dividing in two sections the COSAC operators' responsibilities. The first with the cash flows generated by the system; and the second with charge to the final arbitration awards that order the payment of compensation, interest and other recognized rights, as a consequence of the breaches incurred within the framework of the Concession Agreement and that have been assigned in favor of COFIDE by Transvial Lima S.A.C. and Perú Masivo S.A., in their capacity as operators of the aforementioned service and with the character of "pro solvendo".

On September 14, 2020, the "Autoridad de Transporte Urbano" of Lima and Callao – ATU assumed the rights and obligations, assets, liabilities, situations and legal relationships of "Municipalidad Metropolitana de Lima" (MML) and Protransporte, as absorbed institution, within which are the arbitration awards assigned to COFIDE.

On March 15, 2021, the first meeting with ATU officials was held. In such meeting the conversations to establish a payment schedule for the arbitration awards assigned to COFIDE began.

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Within the framework of the provisions of the Eighth Final Complementary Provision of Law 30900, modified by Law No. 30945 and the transfer agreements entered into with the COSAC operators, COFIDE required the aforementioned ATU to pay S/278,000 thousand, plus accrued interest on the date of payment.

In 2021, the ATU requested from COFIDE the information that allows it to prove its condition as creditor of the compensation ordered to be paid by arbitral tribunals to the Metropolitan Municipality of Lima and Protransporte. As of reporting date, COFIDE is awaiting a statement from the aforementioned authority.

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

On April 2021, Credit Suisse assigned to COFIDE the rights and contractual position of Lis Argentis Corporation S.A.C. for an equivalent to US\$ 76,102 thousand, equivalent to S/ 303,419 thousand.

In 2021, the Board of Directors approved refinancing the credit by extending the payment of the installments due in the course of 2021.

The aforementioned was conditional on Lis Argentis, through its subsidiary Inversiones Yarabamba S.A.C. obtain financing that allows you to continue with your operations to obtain money flows to meet your obligations with COFIDE.

Based on the aforementioned, in the Board of Directors Meeting, held on December 22, 2021, it was approved to refinance the payment of the installments that were mature on December 10, 2021 until March 10, 2022. This approval was conditional on Lis Argentis submitting a written communication committing that the resources obtained through its subsidiary Inversiones Yaramabamba S.A.C. are destined exclusively for the implementation of the project of diversification and progressive migration towards crops and/or fruit trees. Lis Argentis complied with the conditions requested by the Board of Directors.

In relation to the change in status of the current loan to refinanced, and in accordance with the provisions of Resolution 11356-2008, capitalized interest income for S/ 44,845 thousand was refunded and recognized as deferred income against the income statement. "Other expenses".

To date, the Recoveries Department is evaluating the structure of the comprehensive refinancing of the Lis Argentis debt.

As of December 31, 2021, and 2020, the credit risk rating is Substandard and WPP, respectively.

***Situation of the refinanced loan granted to Minera IRL***

***Background***

In this regard, in September 2019, the Tribunal Arbitral del Centro de Arbitraje de la Cámara de Comercio de Lima, which is in charge of resolving the arbitration filed by the company Minera IRL S.A. against COFIDE, issued an arbitration award in which, among other matters, determined that COFIDE was a creditor of Minera IRL S.A., related to the bridge loan channeled through Goldman Sachs Bank for up to US\$ 70,000 thousand (equivalent to S/ 231,980 thousand), plus interest. It also determined that COFIDE shall pay Minera IRL S.A. approximately US\$ 34,213 thousand (equivalent to S/ 113,382 thousand) plus legal interest as a compensation for damages and losses. The cancellation of COFIDE's obligation to Minera IRL S.A. will be done by offsetting the pending obligations between the two.

**Corporación Financiera de Desarrollo S.A. - COFIDE**

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

As of December 31, 2020, the request for annulment of the arbitration award made by COFIDE had not been resolved, which is why there was still no certainty regarding the amount that COFIDE had to compensate (pay).

***Situation as of December 31, 2021***

On June 24, 2021, COFIDE and Minera IRL S.A. signed a Compensation Agreement, whereby Minera IRL S.A. offset the obligation to pay the accrued interest on the credit granted by COFIDE for a total amount of US\$ 19,174 thousand and COFIDE offset the payment obligation to Minera IRL S.A. corresponding to the concept of "consequential damage" for US\$ 18,750 thousand indicated in the Arbitration Award, plus the payment of legal interest corresponding to the date of compensation for US\$ 424 thousand.

On October 15, 2021, COFIDE filed, before the Second Commercial Chamber of the Superior Court of Lima, a writ of withdrawal regarding the appeal for annulment of the award filed in 2019. Said withdrawal appeal was approved by the Superior Court of Lima on December 3, 2021.

On December 2, 2021, COFIDE and Minera IRL S.A. signed a new Compensation Agreement, through which Minera IRL S.A. compensated the obligation to pay the accrued interest of the credit granted by COFIDE for the total amount of US\$ 15,813 thousand and COFIDE compensated the payment obligation to Minera IRL S.A. of the following concepts: (i) "lost profits" in the amount of US\$ 13,963 thousand plus legal interest in the amount of US\$ 316 thousand and (iii) "compensation in equity" in the amount of US\$ 1,500 thousand plus legal interest amounting to US\$ 34,000 thousand.

Having fulfilled all the conditions of the Extrajudicial Transaction, the Board of Directors, in December 2021, approved the refinancing of Minera IRL's debt so that it is paid within the 36-month term agreed in the Extrajudicial Transaction.

As of December 31, 2021, the principal and interest balance of the loan granted by COFIDE to Minera IRL S.A. amounts to US\$70,000 thousand, equivalent to S/ 279,090 thousand and US\$ 1,553 thousand, equivalent to S/ 6,192 thousand, respectively. Likewise, COFIDE has an account receivable of US\$ 2,053 thousand, equivalent to S/ 8,185 thousand from Minera IRL S.A. (note 8(c)), according to the terms and conditions established in the Extrajudicial Transaction signed on November 14, 2020.

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

As of December 31, 2021, and 2020, Minera IRL's credit risk rating is loss.

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- (b) The rating of the loan portfolio (direct and indirect loans), less deferred interest, per risk categories carried out by management following the current SBS regulations is as follows:

<i>In thousands of soles</i>	Number of borrowers		Total portfolio	
	2021	2020	2021	2020
Standard	76	101	3,926,550	4,322,866
With potential problems	16	14	930,592	1,240,629
Substandard	10	7	461,448	18,785
Doubtful	5	11	526,119	750,324
Loss	24	20	663,620	435,204
	<b>131</b>	<b>153</b>	<b>6,508,329</b>	<b>6,767,808</b>

- (c) The loan portfolio per type of FI is as follows:

<i>In thousands of soles</i>	2021		2020	
	S/	%	S/	%
<b>Tier 2 portfolio</b>				
Banks (c.1)	1,630,533	25.5	2,462,287	37.3
Municipal banks (c.1)	1,654,675	25.9	1,141,017	17.3
Financial institutions	806,724	12.6	799,188	12.1
SMEDAs	164,198	2.6	102,357	1.5
Rural banks	122,244	1.9	99,528	1.5
Finance lease	-	0.0	72,294	1.1
Cooperative businesses	39,861	0.6	58,446	0.9
Factoring	14,083	0.2	10,756	0.2
	<b>4,432,318</b>	<b>69.3</b>	<b>4,745,873</b>	<b>71.9</b>
Participation agreements (c.2)	461,802	7.3	809,768	12.3
<b>Tier 1 portfolio</b>				
Finance leases and promissory notes (g)	1,484,200	23.2	1,035,211	15.6
Other loans (c.3)	13,692	0.2	14,300	0.2
	<b>1,497,892</b>	<b>23.4</b>	<b>1,049,511</b>	<b>28.1</b>
	<b>6,392,012</b>	<b>100.0</b>	<b>6,605,152</b>	<b>100.0</b>
Accrued interest on loans	40,312		21,434	
	<b>6,432,324</b>		<b>6,626,586</b>	

- (c.1) As of December 31, 2021 and 2020, it comprises FEEEs in foreign currency entered into under contracts for channeling funds mainly with local banks and banks domiciled in Peru for US\$ 274,177 thousand (equivalent to S/ 1,093,144 thousand) and US\$ 305,962 thousand (equivalent to S/ 1,107,888 thousand), respectively:

<i>In thousands of U.S. dollars</i>		As of	
		2021	2020
<b>Intermediary</b>	<b>Borrower</b>		
	Generadora de Energía del Perú S.A.	37,039	39,701
Banco Internacional	Agrojibito S.A.	22,424	25,775
del Perú – INTERBANK	Empresa Eléctrica Agua Azul S.A.	14,149	14,600
	Aeropuertos del Perú	1,218	-
	<b>Subtotal</b>	<b>74,830</b>	<b>80,076</b>

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<i>In thousands of U.S. dollars</i>		As of	
		2021	2020
Scotiabank Perú S.A.A.	Trastiendas Integradas S.A.C.	48,230	53,105
	Empresa de Generación Eléctrica		
Banco de Crédito del Perú S.A.	Santa Ana	38,558	41,040
	Cosapi Minería S.A.C.	6,560	10,308
	Sociedad Agrícola Yolanda Patricia S.A.C.	-	1,050
	<b>Subtotal</b>	<b>45,118</b>	<b>52,398</b>
BNP Paribas S.A. – New York	Concesionaria Vial del Sur S.A.	32,426	35,000
Deutsche Bank AG – London Branch	Survial S.A.	15,929	19,858
Deutsche Bank Branch	Concesión Canchaque S.A.	14,004	17,548
	Agroaurora S.A.C.	9,430	10,383
Citibank del Perú S.A.	Jibiport S.A.C.	1,983	2,184
	Agrojibito S.A.	752	828
	<b>Subtotal</b>	<b>12,165</b>	<b>13,395</b>
Banco GNB Perú S.A.	Danper Agrícola Olmos S.A.C.	10,515	11,050
Banco Agropecuario S.A.	Agrícola Sol de Villacuri S.A.C.	7,980	7,980
Banco Interamericano de Finanzas S.A. – BanBif	Inversiones Prisco S.A.C.	7,416	7,809
Banco Santander Perú S.A.	Instituciones Toulouse Lautrec de Educacion Superior S.A.C.	4,151	5,371
Banco BBVA Perú	Maquiwood S.A.C.	1,278	1,406
	Gandules Inc. S.A.C.	135	654
	<b>Subtotal</b>	<b>1,413</b>	<b>2,060</b>
Caja Municipal de Ahorro y Crédito de Sullana S.A.	Hermanos Tume S.A.C.	-	312
		<b>274,177</b>	<b>305,962</b>
<b>In thousands of soles</b>		<b>1,093,144</b>	<b>1,107,888</b>

As of December 31, 2021 and 2020, interest on loans granted through FEEEs to final debtors Agrícola Sol de Villacuri S.A.C. and Maquiwood S.A.C. (past due loan) have been recorded in 'interest in suspense.'

- (c.2) It comprises FEEEs entered into under participation agreements, which correspond to an agreement between two parties. The Seller, who is a lender (FI), sells its interests in a loan to the Buyer, who cannot become a lender of record, with the objective of channeling the available funds to a non-domiciled bank, so that it finances the borrower. In general, this type of agreements and the loan agreement between the bank and the borrower are entered into with an international bank and under foreign laws. The performance of these transactions is the similar to the one included in contracts for channeling funds. In accordance with the SBS (Official Letter 30517-2017-SBS), these transactions are considered as portfolio transfer, and the actual borrower is the final borrower and not the FI.

<i>In thousands of U.S. dollars</i>		As of	
		2021	2020
<b>Intermediary</b>	<b>Borrower</b>		
Banco Santander (España) S.A.	Terminal Portuario Paracas S.A.	75,434	75,434
Credit Suisse	American Glass Products Perú S.A.C.	9,216	10,000
	Lis Argentis Corporation S.A.C.	-	83,793
Netherlands Development Finance Company – FMO	Generación Andina S.A.C.	13,536	14,201
Goldman Sachs Bank	Especialista en Gas del Perú S.R.L.	-	15,519
	Clean Energy del Perú S.R.L.	-	9,481
Sumitomo Mitsui Banking Corporation	Autopista del Norte S.A.C.	15,203	15,203
Banco de Crédito e Inversiones	Aeropuertos del Perú	2,438	-
		<b>115,827</b>	<b>223,631</b>
<b>In thousands of soles</b>		<b>461,802</b>	<b>809,768</b>

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(c.3) It corresponds to consumer and mortgage loans granted to employees and former employees.

- (d) Interest rates and collaterals:  
COFIDE freely establishes interest rates on asset transactions based on cost of fund, type of customer, market, term and currency of loans.

The effective interest rates of main assets were the following:

	2021		2020	
	Loans in		Loans in	
	S/	US\$	S/	US\$
Short-term working capital	2.84%	2.41%	4.17%	2.35%
COFIDE's funds	2.99%	4.29%	3.25%	4.29%
Multi-sector Loan Program – Probid II	3.75%	-	-	5.20%
Funding line - FAE-MYPE	3.23%	6.63%	0.65%	4.33%
Funding line - FAE-Tourism	3.37%	-	0.89%	-
Funding line - FAE-AGRO	4.41%	-	4.51%	-

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

<i>In thousands of soles</i>	2021		2020	
	S/	%	S/	%
Financial intermediation	4,415,983	69.09	4,731,660	71.64
Real estate, business and leasing activities	658,141	10.30	627,981	9.51
Transport, storage and communications	596,251	9.33	585,684	8.87
Power, gas and water	330,023	5.16	299,727	4.54
Mining	279,090	4.37	253,470	3.84
Agriculture, livestock, hunting and forestry	49,623	0.78	45,290	0.69
Manufacturing	36,744	0.56	36,210	0.55
Other community service activities	14,082	0.22	10,756	0.16
Mortgage loans	5,263	0.08	6,198	0.09
Business	3,379	0.05	3,069	0.05
Public administration and defense	2,253	0.04	3,458	0.04
Hospitality	804	0.01	1,021	0.01
Consumer loans	376	0.01	628	0.01
	<b>6,392,012</b>	<b>100.00</b>	<b>6,605,152</b>	<b>100.00</b>

- (f) The loan portfolio has the following maturities:

<i>In thousands of soles</i>	2021		2020	
	S/	%	S/	%
Up to 1 year	1,744,562	27.3	1,637,809	24.8
1–2 years	1,314,241	20.6	1,433,559	21.6
2–3 years	759,149	11.9	760,466	11.5
3–4 years	319,250	5.0	244,158	3.7
4–5 years	316,674	4.9	243,570	3.7
More than 5 years	1,516,497	23.7	1,648,092	25.0
	<b>5,970,373</b>	<b>93.4</b>	<b>5,967,654</b>	<b>90.3</b>
Past due loans and judicial debt collection	421,639	6.6	637,498	9.7
	<b>6,392,012</b>	<b>100.0</b>	<b>6,605,152</b>	<b>100.0</b>

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(g) Tier 1 portfolio

In compliance with the contracts for channeling funds entered into with FIs, COFIDE entered into additional agreements with certain FIs. According to such assignment agreements, the FIs transferred their contractual rights on different loan agreements to COFIDE. Additionally, some FIs, liquidated and supervised by the SBS, transferred several loan agreements and finance leases to COFIDE in payment for the obligations owed to COFIDE.

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

<i>In thousands of U.S. dollars</i>	Consolidated transactions			Total
	Banco Nuevo Mundo	Local currency	Foreign currency	
Balance as of January 1, 2021	181	146,717	138,993	285,891
Loans received	-	76,102	25,000	101,102
Recoveries and others	(51)	(14,653)	(29)	(14,733)
<b>As of December 31, 2021</b>	<b>130</b>	<b>208,166</b>	<b>163,964</b>	<b>372,260</b>
<b>In thousands of soles</b>	<b>518</b>	<b>829,958</b>	<b>653,724</b>	<b>1,484,200</b>

<i>In thousands of U.S. dollars</i>	Consolidated transactions			Total
	Banco Nuevo Mundo	Local currency	Foreign currency	
Balance as of January 1, 2020	461	161,443	78,813	240,717
Loans received	-	-	60,282	60,282
Recoveries and others	(280)	(14,726)	(102)	(15,108)
<b>As of December 31, 2020</b>	<b>181</b>	<b>146,717</b>	<b>138,993</b>	<b>285,891</b>
<b>In thousands of soles</b>	<b>655</b>	<b>531,262</b>	<b>503,294</b>	<b>1,035,211</b>

- In 2021, Credit Suisse. transferred the contractual rights of Lis Argentis Corporation S.A.C. to COFIDE for US\$ 76,102 thousand (equivalent to S/ 303,419 thousand). Likewise, Goldman Sachs Bank assigned the rights and contractual position of Clean Energy del Perú S.R.L. and Especialista en Gas del Perú S.R.L. to COFIDE for US\$ 9,481 thousand, equivalent to S/ 37,801 thousand and US\$ 15,519 thousand, equivalent to S/ 61,874 thousand, respectively.
- In 2020, Banco Pichincha S.A. transferred its contractual rights on Fondo Sacramento S.A.C. to COFIDE for US\$ 2,507 thousand (equivalent to S/ 9,078 thousand).

(h) Movement in the provision for direct and indirect loan losses was as follows:

<i>In thousands of soles</i>	Direct	Indirect	Total
Balance as of January 1, 2020	901,437	42,704	944,141
Provisions	156,331	18	156,349
Reversals	(35,674)	(12,524)	(48,198)
Exchange difference	45,580	2,719	48,299
<b>Balance as of December 31, 2020</b>	<b>1,067,674</b>	<b>32,917</b>	<b>1,100,591</b>
Balance as of January 1, 2021	1,067,674	32,917	1,100,591
Provisions	395,615	-	395,615
Reversals	(39,012)	(1,738)	(40,750)
Exchange difference	47,358	3,092	50,450
<b>Balance as of December 31, 2021</b>	<b>1,471,635</b>	<b>34,271</b>	<b>1,505,906</b>

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Then, the composition of the provision for uncollectible direct and indirect loans presented in the statement of income:

<i>In thousands of soles</i>	2021		2020	
	Direct	Indirect	Direct	Indirect
Provision for loan losses	395,615	-	156,331	18
Reversal of provisions	(39,012)	(1,738)	(35,674)	(12,523)
Revenue from portfolio recovery	(169)	-	(550)	-
	<b>356,434</b>	<b>(1,738)</b>	<b>120,107</b>	<b>(12,505)</b>

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

<i>In thousands of soles</i>	2021			2020		
	Direct	Indirect	Total	Direct	Indirect	Total
Specific	1,321,161	-	1,321,161	926,847	-	926,847
Generic	20,397	1,130	21,527	19,913	1,141	21,054
Voluntary	130,077	33,141	163,218	120,914	31,776	152,690
	<b>1,471,635</b>	<b>34,271</b>	<b>1,505,906</b>	<b>1,067,674</b>	<b>32,917</b>	<b>1,100,591</b>

As of December 31, 2021 and 2020, in accordance with the SBS, COFIDE recognized specific provisions for transactions entered into under participation agreements, considering the rating of final borrowers. Consequently, most of the prior voluntary provisions for such borrowers are currently recorded as specific provisions for such loans, which will be the same for existing loans and future loans.

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

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	Note	2021	2020
Fair value – held-for-trading instruments – forward contracts	12(a)	1,606	5,432
Fair value – hedging instruments – currency swaps	12(a)	-	100
Provision for country risk - derivatives		-	(26)
<b>Held-for-trading and hedging instruments</b>		<b>1,606</b>	<b>5,506</b>
Other accounts receivable (a)		767,735	3,257
Fees receivable (b)		69,748	39,476
Accounts receivable associated with assigned loans (c)		9,184	2,232
Guarantee funds		1,257	1,142
Account receivable from held-for-trading and held-to-maturity instruments		-	11,290
Allowance for impairment loss on accounts receivable and others (d)		(18,321)	(9,633)
Accrued interest on accounts receivable (a)		6,598	-
<b>Accounts receivable, net</b>		<b>836,201</b>	<b>47,764</b>
Software (e)		21,432	18,665
Accumulated amortization of software		(18,537)	(16,735)
<b>Intangible assets, net</b>		<b>2,895</b>	<b>1,930</b>
Realizable, received as payment and repossessed assets (f)		2,177	2,255
Provisions		(2,177)	(2,255)
<b>Received in payment and repossessed assets, net</b>		<b>-</b>	<b>-</b>



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<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Fees and other prepayments		15,104	13,138
Works of art and library		763	763
Others		1,520	1,682
<b>Other assets</b>		<b>17,387</b>	<b>15,583</b>
		<b>858,089</b>	<b>70,783</b>

- (a) As of December 31, 2021, the balance includes the account receivable from the MEF for US\$ 191,558 thousand, equivalent to S/ 763,742 thousand corresponding to the sale of 13,490 series B shares of CAF (note 6) that will be settled 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, 2021, yields receivable amount to US\$ 1,655 thousand equivalent to S/ 6,598 thousand and during 2021 accrued interest amounts to US\$ 1,655 thousand equivalent to S/ 6,664 thousand which are recorded in the statement of profit or loss.

- (b) As of December 31, 2021, it corresponds to the commissions for administration of trusts accrued and that are pending collection from the Settlers.
- (c) As of December 31, 2021, the balance includes the account receivable from Minera IRL S.A. for compensation for US\$ 2,053 thousand, equivalent to S/ 8,184 (note 7(a.1))
- (d) The balance of the provision for impairment loss on accounts receivable and fees receivable is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Specific	15,796	6,551
Voluntary	2,525	3,082
	<b>18,321</b>	<b>9,633</b>

Movement in the allowance for impairment loss on accounts receivable was as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Opening balance	9,633	6,755
Provisions	9,009	2,491
Reversals	(376)	(83)
Exchange difference	55	470
<b>Closing balance</b>	<b>18,321</b>	<b>9,633</b>

- (e) Software mainly comprises SAP licenses. As of December 31, 2021, COFIDE acquired new licenses for S/ 2,767 thousand (2020: S/ 1,391 thousand) and recorded an amortization charge for S/ 1,802 thousand (2020: S/ 718 thousand), which are presented in 'depreciation and amortization' in the statement of profit or loss.
- (f) As of December 31, 2021 and 2020, COFIDE has repossessed assets comprised of a property, works of art and other goods, for which there is a 100% provision.

These repossessed assets have a market price, which will generate extraordinary income for COFIDE if they are sold. Such income will be recorded in "other income".

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**9. Property, Plant and Equipment, net**

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

<i>In thousands of soles</i>	<b>Land</b>	<b>Buildings and premises</b>	<b>Furniture and fixtures</b>	<b>Vehicles</b>	<b>Other equipment</b>	<b>Total</b>
<b>Costs</b>						
Balance as of January 1, 2020	469	15,025	2,726	-	16,306	34,526
Additions	-	65	85	-	283	433
Disposals/impairment	-	-	-	-	(4)	(4)
<b>As of December 31, 2020</b>	<b>469</b>	<b>15,090</b>	<b>2,811</b>	<b>-</b>	<b>16,585</b>	<b>34,955</b>
Additions	-	365	27	-	979	1,371
Disposals/impairment	-	-	-	-	(222)	(222)
<b>As of December 31, 2021</b>	<b>469</b>	<b>15,455</b>	<b>2,838</b>	<b>-</b>	<b>17,342</b>	<b>36,104</b>
<b>Depreciation</b>						
Balance as of January 1, 2020	-	11,875	2,096	-	14,928	28,899
Additions	-	585	95	-	623	1,303
Disposals/impairment	-	24	101	-	74	199
<b>As of December 31, 2020</b>	<b>-</b>	<b>12,484</b>	<b>2,292</b>	<b>-</b>	<b>15,625</b>	<b>30,401</b>
Additions	-	557	92	-	362	1,011
Disposals/impairment	-	40	90	-	(38)	92
<b>As of December 31, 2021</b>	<b>-</b>	<b>13,081</b>	<b>2,474</b>	<b>-</b>	<b>15,949</b>	<b>31,504</b>
<b>Net costs</b>						
<b>Balance as of December 31, 2021</b>	<b>469</b>	<b>2,374</b>	<b>364</b>	<b>-</b>	<b>1,393</b>	<b>4,600</b>
<b>Balance as of December 31, 2020</b>	<b>469</b>	<b>2,606</b>	<b>519</b>	<b>-</b>	<b>960</b>	<b>4,554</b>

COFIDE has hired insurance policies to hedge potential risks to which the items of property, furniture and equipment are exposed, as well as possible claims that may arise as a result of its activities.

As of December 31, 2021, fully depreciated items of property, furniture and equipment, which are in operating condition, amount to S/ 17,244 thousand (2020: S/ 14,953 thousand).

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**10. Deposits and Obligations in National and International Financial Institutions**

As of December 31, 2021 and 2020, this caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Security deposits (a)	23,698	34,508
Severance payment	306	300
	<b>24,004</b>	<b>34,808</b>
Time deposits (b)	-	173,500
Accrued interest	-	2,414
	-	<b>175,914</b>
	<b>24,004</b>	<b>210,722</b>

- (a) As of December 31, 2021, security deposits comprise deductions on expenses pledged in favor of COFIDE, supported by loans for S/ 23,698 thousand, which accrue interest at market rates of 1.85% in local currency and mature in June 2022 (2020: loans for S/ 32,861 thousand and US\$ 455 thousand (equivalent to S/ 1,647 thousand), which accrue interest at market rates of 0.15% in local currency, 0.1317% in foreign currency and they mature in June 2021).
- (b) As of December 31, 2021, did not maintain such type of time deposit. As of December 31, 2020, time deposits comprise funds in local currency collected from Banco de Crédito del Perú S.A. and Caja Municipal de Ahorro y Crédito Ica S.A., which accrue interest at market rates ranging between 0.60% and 3.35%, and will mature between January and April 2021.

Deposits and obligations in national and international financial institutions have the following maturities:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Up to 1 month	-	5,000
1-3 months	-	85,500
3-6 months	23,698	83,000
6 - 9 months	-	34,508
	<b>23,698</b>	<b>208,008</b>

**11. Borrowings and Debts**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Loans (a)	2,430,351	3,144,802
Financial liabilities (b)	6,772,637	6,013,727
	<b>9,202,988</b>	<b>9,158,529</b>

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(a) Loans with local and foreign financial institutions are as follows:

<i>In thousands of soles</i>	<i>Note</i>	<i>Interest rate</i>	<b>2021</b>	<b>2020</b>	<b>Maturity date</b>
<b>Direct loans</b>					
Banco de la Nación (i)		1.23% to 5.50%	1,146,167	1,738,000	August 2024
Kreditanstalt Fur Wiederaufbau - RV (ii)		0.40%	393,176	357,083	November 2035
American Family Life Assurance of Columbus, Inc. Japan Branch – AFLAC (iii)		3.75%	311,787	315,621	September 2031
Scotiabank Perú S.A.A.		0.70% to 3.45%	227,000	168,000	November 2023
Instituto de Crédito Oficial de España – ICO		0.50663% to 0.89775%	99,676	45,263	November 2024
Banco BBVA Perú		2.06% to 3.15%	94,000	32,000	March 2022
Issue of shares of the CAF – financial liabilities	13.A	-	26,356	26,928	February 2024
Banco Internacional del Perú S.A. – Interbank		5.89%	2,118	254,803	September 2022
Citibank del Perú S.A.		3.45% to 3.50%	-	60,000	March 2021
			<b>2,300,280</b>	<b>2,997,698</b>	
<b>Loans for transfer of funds (iv)</b>					
Kreditanstalt Für Wiederaufbau – EREE Phase II		2.00%	75,429	79,038	June 2028
Japan International Cooperation Agency – JICA		0.60%	36,822	43,487	October 2027
			<b>112,251</b>	<b>122,525</b>	
			<b>2,412,531</b>	<b>3,120,223</b>	
Interest			17,820	24,579	
			<b>2,430,351</b>	<b>3,144,802</b>	

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- (i) As of December 31, 2021, corresponds to 51 long-term debt contracts entered into with Banco de la Nación whose balance amounts to S/ 1,146,167 thousand (2020: 65 contracts whose balance amounts to S/ 1,738,000 thousand). These debts mature in August 2024 and accrue interest at rates ranging from 1.23% to 5.50%.
- (ii) On September 18, 2020, COFIDE entered into a loan agreement with Kreditanstalt Fur Wiederaufbau for € 250,000 thousand (equivalent to S/ 1,134,734 thousand) to be disbursed in U.S. dollars and assigned to the execution of the COVID-19 program "Reactivación Verde": (i) FAE-MSB and FAE-Tourism and (ii) financing of projects to combat climate change, respectively. In 2020, Kreditanstalt Fur Wiederaufbau disbursed to COFIDE the amount of US\$ 98,615 thousand. As of December 31, 2021 and 2020, the balance amounts to S/ 393,178 thousand and S/ 357,085 thousand, respectively.
- (iii) On June 29, 2018, COFIDE entered into an addendum to the loan agreement with AFLAC concerning the following:
- All existing covenants of the original agreement were eliminated.
  - An Escrow account was established for JPY 9,000,000 thousand, equivalent to S/ 311,787 thousand and for US\$ 4,391 thousand, equivalent to S/ 17,507 thousand, corresponding to one year of interest (2020: S/ 315,621 thousand and S/ 15,900 thousand) (note 4, 5(c) and 11 (a)).
  - The maturity of the loan (forecast transaction) was reduced from September 2031 to September 2023.
  - COFIDE shall have at least one rating equivalent to "investment grade" and two risk ratings from international credit rating agencies.
- Prior to such addendum, COFIDE entered into a currency swap for the liability in yens with American Family Life Assurance of Columbus – Japan Branch – AFLAC, in order to hedge the exchange rate risk regarding a revaluation of such currency in relation to the U.S. dollar. It matures in September 2031. On June 29, 2018, management unwound the currency swap since there was a change in the terms and conditions of the liability (forecast transaction), mainly reducing its maturity date to September 2023 and paying off all covenants.
- (iv) These loans were granted by multilateral financial institutions, as detailed in the table above, to the Republic of Peru, represented by MEF. Under funds transfer agreements, funds were transferred to COFIDE. Also, to meet the debt service obligations established in such agreements, an irrevocable payment authorization is included on an ordinary account in foreign currency created by COFIDE in the BCRP.

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Loans (excluding interest) have the following maturities:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Up to 1 month	28,474	88,534
1–3 months	405,787	311,991
3–6 months	492,852	253,175
6–12 months	-	275,565
More than 12 months	1,485,418	2,190,958
	<b>2,412,531</b>	<b>3,120,223</b>

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(b) As of December 2021 and 2020, borrowings are as follows:

<i>In thousands of soles</i>	Issuance		Maturity date	Interest rate	2021	2020
	Date	Amount				
<b>Local currency</b>						
<b>Third Program – bonds (a)</b>						
Ninth issuance of series A bonds	04/27/2012	150,000	April 27, 2027	6.65%	150,000	150,000
Tenth issuance of series A bonds	06/28/2012	50,000	July 15, 2027	6.20%	50,000	50,000
Tenth issuance of series A bonds	06/28/2012	50,000	June 28, 2037	6.20%	50,000	50,000
Eleventh issuance of series A bonds	10/30/2012	90,000	October 30, 2042	5.63%	90,000	90,000
					<b>340,000</b>	<b>340,000</b>
<b>Fourth Program – bonds (b)</b>						
Second issuance of series A bonds	04/30/2013	100,000	April 30, 2043	5.35%	100,000	100,000
Tenth issuance of series A bonds	10/06/2016	150,000	October 06, 2026	6.88%	150,000	150,000
Tenth issuance of series B bonds	10/28/2016	50,000	October 28, 2026	6.88%	50,000	50,000
Eleventh issuance of series A bonds	12/20/2016	300,000	December 20, 2046	7.84%	300,000	300,000
					<b>600,000</b>	<b>600,000</b>
<b>Fifth Program – bonds (c)</b>						
First issuance of series A bonds – green bonds	04/26/2019	100,000	April 26, 2022	5.13%	100,000	100,000
Second issuance of series A bonds – inflation-indexed bonds	07/19/2019	100,000	July 19, 2029	3.00%	108,412	102,610
Third issuance of series A bonds – sustainability bonds	10/25/2019	100,000	October 25, 2022	3.78%	100,000	100,000
Fourth issuance of series A bonds	01/28/2021	143,850	January 28, 2024	1.84%	143,850	-
					<b>452,262</b>	<b>302,610</b>
<b>Short-Term Debt Representative Bonds- Third Program (d)</b>						
First issuance of series D bonds	01/29/2020	57,330	January 22, 2021	3.41%	-	57,330
First issuance of series E bonds	01/21/2021	64,370	January 16, 2022	0.50%	64,370	-
Second issuance of series A bonds	12/30/2021	92,500	December 23, 2022	3.72%	92,500	-
					<b>156,870</b>	<b>57,330</b>
<b>Total face value</b>					<b>1,549,132</b>	<b>1,299,940</b>
Accrued interest					33,749	34,060
<b>Total local currency</b>					<b>1,582,881</b>	<b>1,334,000</b>
<b>Foreign currency</b>						
First international issuance (e)	02/08/2012	400,000	February 08, 2022	4.75%	144,648	131,370
Reopening of the first international issuance (e)	12/03/2012	100,000	February 08, 2022	4.75%	398,700	362,100
Second international issuance – subordinated bonds (f)	07/15/2014	300,000	July 15, 2029	5.25%	1,196,100	1,086,300
Third international issuance – bonds due 2025 (g)	07/15/2015	600,000	July 15, 2025	4.75%	1,640,842	1,490,215
Fourth international issuance 2027 (h)	09/28/2020	500,000	September 28, 2027	2.40%	1,736,194	1,542,528
<b>Total face value</b>					<b>5,116,484</b>	<b>4,612,513</b>
Net price differential (below/above par) and related expenses					(13,771)	(12,053)
Accrued interest					87,043	79,267
<b>Total foreign currency</b>					<b>5,189,756</b>	<b>4,679,727</b>
					<b>6,772,637</b>	<b>6,013,727</b>

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**(a) Third Program – bonds**

This Program has been approved for up to US\$ 200,000 thousand (equivalent to S/ 797,400 thousand) or in any foreign currency. The Program has been given a risk rating of AA+(pe) granted by Apoyo & Asociados Internacionales S.A. and AA+ granted by Class Asociados S.A.

**(b) Fourth Program – bonds**

This Program has been approved for up to US\$ 400,000 thousand (equivalent to S/ 1,594,800 thousand) or in any foreign currency. Corporate bonds have been given the highest local risk ratings of AA+ granted by Class & Asociados S.A. and AA+.pe granted by Apoyo & Asociados Internacionales S.A.

**(c) Fifth Program – bonds**

This Program has been approved for up to US\$ 500,000 thousand (equivalent to S/ 1,993,500 thousand) or in any foreign currency. Corporate bonds have been given the highest local risk ratings of AA+ granted by Class & Asociados S.A. and AA+. (pe) granted by Apoyo & Asociados Internacionales S.A.

On April 25, 2019, COFIDE conducted the First Bond Issuance of the Fifth Program, which corresponds to the first green bond for S/ 100 million at a 3-year term with an interest rate of 5,125%.

The funds obtained through the bond issue will be used for financing or refinancing COFIDE's activities, including environmental project management.

On July 18, 2019, COFIDE conducted the Second Bond Issuance of the Fifth Program for S/ 100 million, adjusted to the constant purchasing power, at a 10-year term with an interest rate of 3% on the constant purchasing power.

On October 24, 2019, COFIDE conducted the Third Bond Issuance of the Fifth Program, which corresponds to the first sustainability bond for S/ 100 million at a 3-year term with an interest rate of 3,78125%.

On January 28, 2021, COFIDE conducted the Fourth Bond Issuance of the Fifth Program, which corresponds to the COVID bond for S/ 144 million at a 3-year term with an interest rate of 1,84375%.

**(d) Short-Term Debt Representative Bonds- Third Program**

This Program has been approved for up to US\$ 200,000 thousand (equivalent to S/ 797,400 thousand) to be issued in soles. Short-term instruments have been given the highest local risk ratings of CP-1.pe granted by Apoyo & Asociados Internacionales S.A. and CLA-1+ granted by Class & Asociados S.A.

On January 20, 2021, COFIDE held the auction of the First Issuance Series E of the Third Program of Representative Instruments of Short-Term Debt, whose awarded amount was S/ 64.4 million, with a term of 360 days and a rate of 0.5% interest.



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On December 29, 2021, COFIDE held the auction of the Second Issuance of the Third Program of Representative Short-Term Debt Instruments, whose awarded amount was S/ 92.5 million, with a term of 360 days and an interest rate of 3.71875%.

**(e) First international bond issuance (senior unsecured bonds Due 2022)**

The General Stockholders' Meeting, held March 14, 2011, approved the issue of bonds in the international market for up to US\$ 500,000 thousand (equivalent to S/ 1,993,500 thousand), by placing senior unsecured bonds for US\$ 400,000 thousand (equivalent to S/ 1,594,800 thousand) whose payment date is February 8, 2012. They accrue interest at a coupon rate of 4.75%, amortized on a semi-annual basis, and have a principal maturity of 10 years. This issuance has been given an international rating of BBB granted by Standard & Poor's and BBB granted by Fitch Ratings.

With a payment date of December 3, 2012, COFIDE conducted the reopening of the first international bond issue for US\$ 100,000 thousand (equivalent to S/ 398,700 thousand), with a principal maturity of 10 years. It has been given an international rating of BBB granted by Standard & Poor's and BBB+ granted by Fitch Ratings.

Board of Directors' Meeting, held September 10, 2019, approved the Debt Management Plan (Liabilities), which contemplated the repurchase in the secondary market for US\$ 600,000 thousand (equivalent to S/ 2,392,200 thousand) of COFIDE, such bonds mature in 2022 and 2025. Within the framework of this Plan, on September 28, 2020, COFIDE, through the bond exchange modality, repurchased bonds for US \$ 363,720 thousand (equivalent to S / 1,450,152 thousand), which mature in 2022, with the resources of a new bond issue due in 2027 for the same amount. In accordance with IAS 39, this operation corresponds to a continuation of the debt since the changes in the structure of the cash flows of such financial liability and the changes in the contractual terms of the original debt are not substantially different from those of the new debt issuance (notes 3.J and 11.h).

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

The General Stockholders' Meeting held on May 19, 2014 approved the issuance of senior and/or subordinated bonds. On July 8, 2014, COFIDE placed bonds in the international capital market for US\$ 600,000 thousand (equivalent to S/ 2,392,200 thousand) in two tranches: senior bonds for US\$ 300,000 thousand (equivalent to S/ 1,196,100 thousand) with a 5-year term, placed at an annual coupon rate of 3.25% and an interest of 3.297%. These bonds were given an investment grade of BBB+ by Standard & Poor's, and BBB+ by Fitch Ratings; and subordinated bonds (Tier II) for US\$ 300,000 thousand (equivalent to S/ 1,196,100 thousand) with a 15-year term, placed at an annual coupon rate of 5.250% and an interest of 5.263% until the 10th year; as from that year, these bonds will convert into instruments at a variable rate. These subordinated bonds were given an investment grade of BBB- by Standard & Poor's, and BB+ by Fitch Ratings.

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

The General Stockholders' Meeting held on May 19, 2014 approved the issuance of senior and/or subordinated bonds. On July 15, 2015, COFIDE placed bonds in the international capital market for US\$ 800,000 thousand (equivalent to S/ 3,189,600 thousand) in two tranches: Notes DUE 2019 for US\$ 200,000 thousand (equivalent to S/ 797,400) with a 4-year term, placed at an annual coupon rate of 3.250% and an interest of 3.367%; and Notes DUE 2025 for US\$ 600,000 thousand (equivalent to S/ 2,392,200 thousand) with a 10-year term, placed at an annual coupon rate of 4.750% and an interest of 4.874%. These bonds were given an investment grade of BBB by Standard & Poor's, and BBB by Fitch Ratings.

The costs incurred in the issuance of each program were capitalized. The financial resources will be used primarily to finance the increase of the loan portfolio in infrastructure and productive investment projects, which represent one of the four strategic pillars of COFIDE.

Board of Directors' Meeting, held September 10, 2019, approved the Debt Management Plan (Liabilities), which contemplated the repurchase in the secondary market for US\$ 600,000 thousand (equivalent to S/ 2,392,200 thousand) of COFIDE, such bonds mature 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 (equivalent to S/ 365,078 thousand) in face value, which were financed by COFIDE resources, considering this operation as a reduction of the liability (note 3.J).
- Within the framework of this Plan, on September 28, 2020, COFIDE, through the bond exchange modality, repurchased bonds for US \$ 96,865 thousand (equivalent to S / 386,201 thousand), which mature in 2025, with the resources of a new bond issue due in 2027 for the same amount. In accordance with IAS 39, this operation corresponds to a continuation of the debt since the changes in the structure of the cash flows of such financial liability and the changes in the contractual terms of the original debt are not substantially different from those of the new debt issuance (notes 3.J and 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 (equivalent to S/1,993,500), with a coupon rate of 2.40% and matures in 2027. These bonds were given an investment grade of BBB by Standard & Poor's, and BBB+ by Fitch Ratings.

In accordance with the SBS accounting framework, which is based on IAS 39, the resources of the bond issued for US\$ 500,000 thousand were used for the repurchase of US\$ 363,720 thousand (equivalent to S/ 1,450,152 thousand) with face value of the bond that matures in 2022 (note 11 (e)), and US\$ 96,865 thousand (equivalent to S/ 386,201 thousand) with face value of the bond that matures in 2025 (note 11 (g)), which is considered as a continuation of the debt since the changes in the structure of the cash flows of such liability and the changes in the contractual terms of the original debt are not substantially different from those of the new issuance.

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The carrying amount of this bond issue corresponds to the present 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 present value of this bond issue and the amortized cost of the repurchased bonds, which mature in 2022 and 2025, a decrease in financial expenses of US\$ 27,106 thousand was generated (equivalent to S/ 108,072 thousand) recorded in the statement of profit or loss.

The bonds maturing in 2027, received investment grade of BBB by Standard & Poor's, and BBB by Fitch Ratings.

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

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Fair value - Held-for-trading instruments - Forward contracts (a.i)		1,282	-
<b>Held-for-trading instruments (a)</b>		<b>1,282</b>	-
Fair value – hedging instruments – currency swaps (a.ii)		3,010	-
<b>Hedging instruments (a)</b>		<b>3,010</b>	-
Accounts payable for repurchase agreements (b)		1,000,621	725,028
Other accounts payable		8,793	17,160
Tax payable		488	447
<b>Accounts payable</b>		<b>1,009,902</b>	<b>742,635</b>
Provision for indirect loan losses	7(h)	34,271	32,917
Provision for accrued vacations		2,540	3,074
Provision for pensioners – Law 20530		1,048	1,373
Provision for litigations and claims		846	2,245
Provision RCDRC - Available-for-sale investments		-	1,003
<b>Provisions for litigations, claims and others</b>		<b>38,705</b>	<b>40,612</b>
Deferred loan fees		7,044	9,267
Transactions in progress		5,449	7,023
Deferred sales		-	73
<b>Other liabilities</b>		<b>12,493</b>	<b>16,363</b>
		<b>1,065,392</b>	<b>799,610</b>

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**(a) Held-for-trading and hedging instruments**

It corresponds to the accounts receivable and/or payable for currency and interest rate swaps, forward transactions and derivative financial instruments that COFIDE owns. They mainly comprise the amounts originated by the fluctuations resulting from the valuations of said financial instruments.

<i>In thousands of soles</i>	Number of transactions	Face value	Exchange difference		Profit (loss)			Fair value	
			Assets	Liabilities	Assets	Liabilities	Realized	Assets	Liabilities
<b>2021</b>									
Currency swaps – hedging YEN/US\$ (i)(ii)	1	36,822	-	-	(8,678)	-	-	-	3,010
Trading forward contracts (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>393</b>	<b>1,606</b>	<b>4,292</b>
<b>2020</b>									
Currency swaps – hedging YEN/US\$ (i)(ii)	1	43,488	-	-	(6,293)	-	-	100	-
Trading forward contracts (i)	7	112,138	12,957	7,314	-	-	(211)	5,406	-
			<b>12,957</b>	<b>7,314</b>	<b>(6,293)</b>	-	<b>(211)</b>	<b>5,506</b>	-

(i) As of December 31, 2021, the net position payable of currency swap and forward trading and hedging transactions amounts to S/ 1,606 thousand (2020: S/ 5,506 thousand receivable from currency swap and forward trading and hedging transactions), which offsets the decrease in liabilities due to the depreciation of the yen against the U.S. dollar.

(ii) As of December 31, 2021 and 2020, COFIDE holds a currency swap contract to offset the risk of revaluation of the yen on the loans received from JICA.

In 2021, for hedging instruments, COFIDE records a net unrealized loss for S/ 8,678 thousand (2020: net unrealized loss for S/ 6,293 thousand); and a net realized profit for S/ 393 thousand for held-for-trading instruments (2020: a net realized loss for S/ 211 thousand).

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- (b) As of December 31, 2021, repurchase agreements comprise resources in local currency collected from BCRP, which accrue interest at an annual rate ranging between 0.50% and 3.70% and are secured by restricted deposits in foreign currency in BCRP for US\$ 271,120 thousand equivalent to S/ 1,080,956 thousand (note 5(c)), maturing in May 2024 (2020: US\$ 206,017 thousand maturing in November 2022).

### 13. Equity

#### A. Capital stock

As of December 31, 2021 and 2020, COFIDE's duly authorized, subscribed and paid-in capital stock is represented by 1,896,287,189 ordinary shares and 15,639,765 preferred shares with a face value of S/ 1.00 per share. As of December 31, 2021, COFIDE holds 3,127,953 preferred shares (2020: 1,563,977 shares).

The structure of COFIDE's capital stock is detailed below:

Class of shares	Holder	2021		2020	
		Number of shares	Interests	Number of shares	Interests
Class A - ordinary shares (i)	MEF FONAFE	1,322,709,103	69.18	1,322,709,103	69.18%
Class C - ordinary shares (ii)	MEF FONAFE	573,578,086	30.00	573,578,086	30.00%
		<b>1,896,287,189</b>	<b>99.18</b>	<b>1,896,287,189</b>	<b>99.18%</b>
Class B - preferred shares (iii)	CAF	12,511,812	0.65	14,075,788	0.74%
Class B - preferred shares (iii)	COFIDE (in portfolio)	3,127,953	0.17	1,563,977	0.08%
		<b>15,639,765</b>		<b>15,639,765</b>	
		<b>1,911,926,954</b>	<b>100.00</b>	<b>1,911,926,954</b>	<b>100.00%</b>

- (i) Class A ordinary shares belong to the Peruvian Government. They are unseizable and cannot be object of personal property guarantee or usufruct.
- (ii) Class C ordinary shares belong to the Peruvian Government. They are freely tradable and may be listed in the stock exchange and/or any registry required to be traded in stock exchange sessions, as previously approved by the Board of Directors.
- (iii) Class B preferred shares belong to entities and companies that are not related to the Peruvian Government (unless they are repurchased). They are preferred, redeemable or purchasable; shares with no voting rights, which annually accrue a preferred and cumulative dividend (360-day LIBOR plus 4.5% over the placement value paid in dollars by CAF).

Pursuant to the Capital Contribution Agreement of December 3, 2013 (whose issuance of preferred shares represented a contribution equivalent to US\$ 8,263 thousand) (note 11(a)), COFIDE undertakes to repurchase Class 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 period of ten years from its issue date (January 28, 2014) as follows: 10% repurchase on the 6th, 7th, 8th and 9th anniversary of the issue date; and a 60% repurchase at the 10th anniversary.

On January 28, 2020, (6th year of the issue date), COFIDE repurchased a first batch of 10% of such shares equivalent to 1,563,977 preferred shares amounting to US\$ 826 thousand, canceling the debt registered with CAF for the same amount, since from the accounting point of view these shares are recognized as owed (note 11.a).

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On January 28, 2021, (7th year of the issue date), COFIDE repurchased a first batch of 10% of such shares equivalent to 1,563,976 preferred shares amounting to US\$ 826 thousand, canceling the debt registered with CAF for the same amount, since from the accounting point of view these shares are recognized as owed (note 11.a).

In accordance with COFIDE's legal advisers, the withdrawal of these securities must be formalized by holding a General Shareholders' Meeting, after which the corresponding securities will be removed.

**B. Additional capital**

As of December 31, 2021, they correspond to the capital in process of public records, derived from the provisions of the General Shareholders' Meeting of COFIDE, held on March 31, 2021, where the reinvestment of 100% of the distributable profits of the year 2020 in favor of FONAFE for S/ 16,617 thousand equivalent to 16,616,784 new common shares (11,631,749 Class "A" common shares and 4,985,035 Class "C" common shares) and to the capital in process of public records, derived from the established at the General Stockholders' Meeting of COFIDE, held on July 29, 2020, where the reinvestment of 100% of the distributable profits for the year 2019 in favor of FONAFE was approved 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).

As of December 31, 2021 and 2020, the additional capital balance corresponds to a donation received in furniture for S/ 84 thousand.

**C. Reserve requirements**

In accordance with the Companies Act, COFIDE is required to reach a legal reserve of at least 35% of its paid-in capital. This reserve is recorded by transferring at least 10% of net profit annually.

General Stockholders' Meeting held March 31, 2021, approved to record the legal reserve for the amount equivalent to 10% of 2020 profits, for S/ 2,045 thousand.

General Stockholders' Meeting held July 29, 2020, approved to record the legal reserve for the amount equivalent to 10% of 2019 profits, for S/ 2,641 thousand.

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

- i. Law 23337 created Fondo de Inversiones and Contrapartidas del Sector Público Nacional (later denominated FONAFE), which established as own resources the distributable profits from companies owned by the Peruvian Government (100% of such profits in the case of banks and financial entities), which shall be transferred to FONAFE within 60 days after the approval of the statement of financial position. Distributable profits are the percentage set by the Peruvian Government, after the discounts for legal reserve and reserve for capital increases, which are indented to maintain the solvency and liquidity of companies.
- ii. At the General Stockholders' Meeting, held on March 31, 2021, it was approved that the distributable profit as of December 31, 2020, which amounted to S/ 18,413 thousand, be capitalized in COFIDE S/ 16,617 thousand and distributed cash dividends for S/ 1,796 thousand, taking into account COFIDE's dividend policy approved at the General Stockholders' Meeting.

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At the General Stockholders' Meeting of COFIDE, held on July 29, 2020, it was approved that, of the distributable profit as of December 31, 2019, which amounted to S/ 23,768 thousand, S/ 21,676 thousand be capitalized in COFIDE and distribute cash dividends for S/ 2,092 thousand, taking into account COFIDE's dividend policy approved at the General Stockholders' Meeting.

On January 10, 2020, where it was approved as a dividend policy, applicable for the years 2019, 2020 and 2021, that the distributable profits corresponding to the Class "A" and Class "C" common shareholders of COFIDE, for the fiscal years 2019, 2020 and 2021, will be 100% reinvested and that the dividends that correspond to the common shareholders of Class "B" will be delivered observing the provisions of article 8 of the COFIDE Bylaws.

- iii. SBS Resolution 4289-2019-SBS, dated September 18, 2019, based on the Debt Management Plan (Liabilities), exceptionally authorized COFIDE to record the cost that would be generated by paying a market price higher than the carrying amount for the repurchase of ordinary bonds issued in foreign currency in the international market, charged to the balance of sub account "3801.02. Accumulated profits without distribution agreement."

On September 21, 2020, COFIDE paid a surcharge of US\$ 13,231 (equivalent to S/ 47,909 thousand) for the repurchase of bonds with face value of US\$ 91,567 thousand (note 11 (g)), recording an expense of US\$ 8,720 thousand (equivalent to S/ 31,575 thousand) in the statement of profit or loss and US\$ 4,511 thousand (equivalent to S/ 16,229 thousand) in retained earnings according to SBS Resolution 4289-2019-SBS.

- iv. On June 30, 2021, COFIDE recorded an adjustment that affected the accumulated results, which corresponds to the correction of the balance of the deferred income tax liability generated by the temporary difference between the computable tax cost and the financial cost of the shares of CAF held as investments available for sale (note 6.A). The recorded adjustment was determined from the net effect of: (a) a decrease in retained earnings against an increase in the deferred liability of S/ 1,288 thousand due to the fact that the trading instruments that had originated it had already been derecognized on previous dates and (b) a decrease in the tax liability to deferred income against an increase in accumulated results for S/ 220,170 thousand corresponding to the correction of the computable tax cost, which only included the cost of the shares acquired with monetary contributions; However, it 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 (shares released) from 1989 to 2012.

In coordination with SBS, the correction of the adjustments that affected accumulated results is presented in the equity movement of the 2021 period and does not warrant the restatement of the financial statements.

- v. In December 2021, COFIDE recorded a recovery of the loan provision maintained with Generación Andina S.A. for S/ 14,134 thousand against accumulated results. The registration was coordinated with the SBS and it was considered prudent that said recovery be made against accumulated results since the provisions initially constituted were also registered against accumulated results according to SBS Resolution 2532-2018 of June 28, 2018,

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**14. Suspense and Contingent Accounts**

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Contingent risk and commitments (a)</b>			
Guarantees and letters of guarantee	7	161,411	162,938
Other contingent accounts		74,732	72,420
Various responsibilities		268,258	310,953
		<b>504,401</b>	<b>546,311</b>
<b>Trust and trust fees (b)</b>			
Contra accounts for trust and trust fees		16,016,272	15,254,110
Trust accounts		16,124,743	15,257,469
Guarantees for trust loan transactions		11,040,304	10,981,159
Funds in trust fees		802,056	578,797
		<b>43,983,375</b>	<b>42,071,535</b>
<b>Guarantees for loan transactions (c)</b>			
Promissory notes		8,739,477	10,010,972
Letter of guarantees		1,828	1,873
Security deposits		23,579	32,697
Mortgages		95,646	89,949
Other guarantees (c.1)		1,099,813	1,701,316
Other suspense accounts		16,538,914	15,174,214
Pledge		126,778	119,253
		<b>26,626,035</b>	<b>27,130,274</b>
<b>Swaps and forward contracts (d)</b>			
Currency swap and forward transactions		218,552	155,626
		<b>218,552</b>	<b>155,626</b>
<b>Total suspense and contingent accounts</b>		<b>71,332,363</b>	<b>69,903,746</b>

- (a) During the normal course of operations, COFIDE carries out transactions with risks off the statement of financial position. These transactions expose COFIDE to credit risk, in addition to the amounts presented in the statement of financial position.

Credit risk for contingent transactions is related to the probability that a counterparty will fail to meet its obligations in accordance with agreed terms. The corresponding contracts consider the amounts that would be assumed by COFIDE for credit losses on contingent transactions.

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

If management believes that there is a reasonable probability that a contingent transaction may generate losses for COFIDE, such transaction is included in the determination of the provision for loans as if it were a direct loan.

Other contingent accounts correspond to unused credit lines effective as of December 31, 2021 and 2020.



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COFIDE's management estimates that no significant losses will arise, other than the amounts recorded in 'provision for indirect loan losses', for contingent transactions (note 7h) effective as of December 31, 2021 and 2020.

- (b) As of December 31, 2021, COFIDE managed 5 funds, 191 trust funds and 2 programs (2020: 5 funds, 183 trust funds and 2 programs), for which he received commissions with a monthly, quarterly or semi-annual collection frequency. COFIDE is not responsible for funds, trust funds or programs.
- (c) The balance of guarantees received is determined based on the agreed values of guarantees as of the date of the loan agreement. This balance does not necessarily represent the market value of goods assigned as guarantee that support COFIDE's credits.
- (c.1) As of December 31, 2021, the balance include guarantees of the FAE programs according to the following details:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Other collaterals</b>		
Guarantee of FAE-MYPE I	32,855	381,468
Guarantee of FAE-MYPE II	854,723	1,232,575
Guarantee of FAE-Tourism	124,039	46,493
Guarantee of FAE-AGRO	25,767	40,780
Guarantee of PAE-MYPE	62,429	-
	<b>1,099,813</b>	<b>1,701,316</b>

- (d) COFIDE mainly has commitments of flow exchange of different currencies and interest rates swaps used for hedging risks related with debts in foreign currency (note 8, 11 and 12).

## 15. Personnel and Board of Directors Expenses

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Wages and salaries	17,422	17,159
Bonuses	4,996	4,344
Legal bonuses	3,313	3,325
Fringe benefits and others	2,155	1,961
Employees' profit sharing	1,967	1,085
Severance payment	1,792	1,792
Remuneration to members of the Board of Directors	967	942
Allowances	473	110
Holidays	349	125
Other personnel expenses	3,820	3,533
	<b>37,254</b>	<b>34,376</b>

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**16. Third-party Service Expenses**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Sales tax apportionment	6,646	5,014
Advisory services	2,612	1,708
Leases	2,299	1,507
Electronic processing services	2,102	1,637
Professional fees	1,505	886
Repairs and maintenance	1,387	1,437
Communications	667	609
Surveillance and protective services	303	370
Energy and water services	272	317
Various supplies	248	204
Advertising	251	121
Insurance	169	153
Transportation services	29	53
Other services	6,723	7,543
	<b>25,213</b>	<b>21,559</b>

**17. Basic and Diluted Earnings per Share**

The weighted average number of ordinary shares was as follows:

<i>In thousands</i>	<b>Outstanding shares</b>	<b>Average basic shares</b>	<b>Effective days until year-end</b>	<b>Weighted average number of ordinary shares</b>
<b>2021</b>				
Balance as of January 1, 2021	1,896,287	1,896,287	365	1,896,287
<b>Balance as of December 31, 2021</b>	<b>1,896,287</b>	<b>1,896,287</b>		<b>1,896,287</b>
<b>2020</b>				
Balance as of January 1, 2020	1,896,287	1,896,287	365	1,896,287
<b>Balance as of December 31, 2020</b>	<b>1,896,287</b>	<b>1,896,287</b>		<b>1,896,287</b>

Earnings per share calculated based on the average number of shares is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Net profit or loss	41,223	20,458
Preferred stockholders	(1,305)	(1,796)
	<b>39,918</b>	<b>18,662</b>
Weighted average number of ordinary shares	1,896,287	1,896,287
Basic earnings per share	0.021	0.010

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**18. Tax Matters**

***Tax rates***

- A. COFIDE is subject to the Peruvian tax regime. As of December 31, 2021 and 2020, the corporate income tax is calculated on the basis of the net taxable profits determined by the Bank at a rate of 29.5%.

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

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

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

- B. In accordance with current Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, income obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax rate on gross income. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

Concerning the technical support or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30% income tax rate on gross income, respectively. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met.

***Tax losses***

- C. In accordance with Article 50 of the Income Tax Law, there are 2 systems to offset tax loss carryforward:
- It consists of the use of the tax loss generated from the year in which it was accrued and with a term of up to 4 years for its use. After such term, the tax loss is considered as expired.
  - It establishes that the tax loss carryforward can be used until its depletion, offsetting only 50% of the tax base generated in the year.

Legislative Decree 1481, published on May 8, 2020, established that, as an exceptional measure, the term for tax loss carryforwards under the System A is five years, only for the total net loss of the corporate income obtained in the taxable year 2020.

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As of December 31, 2021 and 2020, COFIDE opted to offset them by allocating them year after year, until their amount is exhausted, at 50% of the net third-category income obtained in the immediately subsequent years and has determined its loss to be carried forward by thousands of S/ 1,772,517 (2020: S/ 1,813,029 thousands). At the reporting date, the unused tax losses have not expired.

<i>In thousands of soles</i>	<b>Per year</b>	<b>System B</b>	<b>Total</b>
2017	(1,234,944)	-	(1,234,944)
2018	(151,361)	-	(1,386,305)
2019	(448,423)	-	(1,834,728)
2020	-	22,868	(1,811,860)
2021	-	39,343	(1,772,517)

COFIDE recognized the deferred tax asset related to the tax loss carryforward that is considered to be recovered with the profits generated in the next fiscal years, enough to offset the loss, which amounts to S/ 350,709 thousand as of December 31, 2021 and 2020.

**Income tax determination**

- D. COFIDE computed its taxable base for the years ended December 31, 2021 and 2020, and determined income tax for S/ 70,401 thousand and S/ 12,209 thousand, respectively.

Tax expense comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Current tax	11,025	6,081
Deferred tax (J)	59,376	(18,290)
	<b>70,401</b>	<b>(12,209)</b>

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

<i>In thousands of soles</i>	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Profit for the period</b>	<b>111,624</b>	<b>100.00</b>	<b>8,249</b>	<b>100.00</b>
Income tax applying tax rate	32,929	29.50	2,433	29.50
<b>Tax effect on additions (deductions)</b>				
Non-deductible expenses	69,403	61.10	9,889	119.88
Tax-exempt revenue	-	-	(654)	(7.93)
Other differences	(31,931)	(28.62)	(23,877)	(289.45)
<b>Current and deferred tax according to the effective rate</b>	<b>70,401</b>	<b>61.98</b>	<b>(12,209)</b>	<b>(148.00)</b>

**Financial transaction tax**

- E. Financial transaction tax for the years 2021 and 2020 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.

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***Tax Assessment***

- F. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by COFIDE within the 4 years following the year of the tax return filing. The Branch's income and sales tax returns for the years from 2017 to 2021 are open for review by the Tax Authorities. As of the reporting date, Tax Authorities is in the process of auditing the 2017 income tax affidavit and Management does not expect contingencies to arise as a result of said review.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for COFIDE. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the financial statements as of December 31, 2021 and 2020.

***Uncertainty over income tax treatments***

- G. In accordance with IFRIC 23, the Company assessed its uncertain tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authorities will accept its uncertain tax treatment. The Interpretation did not have an effect on the Company's financial statements as of December 31, 2021 and 2020.

***Sales Tax Regime***

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

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

***Major amendments to tax laws effective for periods beginning on January 1, 2020***

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

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

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

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

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

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

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

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

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

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

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

- Lastly, members of the domiciled companies' Board of Directors were granted a term, with maturity on March 29, 2019, to verify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented as of September 14, 2018, that are effective to date.
- Considering the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be crucial to review any act, situation or economic relationship that has: (i) increased tax attributes; and/or (ii) generated a lower payment of taxes of such periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter in case the entity to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

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

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

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

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

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

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

**Major amendments to tax laws effective for periods beginning in 2021**

**P. Depreciation of assets**

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

**Q. Thin capitalization**

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

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

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

**R. Other significant changes**

Within the framework of the delegation of powers to legislate on tax, fiscal, financial and economic reactivation matters, given to the Executive (Law 31380), on December 30, 2021 when the first tax regulations were published, among which the benefits taxes approved for the Aquaculture and Forestry sector, the standardization of the cost for access to tax stability and the extension of the Sales Tax exemptions, among the main ones we have:

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

- The term of tax exemptions included in Appendixes I and II of the Sales Tax Law was extended until December 31, 2022. Consequently, the sale of staple food and basic services—e.g., public transport, among others—will not be subject to sales tax.
- The issuance of e-money will not be subject to sales tax until December 31, 2024.



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- Until December 31, 2024, the refund of taxes levied on acquisitions with donations from abroad and imports from diplomatic missions is allowed. Link to the rule in the comments: Legislative Decree 1519.

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

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**Movement in deferred tax**

S. Deferred tax assets and liabilities are composed of the following:

<i>In thousands of soles</i>	Balance as of January 1, 2021	Additions/recoveries		Balance as of December 31, 2021
		Equity	Profit or loss	
<b>Temporary differences (assets)</b>				
General provision for direct and indirect loan losses	213,607	-	243,004	456,611
Other general provisions	11,437	-	(1,969)	9,468
Provision for changes in prices	6,521	-	(61)	6,460
General provision for accounts receivable	3,082	-	(557)	2,525
Provision for repossessed assets	2,303	-	(78)	2,225
	<b>236,950</b>	<b>-</b>	<b>240,339</b>	<b>477,289</b>
<b>Temporary differences (liabilities)</b>				
Depreciation of buildings	(2,854)	-	(23)	(2,877)
Adjustment of value of CAF shares note 13.D	(1,444,318)	746,341	(441,590)	(1,139,567)
Unrealized gain (loss) for investment in instruments	(197,870)	165,477	-	(32,393)
Unrealized gain (loss) for derivative instruments	6,293	2,385	-	8,678
Held-for-trading instruments	4,368	(4,368)	-	-
COSAC and IITD interest and fees (Official Letter 32034-2017-SBS)	371,698	-	-	371,698
Tax loss	350,709	-	-	350,709
	<b>(911,974)</b>	<b>909,835</b>	<b>(441,613)</b>	<b>(443,752)</b>
<b>Temporary differences assets (liabilities), net</b>	<b>(675,024)</b>	<b>909,835</b>	<b>(201,274)</b>	<b>33,537</b>
Movement in deferred tax	-	268,402	(59,376)	-
<b>Deferred tax</b>	<b>(199,132)</b>	<b>268,402</b>	<b>(59,376)</b>	<b>9,894</b>

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<i>In thousands of soles</i>	Opening balance	Additions/recoveries		Closing balance
	January 1, 2020	Equity	Profit or loss	December 31, 2020
<b>Temporary differences (assets)</b>				
General provision for direct and indirect loan losses	156,605	-	57,002	213,607
Other general provisions	8,122	-	3,315	11,437
Provision for changes in prices	5,369	-	1,152	6,521
General provision for accounts receivable	2,280	-	802	3,082
Provision for repossessed assets	2,303	-	-	2,303
	<b>174,679</b>	<b>-</b>	<b>62,271</b>	<b>236,950</b>
<b>Temporary differences (liabilities)</b>				
Depreciation of buildings	(2,584)	-	(270)	(2,854)
Adjustment of value of CAF shares note 13.D	(1,444,318)	-	-	(1,444,318)
Unrealized gain (loss) for investment in instruments	(151,925)	(45,945)	-	(197,870)
Unrealized gain (loss) for derivative instruments	1,109	5,184	-	6,293
Held-for-trading instruments	4,368	-	-	4,368
COSAC and IITD interest and fees (Official Letter 32034-2017-SBS)	371,698	-	-	371,698
Tax loss	350,709	-	-	350,709
<b>(*) Official Letter 32034-2017 SBS dated 9/12/2017</b>	<b>(870,943)</b>	<b>(40,761)</b>	<b>(270)</b>	<b>(911,974)</b>
<b>Temporary differences assets (liabilities), net</b>	<b>(696,264)</b>	<b>(40,761)</b>	<b>62,001</b>	<b>(675,024)</b>
Movement in deferred tax	-	(12,024)	18,290	-
<b>Deferred tax</b>	<b>(205,398)</b>	<b>(12,024)</b>	<b>18,290</b>	<b>(199,132)</b>

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**19. Related Parties Transactions**

As of December 31, 2021 and 2020, main transactions with CAF correspond to financing transactions.

Transactions conducted with CAF comprise:

- As of December 31, 2021, available-for-sale investments amounting to S/ 2,017,003 thousand (2020: S/ 2,339,156 thousand) are recorded (note 6).
- As of December 31, 2021 and 2020, only the CAF debt remains, which is derived from the issuance of preferred shares for S/ 26,356 thousand and S/ 26,928 thousand (note 11(a)). In the fourth quarter of 2021, such loan generated interest expense for S/ 1,270 thousand (2020: S/ 1,795 thousand).

On January 28, 2021, COFIDE proceeded to repurchase 1,563,977 preferred shares for a total amount of US\$ 826 thousand, writing off the debt registered with CAF for the same amount (2020: repurchased 1,563,977 preferred shares for US\$ 826 thousands), writing off the debt registered with CAF for the same amount (notes 11.a and 13.A.).

- Additionally, in March 2020, four debts were arranged with CAF for S/ 200,000 thousand that were canceled in November 2020, which generated interest and commission expenses of S/ 6,126 thousand.

COFIDE's transactions with its related party have been conducted during its normal course of business and under similar conditions as those in transactions with third parties.

***Remuneration to the members of the Board of Directors***

As of December 31, 2021 and 2020, the amount granted as guarantee amounts to S/ 967 thousand and S/ 942 thousand, respectively.

***Remunerations to managers***

Remunerations, other benefits and professional fees received as of December 31, 2021 by COFIDE's employees who hold an executive responsibility (managers) amounted to S/ 3,387 thousand (2020: S/ 2,986 thousand).

***Loans to personnel***

As of December 31, 2021 and 2020, Board of Directors, executives and employees of COFIDE hold allowed loan transactions pursuant to the Banking Law, which regulates and establishes certain limits to transactions with members of the Board of Directors, executives and employees of financial entities in Peru. As of December 31, 2021 and 2020, direct loans granted to members of the Board of Directors, executives, employees and key personnel amount to S/ 3,425 thousand and S/ 4,290 thousand, respectively.

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**20. Classification of Financial Instruments**

The following table shows the amounts of financial assets and financial liabilities in the statement of financial position classified in accordance with the Accounting Manual:

	2021					2020				
	At FVTPL	Loans and items receivable	Financial assets Available-for-sale	Hedging instruments	Total	At FVTPL	Loans and items receivable	Financial assets Available-for-sale	Hedging instruments	Total
<i>In thousands of soles</i>										
<b>Assets</b>										
Cash and cash equivalents	-	2,480,716	-	-	2,480,716	-	1,997,354	-	-	1,997,354
Available-for-sale investments	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	2,160,574	-	2,160,574	-	-	2,459,617	-	2,459,617
Debt instruments	-	-	2,086,367	-	2,086,367	-	-	2,336,018	-	2,336,018
Loan portfolio	-	4,915,595	-	-	4,915,595	-	5,558,630	-	-	5,558,630
Held-for-trading instruments	1,606	-	-	-	1,606	5,432	-	-	-	5,432
Hedging instruments	-	-	-	-	-	-	-	-	74	74
Accounts receivable	-	836,201	-	-	836,201	-	47,764	-	-	47,764
Other assets	-	462	-	-	462	-	256	-	-	256
	<b>1,606</b>	<b>8,232,974</b>	<b>4,246,941</b>	<b>-</b>	<b>12,481,521</b>	<b>5,432</b>	<b>7,604,004</b>	<b>4,795,635</b>	<b>74</b>	<b>12,405,145</b>

  

	2021					2020				
	Held-for-trading investments at FVTPL	Financial liabilities At amortized cost	Other liabilities	Hedging instruments	Total	Held-for-trading investments at FVTPL	Financial liabilities At amortized cost	Other liabilities	Hedging instruments	Total
<i>In thousands of soles</i>										
<b>Liabilities</b>										
Deposits and obligations	-	-	24,004	-	24,004	-	-	34,808	-	34,808
Deposits and obligations with local and foreign financial institutions	-	-	-	-	-	-	-	175,914	-	175,914
Loans	-	2,430,351	-	-	2,430,351	-	3,144,802	-	-	3,144,802
Outstanding instruments and liabilities	-	6,772,637	-	-	6,772,637	-	6,013,727	-	-	6,013,727
Held-for-trading instruments	1,282	-	-	-	1,282	-	-	-	-	-
Hedging instruments	-	-	-	3,010	3,010	-	-	-	-	-
Accounts payable	-	-	1,009,902	-	1,009,902	-	-	742,635	-	742,635
Other liabilities	-	-	39,720	-	39,720	-	-	39,940	-	39,940
	<b>1,282</b>	<b>9,202,988</b>	<b>1,073,626</b>	<b>3,010</b>	<b>10,280,906</b>	<b>-</b>	<b>9,158,529</b>	<b>993,297</b>	<b>-</b>	<b>10,151,826</b>

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**21. Financial Risk Management**

Financial risk management comprises managing the main risks that COFIDE faces due to the nature of its activities, such as credit, market and liquidity risk.

***Credit risk***

It is generated by the possibility that a counterparty to the agreement of the financial instrument or obliged third parties do not fulfill their contractual obligations due to insolvency or inability to pay, creating a financial loss for the other party. It includes management of counterparty risk, concentration risk, country risk and credit risk derived from exchange rate risk.

***Market risk***

It is generated by the possibility of losses in the value of held positions, derived from variations in market conditions. It generally includes the exchange rate risk, interest rate risk, price risk, among others.

***Liquidity Risk***

It is generated by the fact that COFIDE may not fulfill its payment commitments if it incurred losses for not fulfilling financing and application of funds requirements that arise from cash flows mismatches.

A description of COFIDE's management of such risks is explained below. COFIDE has a specialized structure and organization for management, measurement systems and mitigation and coverage processes of risks derived from financial instruments:

**A. Risk management framework**

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

***i. Board of Directors***

The Board of Directors of COFIDE is responsible for establishing proper management of risks and providing an internal environment that allows its proper development. The Board of Directors is continuously informed about the degree of exposure of various risks managed by COFIDE.

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

***ii. Risk Committee***

The Risk Committee is a division created by the Board of Directors, responsible for pre-approving policies and establishing procedures and methodologies for integral risk management, as well as for identifying and managing the risks faced by COFIDE. The Committee meets biweekly and reports monthly to the Board of Directors all significant matters discussed and agreements adopted in relation to risks management. The Committee is composed of at least two directors and the General Manager, and managers of five divisions of COFIDE are considered as permanent guests. The Risk Manager performs the functions of secretary.

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**iii. Management Committee**

The Management Committee is the coordinating and decision-making body of COFIDE of strategic, administrative, IT and management issues. It is also in charge of performing the functions of the internal control and eligibility committee, within the latter 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 Advisory Manager (secretary), Human Resources and Administration Manager, Risk Management, 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 matters of risk monitoring of loans, of the different portfolios, the taking of knowledge of the advances 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 twice a month and is composed of the General Manager (who chairs it), Risk Management, Legal Advisory Management, and Business Management; being Risk Management the one that performs the duties of secretary.

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

The Audit, Ethics and Compliance Committee is a division created by the Board of Directors. Its main purpose is to monitor the proper operation of the internal control system within the risk management context in accounting and financial reporting processes of COFIDE. Additionally, it aims to assess activities carried out by internal and external auditors. The Audit, Ethics and Compliance Committee is composed of two directors (one of them chairs it), the Internal Audit Unit Manager, who performs the duties of secretary, and the Legal Advisory Manager (to assist in legal compliance issues). Both Board of Directors' representatives do not perform management activities in order to avoid conflicts of interest and incompatibility with their functions. The committee ordinarily meets at least once every two months, and reports to the Board of Directors about issues discussed, provided that the relevance of the issue requires it (it reports to this body at least twice a year). In order to carry out its duties, it is functionally supported by COFIDE's Internal Audit Management.

**vi. Asset-Liability Committee**

The Asset-Liability Committee (ALCO) is a division created by the Board of Directors. Its main function is to manage the financial structure of the statement of financial position of COFIDE, according to policies and effective standards. ALCO safeguards the proper management of liquidity, interest rate and exchange rate risks, and makes decisions regarding the implementation of correcting actions needed in the event of deviations regarding tolerance levels to risk and degrees of exposure assumed. The Committee meets at least once a month. In order to perform its functions, the Committee is assisted by Financial Management (area in charge of investment activities). The Committee is formed of the General Manager (who chairs it), Finance, Risks, Business, Legal Advice, Development and Innovation and Compliance Managers. Each member may propose their guests to participate in the Assets and Liabilities Committee, as appropriate.

**vii. General management**

General Management is responsible for establishing a proper risk management within the organization, according to the provisions set forth by the Board of Directors and the Risk Committee within the regulatory framework of COFIDE. It safeguards the proper management of divisions under its governance, as well as the proper framework in order to identify, assess, control, follow up and report main risks in order to guarantee the compliance with policies and proper risk management.

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**viii. Internal Audit**

Internal Audit Management functionally reports to the Board of Directors. It renders independent assurance services regarding the proper operation of the internal control system, in compliance with applicable regulations on internal audit, corporate governance and risk management. Its main objective is to support the Board of Directors and management in the assessment and assurance that the risks are managed in compliance with standards and contribute to the achievement of COFIDE's objectives. Internal Audit reports to all responsible divisions, management, Audit, Ethics and Compliance Committee, Board of Directors and regulators about potential risk situations and other relevant matters in relation to COFIDE's risk management and internal control assessment through quadrimestral reports of compliance with its annual plan.

**ix. Risk Management**

Risk Management is an independent area in charge of proposing policies, procedures and methodologies for competent risk management, encouraging the alignment of all measures for treating the risks of COFIDE with appetite levels, risk limits and the development of proper controls.

**B. Control framework for comprehensive risk management**

In order to properly manage the financial risks, COFIDE is exposed to. COFIDE considers the internal control environment, established objectives, identification, assessment and treatment of risks, processes of information and communication, follow-up activities, subcontracting and trainings.

**i. Credit risk**

It is the main risk to be managed by COFIDE and, in order to manage its exposure and provide proper hedging, it has established a series of measures, among which the following are the most important:

- Policies applicable to the identification, measurement, follow-up, control and reporting processes of credit risk with debtors, as well as assessment, analysis, approval, follow-up and recovery processes.
- Admission policies for business, specialized and structured financing where COFIDE assumes the direct or indirect risk of final debtors.
- Guidelines in relation to the origin and participation of COFIDE in various transactions, negotiation and management of real and personal guarantees that should be constituted to support credit operations, and those considered when following up on all the operation portfolio.
- Policies to recover and standardize substandard credit operations (where changes in conditions originally agreed are required, and that present impairment of their obligations in time or form).
- Credit risk policies for intermediaries, in relation to those risks involved in operations with FIs (financial intermediaries), which must be reflected in degrees of individual exposure and global composition; as well as in the assignment of provisions and prices based on risks.
- Asset and liability management policies in relation to diversification, concentration risk, counterparty risk and issuer risk.



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- Country risk policies, which define parameters to perform lending financial operations with individuals that are not domiciled in the country and susceptible of being exposed to country risk.
- Management policies for credit risk derived from exchange rate risk, defining guidelines to manage the credit risk arising from changes in exchange rates, in the loan portfolio in foreign currency with debtors whose income, obligations and balance structure do not match in terms of currency.
- In the framework of the national state of emergency, the SBS issued a series of official letters that allowed financial institutions to carry out 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 reprogramming of those debtors who requested it would be carried out. The latter by adjusting the processes to provide specific help to customers in a timely manner under general guidelines approved by the Board of Directors, pursuant to the guidelines provided by the SBS.
- During 2021 and 2020, customers have been complying with the payment of said rescheduling.

**ii. Market risk**

Market risks derive from movements in market prices, exchange rate risk and interest rate risks for trading positions. For market risk management, the following is considered:

Limits are defined in relation to:

- Volatility alerts for exchange rate and interest rate
- Alerts and control of losses in the trading portfolio.

Estimates are made on the following items:

- Potential losses COFIDE is exposed to in order to maintain a portfolio comprising asset or liability positions in primary or derivative instruments.
- Maximum possible loss through value at risk (VaR) and stressed value at risk (SVaR) indicators, for interest rate and exchange rate risks in the trading portfolio and global position in foreign currency.
- Valuation of positions recorded in investments by COFIDE, of investments in debt or equity instruments recorded as available for sale.
- Market value of derivative financial instruments for reporting and permanent follow-up purposes of those positions at market values.
- Potential losses for maintaining positions sensitive to changes in interest rate.
- Estimated losses in crisis situations through stress tests, within the framework of the Market Risk Contingency Plan.

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

The structural risk of the statement of financial position represents potential losses derived from movements in interest rates, exchange rates on structural positions of assets and liabilities, on and off the statement of financial position, without including the trading portfolio.

In the case of interest rate risk, potential loss analysis focuses on the impact over the net financial margin (EaR in one year) and the impact over the discounted value of assets and liabilities (EVaR).

In the case of structural currency risk, COFIDE has two main sources of risk (direct and indirect). The direct source arises from the position of structural change held by COFIDE. The indirect source arises from the structural dollarization of its portfolio towards its debtors, issuers and local intermediaries, with whom it would face a credit risk derived from exchange rate risk.

In order to manage this risk, the following policies have been established:

- Asset and liability management policies.
- Policies of diversification and concentration risk.
- Policies of counterparty risk and issuer risk.
- Investment policies.
- Indebtedness policies.
- Derivative policies.
- Exchange rate risk policies.
- Interest Rate Risk Policies

**iv. Liquidity risk**

In order to manage liquidity risk, there are policies that define guidelines for recording a reserve of high-quality liquid assets, availability of credit lines, minimum requirements of contingent credit lines and high-quality liquidity reserve, as well as limits for the concentration of cash. Additionally, COFIDE has a contingency plan in case of lack of liquidity, which considers the operating procedure to follow in the event of an individual as well as systemic liquidity crisis.

**C. Risk concentration**

COFIDE has policies and procedures to safeguard proper diversification of financial assets and liabilities on and off the statement of financial position, and to seek a proper relation between the concentration risk and degree of equity capitalization. The diversification and concentration policies of its policy manual for asset and liability management establish alerts that reflect its risk appetite, such as:

- Alerts for asset concentration for unique risk.
- Alerts for diversification for economic activity sector.
- Alerts for diversification of investments and cash for market
- Alerts of concentration of liabilities for unique risk.

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

- Limits to the exposure with FIs of higher relative risk.
- Follow-up of unique risk concentration.
- Follow-up of the quality of implicit credit exposure.
- Follow-up of the quality of explicit credit exposure.
- Participation limits in FEEEs.

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Furthermore, COFIDE has policies for autonomy levels, which must be approved by the Board of Directors, related to:

- Loan transactions
- Investment transactions
- Debt transactions
- Transactions with derivative financial instruments
- Trading transactions

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

**D. Risk measurement and reporting system**

For risk management, COFIDE uses different classification models and tools to measure and assess each type of risks in relation to financial instruments. These tools are supported by models, methodologies and applications, allowing for better decision-making on risks.

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

Management indicators are reviewed and analyzed in order to identify possible deviations in the risk profile regarding the risk appetite established by COFIDE, so as to take corrective measurements in a timely manner. This information is presented monthly to the Risk Committee and periodically to the Board of Directors.

**E. Credit risk**

Credit risk is defined as the possibility of incurring financial losses due to non-fulfillment of contractual obligations by the counterparty or third parties obliged by insolvency, incapacity or lack of will of payment or by any other reason generating the non-fulfillment of contractual obligations.

The control measures used by COFIDE to reduce credit risk are presented below:

- (a) COFIDE has a risk policy that safeguards sustainable and profitable growth. In order to do so, it incorporates procedures of analysis for proper decision-making, as well as tools and methodologies that allow identifying, measuring, reducing and controlling different risks more efficiently, as established by the SBS. It also develops management models that allow a proper measurement, quantification and monitoring of loans, encouraging the continuous improvement of policies, tools, methodologies and processes.
- (b) **Maximum exposure to credit risk**  
As of December 31, 2021 and 2020, management estimated that the maximum credit risk amount COFIDE is exposed to is represented by the carrying amount of financial assets presenting a potential credit risk and that mainly consist of: cash and cash equivalents, available-for-sale investments, loan portfolio (direct and indirect, without considering market value of guarantees or collaterals), transactions with derivative financial instruments, accounts receivable and other monetary assets.

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The exposure for each borrower, including banks, investments or other debtors, is established by assigning limits that hedge risks for transactions on and off the statement of financial position (contingent accounts), specific assessment of transactions, as well as risk limits for elements subject to negotiation, such as foreign currency and interest rate swaps. Real exposures and their comparison to established limits are reviewed monthly.

In this regard, as of December 31, 2021 and 2020:

- 72.9% and 81.3%, respectively, of loans are not considered as past due or impaired.
- 95.5% and 94.8%, respectively, of investments have been given at least an investment grade (BBB- or higher) or are debt instruments issued by the Central Government.

The detail of the maximum exposure to credit risk of COFIDE per type of financial asset is shown below:

<i>In thousands of soles</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	5	2,480,716	1,997,354
Available-for-sale investments	6	4,246,941	4,795,635
Loan portfolio, net	7	4,915,595	5,558,630
Held-for-trading instruments	8	1,606	5,432
Hedging instruments	8	-	74
Accounts receivable, net	8	836,201	47,764
Other assets	8	462	256
		<b>12,481,521</b>	<b>12,405,145</b>
<b>Indirect loans (*)</b>	<b>7 and 14</b>	<b>206,449</b>	<b>202,441</b>

(\*) Including indirect loans, net of provisions

In the framework of the national state of emergency due to COVID-19, COFIDE defined general guidelines that made it possible to help the customer portfolio at their request and aligned with the guidelines indicated in the multiple letters issued by the SBS. In this sense, at the end of 2021, 6 customers were rescheduled (2020: 20 customers requested rescheduled) mainly from the retail customer portfolio and that represent approximately 13.4% of the total loans (2020: 13%).

Likewise, the granting of help continued within the framework of the different economic reactivation programs Reactiva Perú, FAE-MYPE, FAE-Turismo, FAE-AGRO and in the case of programs where COFIDE grants financing, guidelines were established for assigning individual limits to financial intermediaries based on their level of risk. In 2021 and 2020, customers have been complying with the payment of said rescheduling.

In the current national state of emergency due to COVID-19, in 2020, COFIDE during 2020 has incorporated an adverse material event within the FEEEs monitoring methodologies, which has a negative impact on the risk profile of customers; especially of those companies that had a sensitive economic and financial situation before external impacts prior to this situation. This methodology has been updated, considering the magnitude of the impact of such event on the economic activity of the company.

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Additionally, based on this methodology, the portfolio was segmented into 4 risk levels, in line with SBS requirements, through which a follow-up plan and differentiated recovery strategies were established by risk segment and type of portfolio, and whose execution and degree of progress were reported monthly to the Board of Directors, also in line with the SBS requirement, to whom such information was also sent.

The progress of the recovery strategies, as well as the update of the general situation of the portfolio based on the information obtained from each customer, was reported monthly to the Board of Directors, also aligned with the SBS requirements, to whom this information was also forwarded.

Also, COFIDE prepared an equity strengthening program aimed to grant a better hedging of provisions over the full portfolio and according to the requirements due to the impairment because of the national state of emergency. As part of this plan, in 2021 the sale to the MEF of 13,490 CAF series B shares owned by COFIDE was completed.

***Guarantee management***

***i. Management and valuation policies and procedures***

COFIDE has policies for trading and managing real and personal guarantees that shall be provided to support loan transactions under any modality, maintaining a minimum gap in the coverage margin existing between the value of the provided guarantees and the impact of the hedged risk, remarking the degree of realization of assets involved and in the final recovery of debts; which means a significant mitigating factor of the assumed credit risk. The criteria for valuating guarantees and procedures for their update are established in the Manual of Policies for Credit Risks with Debtors (Policies for Guarantees), which incorporates SBS provisions.

It is important to note that COFIDE does not hold guarantees for other financial instruments as the investment portfolio, trading portfolio and hedging instruments.

For managing guarantees, COFIDE has specialized divisions in constituting, managing and releasing guarantees.

***ii. Types of guarantees***

Guarantees supporting loan transactions are constituted by personal and real property, and financial instruments. Their preferred character is evidenced by the following conditions:

- Easily convertible in cash, with which the guarantee obligation may be settled.
- Constituted in a preferred range towards other creditors.
- Hedge the risk value involved with the gap required.
- Have the corresponding insurance duly endorsed.
- Guarantees over assets whose realization value is not correlated with the evolution or performance of the payment capacity of the financed debtor must be preferred.

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Based on such preferences, COFIDE seeks to constitute the following types of guarantees:

- Self-liquidating collaterals, or trust equivalents
- Preferred easily realizable collaterals
- Preferred collaterals

### iii. Risk concentrations regarding guarantees:

The detail of guarantee concentration supporting loan transactions as of December 31, 2021 and 2020 is presented below:

<i>In thousands of soles</i>	<b>Wholesome</b>	<b>Retail</b>	<b>Total collaterals</b>	<b>Related loans</b>
<b>Type of guarantee</b>				
<b>2021</b>				
Self-liquidating collaterals	23,579	-	23,579	266,746
Preferred collaterals	222,424	-	222,424	230,348
	<b>246,003</b>	-	<b>246,003</b>	<b>497,094</b>
<b>Type of guarantee</b>				
<b>2020</b>				
Self-liquidating collaterals	32,697	-	32,697	332,311
Preferred collaterals	209,202	-	209,202	209,202
<b>Total (*)</b>	<b>241,899</b>	-	<b>241,899</b>	<b>541,513</b>

(\*) Accounting balances are considered for guarantees received for the direct loan portfolio.

### iv. Value of collateral received

The value of real guarantees refers to the realizable value of assets involved, which must be established based on a conservative criterion as net result expected to be obtained from the possible sale in its current situation, deducting all expenses required to perform such sale.

COFIDE considers the following valuations:

- In the case of urban real estate, it must not exceed between 70% to 75% of its commercial value (also applicable to asset trusts).
- In the case of deposits, letters of guarantee and surety insurance, their nominal value shall be considered as realizable value.
- In the case of pledged negotiable instruments, their market value shall be taken as realizable value.
- In the case of loan and loan derivative insurance, only the proportion or amount in excess being covered shall be considered, according to particular conditions established in each contract.

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- For taxable purposes in favor of COFIDE, the total commercial value of involved guarantees shall be considered.

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Guaranties related to credit loans</b>		
Self-liquidating collaterals	23,579	32,697
Preferred collaterals	222,424	209,202
Other guaranties (a)	1,099,813	1,701,316
<b>Total (*)</b>	<b>1,345,816</b>	<b>1,943,215</b>

(\*) It does not include the value of promissory notes whose balance is recorded in other credit control accounts.

- (a) (a) It corresponds to guarantees of loans that are granted to the FAE-MYPE, FAE - Tourism and FAE - Agro (notes 1.B and 14.(c.1)).

**Credit quality of financial assets**

COFIDE's loan portfolio is constantly reviewed in order to reduce its exposure to risk and properly determine provisions for impairment of loans. The goal of this activity is to identify and reduce risk of loss in credits placed as well as to plan proper recovery strategies.

Provisions for risk of loan impairment are established on direct loans and equivalent exposure to credit risk of indirect loans, according to the SBS. In this regard, general and specific provisions are recorded.

Within the general provisions, COFIDE has provisions for a procyclical component for debtors classified under the "standard" category if the "procyclical rule" is activated by the SBS.

A summary of the quality of direct loans classified in three groups is presented below, considering the risk rating of credit positions of COFIDE as Standard, with Potential Problems, Substandard, Doubtful and Loss, in relation to the alignment with the financial system:

- (i) Neither past due nor impaired loans comprise direct loans that currently do not have delay characteristics and are related to customers rated as 'standard' or 'with potential problems,'
- (ii) Past due but not impaired loans comprise past due loans from clients rated as 'standard' or 'with potential problems'; and,
- (iii) Impaired loans, rated as substandard, doubtful or loss, even if they are not past due (for non-retail loans) and with a delay of over 90 days (for retail loans).

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<i>In thousands of soles</i>	Loan portfolio					Percentage %
	Wholesale loans (*)	MYPE loans	Consumer loans	Mortgage loans	Total	
<b>2021</b>						
Neither past-due nor impaired loans	4,654,337	-	376	4,107	4,658,820	94.69
Standard	3,755,563	-	376	4,107	3,760,046	76.42
WPP	898,774	-	-	-	898,774	18.27
Past due but not impaired loans	36,909	-	-	-	36,909	0.75
Standard	5,092	-	-	-	5,092	0.10
WPP	31,817	-	-	-	31,817	0.65
Impaired loans	1,694,391	736	-	1,156	1,696,283	34.47
Substandard	506,294	-	-	-	506,294	10.29
Doubtful	525,548	-	-	592	526,140	10.69
Loss	662,549	736	-	564	663,849	13.49
Gross portfolio	6,385,637	736	376	5,263	6,392,012	129.91
Less provisions (**)	1,470,000	736	4	895	1,471,635	29.91
<b>Total net (***)</b>	<b>4,915,637</b>	<b>-</b>	<b>372</b>	<b>4,368</b>	<b>4,920,377</b>	<b>100.00</b>

<i>In thousands of soles</i>	Loan portfolio					Percentage %
	Wholesale loans (*)	MYPE loans	Consumer loans	Mortgage loans	Total	
<b>2020</b>						
Neither past-due nor impaired loans	5,360,923	-	624	5,020	5,366,567	96.91
Standard	4,149,191	-	624	5,020	4,154,835	75.03
WPP	1,211,732	-	-	-	1,211,732	21.88
Past due but not impaired loans	33,989	-	-	-	33,989	0.61
Standard	5,092	-	-	-	5,092	0.09
WPP	28,897	-	-	-	28,897	0.53
Impaired loans	1,202,679	736	4	1,777	1,204,596	21.75
Substandard	18,785	-	-	-	18,785	0.34
Doubtful	749,569	-	4	992	750,565	13.55
Loss	434,325	736	-	185	435,246	7.86
Gross portfolio	6,597,591	736	628	6,197	6,605,152	119.28
Less provisions (**)	1,066,167	736	9	762	1,067,674	19.28
<b>Total net (***)</b>	<b>5,531,424</b>	<b>-</b>	<b>619</b>	<b>5,435</b>	<b>5,537,478</b>	<b>100.00</b>

(\*) They include large and medium-sized entities of the financial system.

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

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

The structure of refinanced and restructured loans in relation to the quality of direct loans is presented below:

<i>In thousands of soles</i>	2021	2020
<b>Refinanced loans</b>		
Neither past due nor impaired loans	-	-
Impaired	1,162,646	582,299
<b>Total refinanced loans</b>	<b>1,162,646</b>	<b>582,299</b>
<b>Restructured loans</b>		
Impaired	-	-



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Regarding the investment portfolio, COFIDE assesses conditions of the debt and equity instrument portfolio subject to impairment quarterly in order to identify if there are factors generating a decrease in fair value, according to the Appendix "Standard Methodology to Identify Impairment on the Value of Financial Instruments", SBS Resolution 7033-2012.

### Financial assets past due or impaired

#### i. Analysis of impaired financial assets

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

<i>In thousands of soles</i>	Loan portfolio				Total
	Wholesale loans	MYPE loans	Consumer loans	Mortgage loans	
<b>2021</b>					
Impaired loan portfolio	1,694,391	736	-	1,156	1,696,283
Provision for impaired loan portfolio	(1,144,290)	(736)	-	(867)	(1,145,893)
Collateral value	311,322	-	-	-	311,322
<b>2020</b>					
Impaired loan portfolio	1,202,679	736	4	1,177	1,204,596
Provision for impaired loan portfolio	(821,177)	(736)	(2)	(727)	(822,642)
Collateral value	229,290	-	-	-	229,290

#### ii. Provisions for credit risk

Movements in provisions for credit risk of impaired loans as of December 31, 2021 and 2020 are shown below:

<i>In thousands of soles</i>	Loan portfolio			Total
	Wholesale loans	Consumer loans	Mortgage loans	
Balance as of January 1, 2020	720,501	50	1,052	721,603
Plus provision for period 2021	68,346	-	11	68,357
Less recoveries	(3,365)	(4)	(62)	(3,431)
Plus exchange difference	36,689	-	-	36,689
<b>Balance as of December 31, 2020</b>	<b>822,171</b>	<b>46</b>	<b>1,001</b>	<b>823,218</b>
Balance as of January 1, 2021	822,171	46	1,001	823,218
Plus provision for period 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>Balance as of December 31, 2021</b>	<b>1,144,709</b>	<b>43</b>	<b>1,141</b>	<b>1,145,893</b>

As of December 31, 2021 and 2020, interest, fees and expenses on loans that are past due, under judicial collection, or classified as impaired loans amount to S/ 730,336 thousand and 756,387 thousand, respectively.

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The balance as of December 31, 2021 includes S/ 664,264 thousand for first-tier loans and S/ 66,072 thousand for FEEEs loans under Participation and Channeling Agreements (2020: S/ 707,439 thousand and S/ 48,948 thousand, respectively).

The recorded carrying amount corresponding to impaired written-off loans amounted to S/ 1,490,184 thousand and S/ 1,354,792 thousand as of December 31, 2021 and 2020, respectively.

Movements are presented below:

<i>In thousands of soles</i>	<b>Note</b>	<b>Written-off loan portfolio</b>
Balance as of January 1, 2020		1,241,131
Plus additions	7(h)	-
Plus cash recoveries		(550)
Plus effect of exchange difference		114,518
Less derecognition for conditions		(307)
<b>Balance as of December 31, 2020</b>		<b>1,354,792</b>
Plus additions	7(h)	-
Plus cash recoveries		(188)
Plus effect of exchange difference		135,866
Less derecognition for conditions		(286)
<b>Balance as of December 31, 2021</b>		<b>1,490,184</b>

**iii. Past due but not impaired loans**

In the case of past due but not impaired loans, these have mortgage guarantees supporting them.

As of December 31, 2021, loans past due, but not impaired, correspond to FEEE loans channeled with final debtors Agrícola Sol de Villacuri S.A.C. and Maquiwood S.A.C. for S/ 36,912 thousand (2020: S/ 33,989 thousand). Past due but not impaired loans correspond to FEEE agreements and mortgage loans with maturities between 31 and 60 days.

**Credit risk management for the loan portfolio**

For credit risk management with debtors where COFIDE assumes the risk of final debtors as well as with FIs, there is a process comprising three fundamental stages: i) risk admission, ii) follow-up and monitoring of risks, and iii) recovery of impaired portfolio. These stages of the process aim to maintain a quality of portfolio according to the risk appetite defined by COFIDE's Board of Directors.

Stage i) 'risk admission' is fundamentally based on good knowledge of the customer and their economic activity, being determinant the assessment of their capacity of payment, credit history and solvency. This process is supported by the use of methodologies and tools of risk management that allow measuring and valuating the quality of the risk to be granted, which is supported by models and rating systems for the risk admission.

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Stage ii) 'follow-up and monitoring of the risks' is conducted through an alert system for early detection of credit risk of financial intermediaries based on subsystems that allow identifying entities of the financial system with potential risks that would affect its capacity of payment, as well as a methodology of follow-up classification, for which rating was assigned based on the behavior and profile of risks of the intermediary, associated with actions to be taken. Also, there is a follow-up methodology of the risk profile of debtors (not intermediaries) through which debtors are followed up regarding the evolution of detected risks, decision-making and management for their standardization or collection.

For each economic sector, a monitoring is made for main tendencies of the portfolio, in terms of evolution of quality indicators, sectorial concentration and per product of the loan portfolio, as well as indicators of risk exposure of counterparties, among others.

Finally, stage iii) 'recovery of impaired portfolio' is made through a set of coordinated actions and applied for the proper and timely recovery of loans that aim to minimize losses in exposures with high credit risk.

**Credit risk management in investments**

COFIDE controls credit risk of its investments based on the assessment of risk of issuers and instruments. In the case of foreign investments, the assessment considers ratings issued by international risk rating agencies, as well as the country risk of the issuer, which is assessed considering its main macroeconomic variables. In the case of local investments, ratings granted by local rating agencies are considered and internal financial position analyses are conducted, as applicable.

Risk rating of available-for-sale investments is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Instruments issued in Peru</b>		
AA - to AA+	191,645	196,298
A- to A+	64,896	75,506
BBB - to BBB+	446,992	458,904
4 (pe)	125,672	113,156
Without classification	6,207	41,883
<b>Total national</b>	<b>835,412</b>	<b>885,747</b>
<b>Instruments issued abroad</b>		
AA - to AA+	2,199,226	2,565,034
BBB - to BBB+	1,009,068	1,122,750
BB- to BB+	182,111	199,454
<b>Total abroad</b>	<b>3,390,405</b>	<b>3,887,238</b>
<b>Accrued interest</b>	<b>21,124</b>	<b>22,650</b>
	<b>4,246,941</b>	<b>4,795,635</b>

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***Risk concentrations***

COFIDE has policies and procedures to safeguard proper diversification of financial assets and liabilities on and off the statement of financial position, and to seek a proper relation between the concentration risk and degree of equity capitalization. The diversification and concentration policies of its policy manual for asset and liability management establish alerts that reflect its risk appetite, such as:

***Alerts for asset concentration for unique risk***

In order to avoid excessive concentration in direct and indirect asset transactions (cash and cash equivalents, interbank funds, investments, loans, accounts receivable and indirect loans, including exposure equivalent to credit risk of derivative financial instruments) with counterparties constituting one unique risk.

***Alerts for diversification for economic activity sector***

They aim to maintain proper diversification of all investment portfolios, based 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.

***Alerts for diversification of investments and cash for market***

They are related to the differentiated behavior of markets, consequently, COFIDE deems convenient to promote a diversification for systematic risk.

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

With such alerts, COFIDE seeks to avoid the concentration of financing sources per type of creditor.

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

	2021					2020				
	At FVTPL	Loans and accounts receivable	Available for-sale	Hedging instruments	Total	At FVTPL	Loans and accounts receivable	Available-for-sale	Hedging instruments	Total
<i>In thousands of soles</i>										
<b>Assets</b>										
Financial services	1,606	2,480,716	2,018,890	-	4,501,212	5,432	1,997,354	2,340,788	74	4,343,648
Agriculture, livestock, hunting and forestry	-	88,970	62,613	-	151,583	-	3,621	73,014	-	76,635
Mining	-	-	-	-	-	-	-	248,739	-	248,739
Textiles and leather	-	-	-	-	-	-	36,228	-	-	36,228
Manufacturing	-	36,512	-	-	36,512	-	-	-	-	-
Power, gas and water	-	-	1,174,751	-	1,174,751	-	146,442	1,018,417	-	1,164,859
Construction	-	-	-	-	-	-	55,160	697	-	55,857
Transport, storage and communications	-	278,510	182,273	-	460,783	-	223,397	242,082	-	465,479
Financial intermediation	-	4,267,237	141,685	-	4,408,922	-	4,606,552	118,829	-	4,725,381
Real estate, business and leasing activities	-	239,687	482,565	-	722,252	-	492,528	476,319	-	968,847
Other wholesale	-	836,663	184,164	-	1,020,827	-	36,730	276,750	-	313,480
Consumer loans	-	372	-	-	372	-	619	-	-	619
Mortgage loans	-	4,307	-	-	4,307	-	5,373	-	-	5,373
	<b>1,606</b>	<b>8,232,974</b>	<b>4,246,941</b>	<b>-</b>	<b>12,481,521</b>	<b>5,432</b>	<b>7,604,004</b>	<b>4,795,635</b>	<b>74</b>	<b>12,405,145</b>

(\*) The balances are net of corresponding provisions

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As of December 31, 2021 and 2020, financial instruments with exposure to credit risk according to their geographical area are as follows:

<i>In thousands of soles</i>	Financial instruments				Total
	Held-for-trading	Loans and accounts receivable (*)	Available-for-sale investments	Hedging instruments	
<b>As of December 31, 2021</b>					
Peru	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
United States	-	155,903	-	-	155,903
Panama	-	344,221	1,887	-	346,108
Japan	-	329,294	-	-	329,294
Canada	-	-	121,148	-	121,148
	<b>1,606</b>	<b>8,232,974</b>	<b>4,246,941</b>	<b>-</b>	<b>12,481,521</b>
<b>As of December 31, 2020</b>					
Peru	5,432	6,356,799	2,178,632	-	8,540,863
Venezuela	-	-	2,339,156	-	2,339,156
Cayman Islands	-	60,085	142,446	-	202,531
United Kingdom	-	431,541	-	-	431,541
United States	-	138,639	-	74	138,713
Panama	-	301,136	17,785	-	318,921
Japan	-	315,804	-	-	315,804
Canada	-	-	117,616	-	117,616
	<b>5,432</b>	<b>7,604,004</b>	<b>4,795,635</b>	<b>74</b>	<b>12,405,145</b>

**F. Liquidity risk**

Liquidity risk consists in the inability of COFIDE to comply with the maturity of its obligations or with the demand of resources for its loan portfolio, incurring in losses that may significantly affect its equity position. This risk is presented as a result of possible losses from the early (or forced) sale of assets at unusual and/or significant discounts so as to have the necessary resources rapidly available, or due to the impossibility of renewing or contracting new resources under normal conditions for the entity.

COFIDE manages liquidity by centralizing its fund flows generated by all intermediation and treasury operations and by all operations related to its own investments according to tolerance to liquidity risk and regulatory requirements.

The liquidity of COFIDE is managed by ALCO through the division in charge of treasury, which permanently assesses economic and market conditions to execute transactions that reduce liquidity cost in accordance with approved parameters. Consequently, the Committee may periodically review liquidity levels and mismatches of total maturity and per currency of all the portfolio. Liquidity risk is also supervised by the Risk Committee and Risk Management, where the risk level that COFIDE is willing to assume is defined, and where indicators, limits and corresponding controls are reviewed as well.

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Additionally, COFIDE assesses liquidity in the medium and long term through a structural analysis of its inflows and outflows of funds in various maturity terms, using as tools the modeling of static and dynamic cash flows, and estimate of liquidity gaps between asset and liability positions on and off the statement of financial position over a certain period. This process allows knowing various funding sources, how liquidity needs grow and what terms are mismatched. Assets and liabilities are considered as internal assumptions for operations that do not have determined maturity dates. Estimated obligations as a result of contingent liabilities are also included, such as letters of guarantee or unused credit lines. Based on this information, necessary decisions are made to maintain objective liquidity levels.

<i>In thousands of soles</i>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3 - 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>2021</b>					
<b>Financial position risk</b>					
<b>Liabilities</b>					
Deposits and obligations	-	-	24,004	-	24,004
Debts and financial obligations	238,074	325,589	823,423	7,815,902	9,202,988
Held-for-trading instruments	386	536	360	-	1,282
Hedging instruments	-	-	502	2,508	3,010
Accounts payable	1,451	177,470	318,055	512,926	1,009,902
Other liabilities	235	-	253	-	488
	<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 position risk</b>					
Contingent liabilities	84,004	36,630	61,958	37,202	219,794
	<b>324,150</b>	<b>540,225</b>	<b>1,228,555</b>	<b>8,368,538</b>	<b>10,461,468</b>
<b>2020</b>					
<b>Financial position risk</b>					
<b>Liabilities</b>					
Deposits and obligations	-	-	34,808	-	34,808
Deposits and obligations with local and foreign financial institutions	5,154	86,634	84,126	-	175,914
Debts and financial obligations	224,134	354,905	540,945	8,038,545	9,158,529
Accounts payable	13,265	3,965	272,605	452,800	742,635
Other liabilities	208	-	239	-	447
	<b>242,761</b>	<b>445,504</b>	<b>932,723</b>	<b>8,491,345</b>	<b>10,112,333</b>
<b>Financial position risk</b>					
Contingent liabilities	21,349	62,185	23,119	39,419	146,072
	<b>264,110</b>	<b>507,689</b>	<b>955,842</b>	<b>8,530,764</b>	<b>10,258,405</b>

**G. Market risk**

Market risk is the possibility of losses due to variations in the conditions of the financial market. Main variations may be in i) interest rates, ii) exchange rates, and iii) prices.

**Trading portfolio**

In relation to market risk, COFIDE is exposed to interest rate risk, exchange rate risk and price risk, affecting the value of assets and positions of the trading portfolio.

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As of December 31, 2021, the balance of held-for-trading instruments amounts to S/ 181,730 (note 12 thousand for derivative financial instruments (2020: S/ 112,138 thousand) and S/ 23,472 thousand for sovereign bonds (2020: S/ 28,470 thousand).

COFIDE applies VaR (Value at Risk) as a basic statistic indicator to measure, manage and control market risks, given that it estimates maximum losses expected in the positions of the trading portfolio, for a term of 10 days and a 99% confidence level, under normal market conditions. The calculation of VaR is analyzed per risk factor: interest rate and exchange rate risk, mainly.

In order to estimate the VaR of the interest rate and exchange rate risk, the historical method is used. Simulated market values are calculated for the instruments that make up the trading portfolio, as well as for the global position in foreign currency, based on the historical information of the market variables of interest rates and exchange rates. These market values enable simulated variations of market values, making it possible to estimate the value at risk based on the statistical confidence level. Additionally, stress tests are performed quarterly, as well as model validation tests (back testing).

**Non-trading assets and liabilities**

In the case of 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 produced by the possibility that changes in market interest rate negatively affect the financial condition of an entity, affecting its earnings and equity value.

COFIDE has established within its internal methodologies the differentiation between the effect of interest rate risk on earnings (profits), related to interest receivable and payable (repricing, reinvestment or refinancing), and the effect on economic value (equity value), related to the current value of assets and liabilities of the company and interest rates at which future flows derived from them are updated. That is to say, the impact of changes on interest rates is presented in two ways: the first one, in an impact on expected profit, related directly to risk of reinvestment, refinancing and repricing. The second one is related to the valuation of assets and liabilities of COFIDE, and therefore, the economic value or actual value of its equity.

The impact on expected earnings is determined by EaR, which correspond to the expected variation in the financial margin of COFIDE in case of expected changes in interest rates —i.e. the impact on its profit. The impact on equity is determined by EVaR, which correspond to the variation of equity value of COFIDE in case of changes in interest rates used for its valuation —i.e. the impact on changes in market interest rates over the statement of financial position.

The results of these two internal interest risk indicators in a normal scenario are as follows:

	<b>2021</b>
EaR (0.685% regulatory capital)	S/ 20,873,432
EVaR (2.6666% regulatory capital)	S/ 81,299,736



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	<b>2020</b>
EaR (1.106% regulatory capital)	33,502,712
EVaR (2.355% regulatory capital)	71,342,570

The follow-up of interest rate risk is reported to the Risk Committee as well as to ALCO. The Risk Committee approves the limits considered to manage, and Risk Management is in charge of the follow-up.

### Repricing gap

An analysis of repricing gaps is made in order to determine the impact of changes in interest rates. The analysis consists in assigning the balances of transactions that will change interest rates in different time intervals. Based on this analysis, the impact for each gap of interest rate variation is calculated.

The table below presents COFIDE's exposure to interest rate risk. COFIDE's financial instruments are shown at their carrying amount.

<i>In thousands of soles</i>	<b>Up to 1</b>	<b>1 – 3</b>	<b>3-12</b>		<b>More than</b>	<b>Do not accrue</b>	
	<b>month</b>	<b>months</b>	<b>months</b>	<b>1-5 years</b>	<b>5 years</b>	<b>interest</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	772,295	483,866	345,184	876,495	2,876	-	2,480,716
Available-for-sale investments	44,233	29,531	108,295	537,868	1,510,011	2,017,003	4,246,941
Loan portfolio, net	141,600	389,711	1,250,105	2,712,773	1,516,495	(1,095,089)	4,915,595
Accounts receivable - held-for-trading	398	-	1,208	-	-	-	1,606
Accounts receivable, net	5,682	26,654	40,124	229,123	534,618	-	836,201
Other assets	-	-	-	9,894	-	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>							
Deposits and obligations	-	-	24,004	-	-	-	24,004
Loans	93,454	125,053	525,760	1,310,764	375,320	-	2,430,351
Outstanding securities	144,620	200,536	297,663	1,980,840	4,148,978	-	6,772,637
Accounts payable - held-for-trading	386	536	360	-	-	-	1,282
Accounts payable, held for hedging	-	-	502	2,007	501	-	3,010
Accounts payable	1,216	177,470	317,802	512,926	-	488	1,009,902
Other liabilities	235	-	506	-	-	50,457	51,198
Equity	-	-	-	-	-	2,232,457	2,232,457
<b>Total equity and liabilities</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>
<b>Off-balance sheet</b>							
Derivative instruments, assets	83,775	35,924	62,032	-	36,821	-	218,552
Derivative instruments, liabilities	84,004	36,630	61,958	-	37,202	-	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>-</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>-</b>	<b>-</b>

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<i>In thousands of soles</i>	Up to 1 month	1 – 3 months	3-12 months	1-5 years	More than 5 years	Do not accrue interest	Total
<b>Assets</b>							
Cash and cash equivalents	554,005	354	288,160	1,153,607	1,228	-	1,997,354
Available-for-sale investments	78,542	29,189	215,694	505,882	1,627,172	2,339,156	4,795,635
Loan portfolio, net	240,762	395,131	1,022,746	2,682,355	1,648,095	(430,459)	5,558,630
Held-for-trading investments	1,299	3,596	537	-	-	-	5,432
Hedging instruments	-	-	13	57	30	(26)	74
Accounts receivable, net	3,893	9,902	33,969	-	-	-	47,764
Other assets	-	-	-	-	-	41,460	41,460
<b>Total assets</b>	<b>878,501</b>	<b>438,172</b>	<b>1,561,119</b>	<b>4,341,901</b>	<b>3,276,525</b>	<b>1,950,131</b>	<b>12,446,349</b>
<b>Liabilities</b>							
Deposits and obligations	-	-	34,808	-	-	-	34,808
Deposits and obligations with local and foreign financial institutions	5,154	86,634	84,126	-	-	-	175,914
Loans	91,145	322,644	535,538	1,811,621	383,854	-	3,144,802
Outstanding securities	132,989	32,261	5,407	2,179,514	3,663,556	-	6,013,727
Accounts payable	13,057	3,965	272,366	452,800	-	447	742,635
Other liabilities	208	-	239	-	-	255,660	256,107
Equity	-	-	-	-	-	2,078,356	2,078,356
<b>Total equity and liabilities</b>	<b>242,553</b>	<b>445,504</b>	<b>932,484</b>	<b>4,443,935</b>	<b>4,047,410</b>	<b>2,334,463</b>	<b>12,446,349</b>
<b>Off-balance sheet</b>							
Derivative instruments, assets	22,666	65,823	23,649	-	43,487	-	155,625
Derivative instruments, liabilities	21,349	62,185	23,119	-	39,419	-	146,072
<b>Marginal gap</b>	<b>637,265</b>	<b>(3,694)</b>	<b>629,165</b>	<b>(102,034)</b>	<b>(766,817)</b>	<b>(384,332)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>637,265</b>	<b>633,571</b>	<b>1,262,736</b>	<b>1,160,702</b>	<b>393,885</b>	<b>-</b>	<b>-</b>

### Sensitivity to changes in interest rates

Exposure to interest rate risk is supervised by the Asset-Liability Committee, as well as by the Risk Committee. The latter approves maximum allowed limits.

The sensitivity of interest rate indicators in case of a shock of 200 basis points (bps) is detailed below:

	2021	2020
EaR	21,290,554 (0.698% regulatory capital)	34,189,522 (1.129% regulatory capital)
EVAR	82,833,758 (2.717% regulatory capital)	72,653,119 (2.398% regulatory capital)

It is important to remark that this information was obtained from the internal interest rate model of COFIDE, updated in December 2021.

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**ii) Exchange rate risk**

Exchange rate risk in foreign currency is related to the variation of value of positions of the statement of financial position and off such statement, which are negatively affected by changes in exchange rates. This risk depends on the position on each currency and the volatility of exchange rates. A great part of assets and liabilities are stated in U.S. dollars. Management sets limits in exposure levels per currency, which are monitored monthly. Most of assets and liabilities in foreign currency are held in U.S. dollars.

Foreign currency transactions are carried out at the free-market exchange rates.

As of December 31, 2021, the weighted average exchange rate of the free market, published by the SBS for transactions in U.S. dollars is S/ 3.975 per US\$ 1 for purchase and S/ 3.998 per US\$ 1 for sale (2020: S/ 3.618 and S/ 3.624, respectively). As of December 31, 2021, the exchange rate for accounting asset and liability accounts in foreign currency set by the SBS was the average rate of purchases and sales, equivalent to S/ 3.987 per US\$ 1 (2020: S/ 3.621).

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The detail of the position of COFIDE per currency is presented in the table below:

<i>In thousands of soles</i>	2021				2020			
	US\$	Other currencies	Soles	Total	US\$	Other currencies	S/	Total
<b>Assets</b>								
Cash and cash equivalents	2,020,776	312,160	147,780	2,480,716	1,487,219	316,277	193,858	1,997,354
Available-for-sale investments	1,701,037	-	2,545,904	4,246,941	1,834,097	-	2,961,538	4,795,635
Loan portfolio, net	1,247,603	-	3,667,992	4,915,595	1,924,025	-	3,634,605	5,558,630
Held-for-trading instruments	1,606	-	-	1,606	5,432	-	-	5,432
Hedging instruments	-	-	-	-	-	74	-	74
Accounts receivable, net	771,715	-	64,486	836,201	1,234	-	46,530	47,764
Other assets	7	-	455	462	18	-	238	256
<b>Total assets</b>	<b>5,742,744</b>	<b>312,160</b>	<b>6,426,617</b>	<b>12,481,521</b>	<b>5,252,025</b>	<b>316,351</b>	<b>6,836,769</b>	<b>12,405,145</b>
<b>Liabilities</b>								
Deposits and obligations	-	-	24,004	24,004	1,646	-	33,162	34,808
Deposits with financial institutions	-	-	-	-	-	-	175,914	175,914
Debts and financial obligations	602,162	348,657	1,479,532	2,430,351	515,532	359,188	2,270,082	3,144,802
Outstanding instruments and liabilities	5,189,782	(26)	1,582,881	6,772,637	4,679,767	(40)	1,334,000	6,013,727
Held-for-trading instruments	1,282	-	-	1,282	-	-	-	-
Hedging instruments	-	3,010	-	3,010	-	-	-	-
Accounts payable	904	358	1,008,640	1,009,902	85	1,045	741,505	742,635
Other liabilities	35,207	-	4,513	39,720	36,336	-	3,604	39,940
<b>Total liabilities</b>	<b>5,829,337</b>	<b>351,999</b>	<b>4,099,570</b>	<b>10,280,906</b>	<b>5,233,366</b>	<b>360,193</b>	<b>4,558,267</b>	<b>10,151,826</b>
<b>Currency swap position, net</b>	<b>144,527</b>	<b>36,822</b>	<b>(181,349)</b>	<b>-</b>	<b>72,719</b>	<b>43,487</b>	<b>(116,206)</b>	<b>-</b>
<b>Net monetary position</b>	<b>57,934</b>	<b>(3,017)</b>	<b>2,145,698</b>	<b>2,200,615</b>	<b>91,378</b>	<b>(355)</b>	<b>2,162,296</b>	<b>2,253,319</b>

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As of December 31, 2021, COFIDE recorded net exchange loss for S/ 13,897 thousand (2020: net gain for S/ 30,632 thousand), presented net under 'exchange loss' in the statement of profit or loss.

COFIDE manages exchange risk through the match of its asset and liability transactions, supervising the global position of changes monthly. The global position of changes of COFIDE is equal to long positions less short positions in currencies other than the sol. The global position includes positions of the statement of financial position (spot) and positions in derivative financial instruments.

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

The sensitivities for the changes of the U.S. dollar are presented in the table below. Due to its volume, the U.S. dollar position is the only exposure that could cause a material loss to COFIDE. Negative variations represent potential losses, while positive variations represent potential earnings.

<i>In thousands of soles</i>	<b>Change in exchange rates</b>	<b>2021</b>	<b>2020</b>
<b>Sensitivity analysis</b>			
<b>Devaluation</b>			
US\$	5%	(3,710)	1,333
US\$	10%	(7,420)	2,665
<b>Revaluation</b>			
US\$	5%	3,710	(1,333)
US\$	10%	7,420	(2,665)

### H. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value is a market-based measurement, so a financial instrument traded in a real transaction in an active and liquid 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 applying other valuation technique, trying to maximize the use of relevant measurable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not traded in liquid markets, the market value of an instrument that is actively traded in the market, with similar characteristics, may be used, or it may be obtained through an analytical technique, for example, discounted cash flow analysis.

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**Financial instruments measured at fair value. The fair value is based on the following hierarchy**

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Significant inputs with material effect on fair value measurement that are directly or indirectly observable in the market.

Level 3: Unobservable inputs in the market.

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

In positions valued through valuation techniques, derivative financial instruments are included.

The fair value of the investment of COFIDE in CAF, pursuant to SBS Official Letter 45853-2012-SBS, classifies such financial instrument as 'available-for-sale investments', taking as cost value the last accounting equity value recorded in books by COFIDE, considering such value as its fair value.

**Fair value determination and fair value hierarchy**

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

<i>In thousands of soles</i>	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Assets</b>						
<b>Available-for-sale investments</b>						
Debt instruments	2,086,366	-	2,086,366	2,336,018	-	2,336,018
Equity instruments	143,572	-	143,572	120,461	-	120,461
Accounts receivable for derivative financial instruments	-	1,606	1,606	-	5,506	5,506
	<b>2,229,938</b>	<b>1,606</b>	<b>2,231,544</b>	<b>2,456,479</b>	<b>5,506</b>	<b>2,461,985</b>
<b>Liabilities</b>						
Accounts payable for derivatives	-	4,292	4,292	-	-	-
	-	<b>4,292</b>	<b>4,292</b>	-	-	-

Financial assets included in level 1 are measured based on market observable data, to the extent that quotations reflect an active, liquid market and are available in some centralized platform of trading, agent, supplier of prices or regulatory entity.

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

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***Hedging and trading transactions***

COFIDE is exposed to fluctuation in future cash flows of financial assets and liabilities in foreign currency and/or that accrue interest at variable rates. COFIDE uses derivative financial instruments as cash flow hedges to hedge these risks as well as held-for-trading instruments.

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The following table presents, as of December 31, 2021 and 2020, the fair value of derivative financial instruments, recorded as assets or liabilities, together with nominal values and maturities. The reference amount, presented gross, is the amount of the underlying asset of the derivative and is the basis on which changes in the fair value of derivatives are measured.

	2021				2020			
	Assets	Liabilities	Reference amount	Maturity date	Assets	Liabilities	Reference amount	Maturity date
<i>In thousands of soles</i>								
<b>Hedging instruments</b>								
<b>Cash flow</b>								
USD / JPY currency swaps	-	3,010	36,822	October 20, 2027	100	-	43,488	October 20, 2027
	-	<b>3,010</b>	<b>36,822</b>		<b>100</b>	-	<b>43,488</b>	
<b>Interest rate swaps</b>								
US\$/PEN forward	-	-	-	-	41	-	741	January 25, 2021
US\$/PEN forward	-	-	-	-	1,259	-	21,925	January 07, 2021
US\$/PEN forward	-	-	-	-	1,214	-	21,939	February 02, 2021
US\$/PEN forward	-	-	-	-	1,225	-	21,939	February 02, 2021
US\$/PEN forward	-	-	-	-	1,157	-	21,945	February 09, 2021
US\$/PEN forward	-	-	-	-	408	-	7,322	April 19, 2021
US\$/PEN forward	-	-	-	-	128	-	16,327	June 11, 2021
US\$/PEN forward	1,163	-	26,032	May 30, 2022	-	-	-	-
US\$/PEN forward	160	-	15,970	January 18, 2022	-	-	-	-
US\$/PEN forward	-	113	19,947	January 06, 2022	-	-	-	-
US\$/PEN forward	-	86	11,968	January 06, 2022	-	-	-	-
US\$/PEN forward	-	187	15,954	January 10, 2022	-	-	-	-
US\$/PEN forward	-	230	15,966	March 17, 2022	-	-	-	-
US\$/PEN forward	-	307	19,958	March 21, 2022	-	-	-	-
US\$/PEN forward	-	359	19,985	June 20, 2022	-	-	-	-
US\$/PEN forward	237	-	19,936	January 04, 2022	-	-	-	-
US\$/PEN forward	46	-	16,014	September 05, 2022	-	-	-	-
	<b>1,606</b>	<b>1,282</b>	<b>181,730</b>		<b>5,432</b>	-	<b>112,138</b>	



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As of December 31, 2021 and 2020, the periods when cash flows of the hedges are expected to occur and that affect the statement of profit or loss, net of deferred tax, are as follows:

<i>In thousands of soles</i>	<b>Up to 1 year</b>	<b>1 – 3 years</b>	<b>3 – 5 years</b>	<b>More than 5 years</b>
<b>Cash outflows</b>				
(liabilities) 2021	502	1,003	1,003	502
<b>Cash outflows</b>				
(liabilities) 2020	719	1,858	1,858	1,858

As of December 31, 2021, COFIDE holds one currency swap (as of December 31, 2020: one currency swap) that, according to SBS authorizations, qualifies as cash flow hedge for debts. By means of such transaction, in economic terms, the debt held by COFIDE is hedged (notes 8 and 12).

As of December 31, 2021, COFIDE carried out ten currency forward contracts (as of December 31, 2020: seven contracts), which, according to the SBS authorizations, qualify as trading transactions, to hedge sale positions (notes 8 and 12).

COFIDE has a methodology for measuring the effectiveness degree of hedges of derivative financial instruments that are undertaken with such objective.

As of December 31, 2021 and 2020, COFIDE has not presented a decrease related to the effectiveness of these hedges in the statement of profit or loss.

Additionally, as of July 15, 2019, the swap transaction that COFIDE had as of December 31, 2018 was canceled in order to hedge the variable-rate component of some loans.

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

Short-term financial assets and liabilities, including cash and cash equivalents, interbank funds and other similar items.

***ii. Fixed-rate financial instruments***

Financial assets at fixed rates (loan portfolio and deposits and obligations in financial institutions): According to SBS Multiple Official Letter 1575-2014, the fair value of these items corresponds to their carrying amount.

Financial liabilities at fixed rates: These liability instruments may be quoted or not 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 (loans and bonds issued by COFIDE): The fair value is calculated based on the discounted value of cash flows, using the original effective interest rate.

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A comparison between the carrying amounts and fair values of the financial instruments of COFIDE is detailed as follows, according to the methodology explained above and presented in the statements of financial position:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>In thousands of soles</i>				
<b>Assets</b>				
Cash and cash equivalents	2,480,716	2,480,716	1,997,354	1,997,354
<b>Available-for-sale investments</b>				
Equity instruments	2,160,574	2,160,574	2,459,617	2,459,617
Debt instruments	2,086,367	2,086,367	2,336,018	2,336,018
Loan portfolio	4,915,595	4,915,595	5,558,630	5,558,630
Held-for-trading instruments	1,606	1,606	5,432	5,432
Hedging instruments	-	-	74	74
Accounts receivable	836,201	836,201	47,764	47,764
Other assets	462	462	256	256
	<b>12,481,521</b>	<b>12,481,521</b>	<b>12,405,145</b>	<b>12,405,145</b>

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>In thousands of soles</i>				
<b>Liabilities</b>				
Deposits and obligations	24,004	24,004	34,808	34,808
Deposits with financial institutions	-	-	175,914	175,914
Debts and financial obligations	2,430,351	2,413,949	3,144,802	3,156,008
Outstanding instruments and liabilities	6,772,637	6,790,215	6,013,727	5,993,218
Held-for-trading instruments	1,282	1,282	-	-
Hedging instruments	3,010	3,010	-	-
Accounts payable	1,009,902	1,009,902	742,635	742,635
Other liabilities	39,720	39,720	39,940	39,940
	<b>10,280,906</b>	<b>10,282,082</b>	<b>10,151,826</b>	<b>10,142,523</b>

**Assets pledged as collateral**

As of December 31, 2021, COFIDE has carried out repurchase agreements that involve resources in local currency S/ 992,000 thousand, collected from BCRP, which accrue interest at an annual rate ranging between 0.50% and 3.70% and are guaranteed by Restricted Deposits in foreign currency held in BCRP for US\$ 271,120 thousand. As of December 31, 2020, COFIDE has carried out repurchase agreements that involve resources in local currency S/ 720,000 thousand, collected from BCRP, which accrue interest at an annual rate ranging between 0.50% and 3.70% and are guaranteed by Restricted Deposits in foreign currency held in BCRP for US\$ 206,017 thousand. Collected funds are intended for fulfilling different obligations of COFIDE.

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## **22. Other Risks Management**

### **A. Operational risk**

Operational risk is generated by human, process and system errors or by external factors, including legal risks, but excluding strategic and reputational risks.

COFIDE has identified its operational risks focusing on transversal processes comprised in its business activity. Additionally, there are continuous improvements in policies and methodologies of identification, assessment and follow-up of the operational risk, as well as the definition of roles and responsibilities of areas in charge of managing them.

Indicators have been established for the analysis of causes and effectiveness of control measures and reduction of operational risks. On the other hand, various reports allowing a continuous follow-up on these risks are prepared in order to determine necessary measures to reduce them, according to limits established by the Board of Directors. At the same time, the divisions and management appoint operational risk coordinators, who are experts in processes and are in charge of the valuation of their risks, considering the database of incidents and loss events. The effectiveness of controls is also assessed to reduce a risk based on its design, operation, hedging, application and maturity.

This way, COFIDE assesses and improves continuously the management of operational risks in consistency with its strategic objectives.

Regarding the national state of emergency due to COVID-19, at the beginning all the employees maintained their tasks in remote work, and then there was a return to the COFIDE facilities progressively. The employees who remain in remote work use computer services through secure connections—i.e., Virtual Private Network (VPN), and with access credentials to the active directory, which allow maintaining the same accesses (applications, network drives, folders, etc.). Additionally, messages were diffused to all employees to apply good information security practices in order to protect information in remote work: good practices with remote work, be careful with receiving emails, safe Internet browsing, virtual meetings and physical protection of the equipment. In the case of workers who perform work at COFIDE's facilities, rapid preventive tests have been taken; additionally, the COFIDE building is disinfected periodically.

### **B. Capital management – Regulatory capital**

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

COFIDE's objectives when managing its capital comprise a broader concept than 'equity' shown in the statement of financial position, such as: (i) complying with capital requirements established by the SBS; (ii) safeguarding the capacity of COFIDE to continue operating so as to grant returns to its stockholders and benefits to other stockholders; and (iii) maintaining a strong capital basis to support the development of its activities.

According to SBS regulations, COFIDE is obliged to maintain a regulatory capital equal to or greater than 10% of assets and contingents weighted per risk, comprising the regulatory capital requirement for market, operational, and credit risk. Emergency Decree 037-2021, dated June 2, 2021, reduced the global limit to 8% until March 31, 2022.

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As of December 31, 2021, and 2020, COFIDE uses the standard method to calculate the regulatory capital requirement for credit and market risk, and the basic method for operational risk. Additionally, on July 20, 2011, the SBS published SBS Resolution 8425-2011 "Regulations for Additional Regulatory Capital Requirement", establishing the requirements that companies shall apply for economic cycle, concentration risk, market risk concentration, interest rate risk in the banking book and other risks. It is important to mention that the requirement for economic cycle is activated and deactivated based on procyclical provisions for loans.

As of December 31, 2021, and 2020, the regulatory capital of COFIDE, determined according to current legal regulations, is S/ 3,049,104 thousand and S/ 3,029,516 thousand, respectively, which is used to calculate certain limits and restrictions applicable to banking entities in Peru, which management considers having entirely complied with.

As of December 31, 2021, assets and indirect loans weighted per credit risk amount to S/ 9,631,436 thousand (2020: S/9,875,324 thousand) and the capital requirement for credit, market and operational risk, determined by COFIDE according to effective legal regulations amount to S/ 1,014,010 thousand (2020: S/ 1,018,926 thousand), which generate a global capital ratio of 30.07% (2020: 29.73%).

### **23. Legal Limits**

To date, COFIDE is complying with global and individual limits for financial entities contained in the Banking Law, as informed every month in the Report 13 sent to the SBS.

### **24. Subsequent Events**

COFIDE is not aware of any subsequent event occurring between the closing date and the issuing date of these consolidated financial statements that may affect it significantly.

- On January 26, 2022, the Second Issuance of the Third Program of Short-Term Instruments was carried out corresponding to nominative, indivisible, freely negotiable debt instruments, which will be represented by book entries through CAVALI for thousands of S/ 53,500 whose maturity will be until January 20, 2023.
- On January 26, 2022, through a Special Stockholders' Meeting and a General Stockholders' Meeting, the following was approved:
  - The conversion of 938,386 Class "C" shares into Class "A" shares, as well as their exclusion and delisting from the Class C shares of the Public Registry of the Securities Market and the Securities Registry of the Lima Stock Exchange.
  - Reducing the capital stock from thousands of S/ 1,950,220, to the sum of S/ 1,947,092 is that is, reduce by S/ 3,128 thousand, as a result of the amortization of the Class "B Preferred" shares held by COFIDE as a result of the repurchase of Class "B Preferred" shares. "Carried out by COFIDE during fiscal years 2020 and 2021, in accordance with Article 104 and numeral 1 of Article 216 of law societies, an operation that is subject to the authorization of the SBS.
  - Cancellation of 3,128 thousand Class "B Preferred" shares, fully subscribed and fully paid, with a nominal value of S/ 1.00 each.