



# FINANCIAL STATEMENTS

Two-headed snake, gold piece, Frias Culture.  
*Hugo Cohen Collection.*



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

## INDEPENDENT AUDITORS' REPORT

### **To the Directors of Banco Central de Reserva del Perú**

We have audited the accompanying financial statements of Banco Central de Reserva del Perú, which comprise the statement of financial position as of December 31, 2020 and 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and explanatory 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 the accounting policies described in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the 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 its 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 Central Bank'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 Central Bank'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 Banco Central de Reserva del Perú as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with the accounting policies described in note 2 to the financial statements.

Lima, Peru,

February 26, 2020

Countersigned by:

*Caipo y Asociados*

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

Eduardo Alejos P. (Partner)  
Peruvian CPA Registration 29180

## STATEMENT OF FINANCIAL POSITION

As of December 31, 2020 and 2019

	<u>Note</u>	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Assets</b>			
<b>Gross international reserves</b>			
Cash in foreign currency		181,280	165,913
Deposits at foreign banks	3	66,774,135	62,320,212
Deposits at foreign organizations	4	2,699,723	2,468,937
Securities from international institutions	5	189,558,933	152,435,590
Gold	6	7,645,245	5,607,843
Contributions to international organizations	7	4,071,456	3,210,933
Other available assets		88,753	163,162
		<u><b>271,019,525</b></u>	<u><b>226,372,590</b></u>
<b>Other foreign assets</b>			
Contributions in domestic currency to the IMF	7	5,171,941	4,926,721
Other external assets	11(b)	72,360	66,220
		<u><b>5,244,301</b></u>	<u><b>4,992,941</b></u>
<b>Domestic credit</b>			
	8		
To banks		58,686,202	17,077,791
To public sector		4,316,297	2,659,746
To financial enterprises		228,841	42,042
To other entities and funds		4,019,802	130,465
		<u><b>67,251,142</b></u>	<u><b>19,910,044</b></u>
Property, plant and equipment, Net	9	157,883	164,804
Other assets	10	264,364	273,356
<b>Total assets</b>		<u><b>343,937,215</b></u>	<u><b>251,713,735</b></u>
<b>Off balance sheet accounts</b>	20	<u>183,649,314</u>	<u>118,579,709</u>

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

	<u>Note</u>	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Liabilities</b>			
Reserves Liabilities		729,920	178,663
<b>Other foreign liabilities</b>			
Equivalent of the contribution in domestic currency to the IMF	7(b)	5,171,941	4,926,721
Other foreign liabilities	11	3,254,533	2,863,205
		<u>8,426,474</u>	<u>7,789,926</u>
<b>Sterilized stock</b>			
Issued securities in circulation	12	47,381,052	27,984,849
Deposits in domestic currency	13	105,262,769	47,810,167
		<u>152,643,821</u>	<u>75,795,016</u>
<b>Monetary base</b>			
	14		
Currency in circulation		82,688,894	62,099,221
Deposits in domestic currency		3,297,749	2,465,469
		<u>85,986,643</u>	<u>64,564,690</u>
Deposits in foreign currency	15	55,025,972	76,000,499
Other liabilities	16	7,142,275	11,585,648
<b>TOTAL LIABILITIES</b>		<u>309,955,105</u>	<u>235,914,442</u>
<b>Net Equity</b>			
	17		
Capital		1,182,750	1,182,750
Legal reserve		1,182,750	1,182,750
Special statutory reserve		1,832,701	440,470
Fair value reserve		1,834,165	808,304
Profit or loss for the period		1,733,255	1,856,308
<b>Capital, reserves and results</b>		<u>7,765,621</u>	<u>5,470,582</u>
Adjustment for valuation – Article 89 of Organic Act	17.E	26,216,489	10,328,711
<b>Total equity</b>		<u>33,982,110</u>	<u>15,799,293</u>
<b>TOTAL LIABILITIES AND NET EQUITY</b>		<u>343,937,215</u>	<u>251,713,735</u>
<b>Off balance sheet accounts</b>	20	<u>183,649,314</u>	<u>118,579,709</u>

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

	<u>Note</u>	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Financial revenues</b>			
Interest on deposits at foreign banks	3(b)	476,007	1,283,334
Net return on securities	5	2,202,492	2,732,147
Return on operations with derivative instruments	20(b)	320,777	772,107
Interest on international agreements and deposits at the IMF		16,615	33,113
Profits and dividends from international institutions		66,024	54,426
<b>Return on gross international reserves</b>		<b>3,081,915</b>	<b>4,875,127</b>
Interest and fees on domestic credit operations	8(c)	539,140	424,823
Other financial income	20(e)	38,684	19,633
<b>Total financial income</b>		<b>3,659,739</b>	<b>5,319,583</b>
Non-financial income		9,042	12,147
<b>Total income</b>		<b>3,668,781</b>	<b>5,331,730</b>
<b>Financial expenses</b>			
Interest on other abroad liabilities	11(c)	(5,833)	(27,969)
Interest on securities in circulation	12	(515,167)	(736,767)
Interest on domestic currency deposits	13	(656,080)	(921,595)
Interest on foreign currency deposits	15	(276,715)	(1,395,887)
Other financial expenses	20(e)	(123,863)	(15,288)
<b>Total financial expenses</b>		<b>(1,577,658)</b>	<b>(3,097,506)</b>
Operational expenses	21	(266,289)	(276,631)
Issuance expenses and costs	22	(91,579)	(101,285)
<b>Total expenses</b>		<b>(1,935,526)</b>	<b>(3,475,422)</b>
<b>Net profit (loss)</b>		<b>1,733,255</b>	<b>1,856,308</b>
Other comprehensive income	5 and 8(b)	1,025,861	1,335,175
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>2,759,116</b>	<b>3,191,483</b>

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

**STATEMENT OF CHANGES IN EQUITY**

For the years ended December 31, 2020 and 2019

	Note	Capital stock	Legal reserve	Special statutory reserve	Fair value reserve	Accumulated results	Total capital, reserves and results	Adjustment for valuation – Article 89 of Organic Act	Total equity
		(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
<b>Balance as of January 1, 2019</b>		<b>1,182,750</b>	<b>804,934</b>	-	<b>(526,871)</b>	<b>1,091,049</b>	<b>2,551,862</b>	<b>11,558,501</b>	<b>14,110,363</b>
Net profits		-	-	-	-	1,856,308	1,856,308	-	1,856,308
Other comprehensive income	17.C	-	-	-	1,335,175	-	1,335,175	-	1,335,175
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,335,175</b>	<b>1,856,308</b>	<b>3,191,483</b>	<b>-</b>	<b>3,191,483</b>
Transfer to legal reserve	17.B	-	377,816	-	-	(377,816)	-	-	-
Transfer to special statutory reserve	17.B	-	-	440,470	-	(440,470)	-	-	-
Transfer of profits to Public Treasury	17.D	-	-	-	-	(272,763)	(272,763)	-	(272,763)
Adjustment for valuation – Article 89 of Organic Act	17.E	-	-	-	-	-	-	(1,229,790)	(1,229,790)
<b>Balance as of December 31, 2019</b>		<b>1,182,750</b>	<b>1,182,750</b>	<b>440,470</b>	<b>808,304</b>	<b>1,856,308</b>	<b>5,470,582</b>	<b>10,328,711</b>	<b>15,799,293</b>
<b>Balance as of January 1, 2020</b>		<b>1,182,750</b>	<b>1,182,750</b>	<b>440,470</b>	<b>808,304</b>	<b>1,856,308</b>	<b>5,470,582</b>	<b>10,328,711</b>	<b>15,799,293</b>
Net profits		-	-	-	-	1,733,255	1,733,255	-	1,733,255
Other comprehensive income	17.C	-	-	-	1,025,861	-	1,025,861	-	1,025,861
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,025,861</b>	<b>1,733,255</b>	<b>2,759,116</b>	<b>-</b>	<b>2,759,116</b>
Transfer to legal reserve	17.B	-	-	-	-	-	-	-	-
Transfer to special statutory reserve	17.B	-	-	1,392,231	-	(1,392,231)	-	-	-
Transfer of profits to Public Treasury	17.D	-	-	-	-	(464,077)	(464,077)	-	(464,077)
Adjustment for valuation – Article 89 of Organic Act	17.E	-	-	-	-	-	-	15,887,778	15,887,778
<b>Balance as of December 31, 2020</b>		<b>1,182,750</b>	<b>1,182,750</b>	<b>1,832,701</b>	<b>1,834,165</b>	<b>1,733,255</b>	<b>7,765,621</b>	<b>26,216,489</b>	<b>33,982,110</b>

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

**STATEMENT OF CASH FLOWS**

For the years ended December 31, 2020 and 2019

	<u>Note</u>	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Cash flows from operating activities</b>			
Net profits		1,733,255	1,856,308
<b>Adjustments to reconcile the profits to the cash and cash equivalents from operating activities</b>			
Depreciation of property, furniture and equipment	9	13,009	12,031
Amortization of intangible assets		1,555	1,849
Fixed assets writte-off		393	891
<b>Net changes in assets, liabilities and equity</b>			
Domestic credit		(47,341,098)	(4,102,472)
Other foreign assets		(251,360)	523,755
Other assets		7,437	13,309
Reserves liabilities		551,257	(382,326)
Other foreign liabilities		636,548	(581,893)
Securities in circulation		19,396,203	1,207,020
Deposits in domestic currency		57,452,602	5,996,711
Deposits of banks, financial enterprises and others (monetary base)		832,280	342,430
Deposits in foreign currency		(20,974,527)	12,542,126
Other liabilities		(4,443,373)	3,158,093
Fair value reserve		1,025,861	1,335,175
Adjustment for valuation – Article 89 of Organic Act		15,887,778	(1,229,790)
Transfer of profits to Public Treasury	17.D	(464,077)	(272,763)
<b>Cash and cash equivalents from operating activities</b>		<b><u>24,063,743</u></b>	<b><u>20,420,454</u></b>
<b>Cash flows from investing activities</b>			
Additions to property, furniture and equipment	9	(6,481)	(12,600)
<b>Cash and cash equivalents used in investing activities</b>		<b><u>(6,481)</u></b>	<b><u>(12,600)</u></b>
Net increase (decrease) in cash and cash equivalents		24,057,262	20,407,854
Cash and cash equivalents at the beginning of the year		164,273,369	143,865,515
<b>Cash and cash equivalents at the end of the year</b>	2.B(o)	<b><u>188,330,631</u></b>	<b><u>164,273,369</u></b>

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



**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2020 and 2019

**1. OPERATIONS**

Banco Central de Reserva del Perú (hereinafter the Central Bank) is an autonomous legal institution of public law incorporated on March 9, 1922, intended to preserve monetary stability in Peru. Its activities are currently governed by Article 84 of the Political Constitution of Peru, dated December 29, 1993, and by the Organic Act approved by Decree-Law 26123, dated December 24, 1992 (hereinafter the Organic Act). According to the Organic Act, the Central Bank's functions are to regulate the money supply, manage international reserves, issue currency, and report on domestic finance.

The Central Bank's legal address and main office are located at Jr. Santa Rosa No. 441-445 (former Antonio Miró Quesada), Lima. It also has branches in 7 cities of Peru. As of December 31, 2020 and 2019, the Central Bank has 978 and 974 employees, respectively. They include bank workers, temporary workers, and workers with unpaid leave or unpaid temporary assignments.

The Central Bank represents Peru for the purposes specified in the articles of the agreements of the International Monetary Fund (IMF) and the Latin American Reserve Fund (FLAR, for its Spanish acronym) and is responsible for all operations and formal relationships with these organizations. The Central Bank may also act as a Peruvian Government agent in its relationships with multilateral credit organizations and financial agencies of foreign governments. The Central Bank has subscribed shares of the Bank for International Settlements (BIS), which is an organization responsible for promoting international financial and economic cooperation and serves as a bank for central banks.

According to the Organic Act, the Bank is not permitted to:

- Grant funds to the Public Treasury, except for acquisitions of securities issued by the Public Treasury in the secondary market in which case the annual increase in such security holding may not exceed at any moment, measured at acquisition cost, 5% of the monetary base at the end of the prior year.
- Grant credits or any other form of financing to financial institutions that have outstanding and past due obligations, as well as grant loans or advanced payments to its directors.
- Provide guarantees, letters of guarantee or any other guarantee, use any form of indirect financing, or grant any type of insurance, except for operations entered into by the Central Bank in implementing reciprocal payment and credit agreements.
- Provide resources to create special funds aimed at granting credits or making investments to promote non-financial economic activities.
- Issue securities, bonds or contribution certificates of mandatory acquisition.
- Set sector or regional percentages in the composition of the loan portfolio of financial institutions.
- Establish multiple exchange rates regimes.

- Purchase shares, except for those issued by international financial organizations or those needed to be acquired to strengthen banks or financial institutions; hold, directly or indirectly, shares in the capital of commercial, industrial or any other enterprises.
- Own properties additional to those needed for its activities and those transferred in payment of debts (sold within a term of less than 1 year after their acquisition).

The financial statements as of and for the year ended December 31, 2020, prepared in accordance with the accounting policies described in note 2, have been issued with management approval on January 15, 2021, and will be submitted for corresponding approval of the Board of Directors Meeting that will be held within the terms established by the Organic Act. In management's opinion, the accompanying financial statements will be approved without amendments. The Board of Directors Meeting, held March 5, 2020, approved the Company's financial statements as of and for the year ended December 31, 2019.

In 2020, the Peruvian government declared a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak, which was declared by the World Health Organization (WHO) as a global pandemic due to the rapid increase in the number of cases in more than 100 countries. Considering that, the Central Bank has implemented several monetary and financial measures in order to ensure the proper functioning of markets. Such measures included decreasing the reference interest rate to its historical minimum of 0,25%, as well as flexibility on reserve requirements, provision of liquidity to the financial system, including new liquidity facilities—e.g., repos of government-backed credit portfolio, which are included in the Reactiva Peru program. Other measures to reduce volatility of long-term interest rates and exchange rates are also included—e.g., Central Bank intervention through foreign exchange swaps.

### **Equity**

According to Article 93 of the Organic Act, if the Central Bank incurs losses, they shall be hedged by the reserve from prior year profits. If the legal reserve is not enough, the Public Treasury, within thirty days of the approval of the financial statement, issues and grants to the Central Bank interest bearing negotiable debt securities for the non-covered amount.

In order to cover the 2014 losses, on August 7, 2015, the Central Bank received from the Ministry of Economy and Finance (MEF) sovereign bonds and a promissory note for S/ 716 million, which mature in 20 years at an annual rate of 2.20%, and are payable at maturity or when the call option is exercised. The call option and amortization of interest, fees and other expenses incurred are charged to the Central Bank's profits corresponding to the Public Treasury, according to Article 92 of the Organic Act.

On August 14, 2020, 25% of the 2019 net profits was used to pay off the principal and accrued interest of these bonds for S/ 394 million and S/ 43 million, respectively. Also, S/ 27 million were transferred to a MEF's account in domestic currency (note 17.D).

Profits as of December 31, 2020 (S/ 1,733 million) are associated with revenues from investment in gross international reserves, which reflect higher accumulation in the year (US\$ 6,392 million). Such increase was partially offset by the lower average return recorded due to the lower international interest rates, as a consequence of USA Federal Reserve monetary stimulus. Likewise, a lower cost of sterilization was recorded, which was associated with the decrease in the BCRP reference interest rate, consistent with a policy of monetary stimulus on the context of COVID-19 outbreak, with a negative product gap, and inflation expectations near the midpoint of the inflation target range.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### A. Central Bank criteria

According to Article 88 of the Organic Act and the criteria approved by the Board of Directors, the accounting policies used by the Central Bank are:

- (a) The criteria approved by the Board of Directors based on its faculties (Article 88 of the Organic Act); and,
- (b) Peruvian Generally Accepted Accounting Principles (Peruvian GAAP) comprising the International Financial Reporting Standards (IFRS) issued and adopted by the International Accounting Standards Board (IASB), made official through resolutions issued by the Peruvian Accounting Board (CNC, for its Spanish acronym), effective December 31, 2020 and 2019, as applicable for the Central Bank, and the standards established by the Superintendency of Banking, Insurance and Pension Fund Administrator (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS). On July 17, 2020, the CNC made official the application of the 2020 edition of the Conceptual Framework in IFRS Standards, IFRSs from 1 to 17, IASs from 1 to 41, SICs from 7 to 32 and IFRICs from 1 to 23, Amendments to IAS 1 *Definition of Material*, and Amendments to IFRS 16 *COVID-19-Related Rent Concessions*. Also, on September 10, 2020, the CNC made official amendments to IASs 16, 37 and 41, and IFRSs 1, 3, 4 and 9.

The accounting policies established by the Board of Directors that differ from the Peruvian GAAP are mainly:

#### i. Recognition of changes in exchange rates

The Central Bank records adjustments for price valuation and exchange rates of assets and liabilities in gold, silver, currencies, Special Drawing Right (SDR) or other monetary units of international use in 'Adjustment for valuation – Article 89 of Organic Act' in the statement of changes in equity. According to the Peruvian GAAP, the results of the aforementioned valuations shall be included in profit or loss of the year in which they were generated. As of December 31, 2020 and 2019, this adjustment amounted to a decrease of S/ 15,888 million and an increase for S/ 1,230 million, respectively (notes 2.B(e) and 17.E).

BCRP indexed certificates of deposit (CDR BCRP, for its Spanish acronym) are recorded at face value, and the Central Bank recognizes the changes due to fluctuations in exchange rates in 'Adjustment for valuation – Article 89 of Organic Act' in the statement of changes in equity (paragraph (v) below).

#### ii. Recording of embedded derivatives

According to the Peruvian GAAP, an embedded derivative of a main (or host) agreement must be treated like separated derivative instruments and recorded at their fair value when the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract.

#### iii. Statement of cash flows

The preparation of the statement of cash flows is carry out by the Central Bank considering as cash and cash equivalents the items indicated in paragraph (2.B(o)) below. Consequently, the format and content of the statement of cash flows adjust to said definition. This accounting practice differs from provisions of the Peruvian GAAP.



**iv. Disclosure of financial instruments**

As of December 31, 2020 and 2019, the Central Bank has not fully applied the requirements of IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments*. IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

**v. Measurement of foreign exchange instruments**

The Central Bank has foreign exchange instruments such as: operations with held-for-trading instruments (note 2.B(e.i)), operations with CDR BCRP (note 2.B(k)) and operations with foreign exchange swaps (note 2.B(s)).

Gains and losses from changes in fair value and from exchange rates are recorded in Adjustment for valuation'– Article 89 of Organic Act' in equity, and it does not affect the profit or loss for the period in any case.

According to Peruvian GAAP, the aforementioned valuations shall be recorded as a gain or loss in the statement of profit or loss and other comprehensive income.

**vi. Securities issued by the MEF**

- The Central Bank receives bonds from the MEF to hedge any loss in compliance with Article 93 of the Organic Act (notes 1 and 17.D). Such bonds are recorded as financial assets at face value in 'Domestic credit' in the statement of financial position.

According to Peruvian GAAP, such bonds do not qualify as financial assets since their collection is through dividends paid by the entity to the Peruvian government (note 1).

- The Central Bank classifies the financial instruments in foreign currency issued by the MEF as investments measured at fair value through other comprehensive income (FVOCI). They are recorded in 'Domestic credit' in the statement of financial position. The fair value of these financial instruments is calculated based on market prices.

Changes in the fair value of these financial instruments acquired before December 31, 2015 are determined by comparing the carrying amount (acquisition cost) with the fair value, excluding the amortized cost. They are recorded in equity until the financial instrument is sold or realized. Premiums or discounts arising on the acquisition of the instrument are recorded as revenues or expense when such instrument is settled.

Changes in the fair value of these financial instruments acquired from January 1, 2016 are determined by comparing the fair value with the amortized cost, which is calculated using the effective interest method.

**vii. Changes in accounting policies**

In preparing the financial statements, the Central Bank used accounting policies that are consistent with those used in previous years, except for new accounting policies approved by the Board of Directors based on its faculties. Such policies are applicable from January 1, 2020.

The new accounting policies adopted by the Central Bank from January 1, 2020 are the following:

**Revenue recognition**

- a. The Central Bank's revenues are classified as financial and non-financial. Such revenues are recorded on an accrual basis, according to the terms laid down in the settled agreements, or the policies used for each activity. This implies the recording of income with counterpart to receivable accounts.
- b. Financial revenues, which represent the vast majority, comprise interest and fees on different transactions with financial instruments. Such revenues are recorded on an accrual basis, regardless of their collection.
- c. Non-financial revenues are recognized as such when the expected cash flows increase the assets of the Central Bank as a result of trading of goods or rendering of services, where one or more performance obligations have arisen from the Central Bank.
- d. Non-financial revenues from contracts with customers are recognized as individual contracts or contract portfolio, considering the following steps:
  - i. Contracts with customers are recognized when they are entered into verbally, in writing, or any other common practice. The counterparties' rights over goods and services, payment conditions, future cash flows that will vary in the Central Bank, and the probability of return on payment as a result of trading of goods or rendering of services.
  - ii. The individual performance obligations of the contract are identified, those performance obligations relating to the transfer of goods or rendering of services committed from the start—i.e., goods and services, and their transfer agreement can be identified separately.
  - iii. The transaction price is determined as a fixed or variable estimated amount. Therefore, the Central Bank expects to have the collection right and not to depend on other factors that are not under its control.
  - iv. The transaction price, is allocated among the individual performance obligations considered in the contract, according to the proportion of the selling price of each good or service considered separately.
  - v. Revenues are recognized when or as the Central Bank satisfies the performance obligations through the transfer of control (physical possession, compliance, risks and benefits inherent to legal ownership) of the goods and services underlying to the counterparty's obligation, and when the Central Bank is entitled to demand payment.

**Effects of changes in accounting policies**

The Central Bank modified its accounting policy applicable to revenue recognition in order to incorporate the criteria defined in IFRS 15 *Revenue from Contracts with Customers* – Central Bank's non-financial revenue – approved at the Board of Directors Meeting, held February 11, 2021. It is effective from January 1, 2020.

Modification on the aforementioned accounting policy did not have an effect on the records of carrying amounts of non-financial revenues, since not even one contract with more than a performance obligation requiring modification of the recognition method has been identified in any case. Accordingly, such modification did not have an effect on profit or loss, since revenue recognition did not change after the incorporation of the new accounting policy.

## **B. Accounting principles**

The main accounting principles and policies used in preparing these financial statements are the following:

### **(a) Basis of preparation and use of estimates**

The financial statements have been prepared in soles from the accounting records held by the Central Bank, in accordance with the accounting policies approved by the Central Bank's Board of Directors.

The preparation of the accompanying financial statements requires management to formulate estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of significant events in notes to the financial statements. Actual results may differ from these estimates. Estimates are reviewed on an ongoing basis and are based on historical experience and other factors. The most significant estimates related to the financial statements correspond to the valuation of securities from international institutions, which include investments at fair value through other comprehensive income - FVOCI, actuarial reserves for supplementing retirement, widow, health care and burial benefits, whose accounting principles are described in the notes to the financial statements.

### **(b) Financial instruments**

According to the Central Bank's policies, securities issued by the MEF are considered as financial assets and they are recognized and measured as indicated in notes 2.A(vi) and 2.B(r).

A financial instrument is classified as asset, liability, or equity according to the contract that gives rise to the financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as revenues or expenses. Financial instruments are offset when the Central Bank has a legally enforceable right to set them off, and management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets recognized in the statement of financial position correspond to gross international reserves, other external assets, domestic credit, assets recorded in 'other assets,' except for those classified as non-financial assets (note 10). Financial liabilities correspond to all liabilities, except for those classified as non-financial liabilities in 'other liabilities' (note 16). Recognition and measurement of these items are disclosed in the accounting policies described in this note.

#### **i. Initial recognition and measurement**

At initial recognition, financial instruments are measured at fair value, at the date of acquisition, plus transaction costs that are directly attributable to the acquisition of these instruments.

## ii. **Classification**

Securities from international entities are classified as investments at amortized cost and investments at FVOCI. The Central Bank does not use the category of financial assets at FVTPL.

### **Financial assets measured at amortized cost**

A financial asset is measured at amortized cost if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

### **Financial assets measured at FVOCI**

A financial asset is measured at fair value through other comprehensive income if the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

## iii. **Subsequent measurement**

### **Financial instruments measured at amortized cost**

A financial instrument is measured at amortized cost in order to amortize the premiums or discounts on such instrument from its acquisition date to its date of maturity using the effective interest rate. Amortization is recorded by increasing or decreasing the carrying amount of the instrument with counterpart on profit or loss for the period. Instruments acquired at face value are not amortized.

### **Financial instruments measured at FVOCI**

For securities from international institutions and securities issued by the Public Treasury:

- First, the instrument is measured at amortized cost in order to amortize the premiums or discounts on such instrument from its acquisition date to its date of maturity using the effective interest rate. Amortization is recorded by increasing or decreasing the carrying amount of the instrument with counterpart on profit or loss for the period. Financial instruments acquired at face value are not amortized.
- In addition, an instrument classified as measured at FVOCI is also measured on a daily basis at market prices, comparing them with the instrument's last amortized cost or acquisition cost (if it has been recently acquired). Adjustments to market prices are recorded by increasing or decreasing the carrying amount of the instrument with counterparty to 'fair value reserve' in equity.



Fair value is the market price provided on a daily basis by Bloomberg. In management's opinion, such information reflects reasonably the fair value of investments in international securities, considering the market data and accounting policies established by the Board of Directors.

When the investment is sold or realized, gains or losses previously recognized in equity are reclassified to profit or loss, excluding effects of exchange differences that are recorded as indicated in paragraph (d) below. If the decrease in the market price of investments is permanent or due to an impairment, the Central Bank recognizes a provision that affects profit or loss.

If the decrease in the market price of investments is permanent or due to an impairment, the Central Bank recognizes a provision that affects profit or loss.

Interest earned is calculated and recorded using the nominal interest rate (coupon rate) on the face value of the investment. It is recorded in 'net yield on securities' in the statement of profit or loss and other comprehensive income.

**(c) *Cost and expense recognition***

Interest revenues and expense are calculated using the effective interest method (amortized cost) and are recognized in profit or loss of the period on an accrual basis, depending on the term of the generating operations and the agreed interest rates, except for interest related to investments that are recognized as indicated in paragraph (b) above. Interest revenues include the yields on investments in securities from international institutions.

Gains and losses generated by embedded derivatives not related to the exchange rate of investments are recognized in profit or loss for the period on the date of maturity.

Other revenues and expenses are recognized as earned or incurred in the period in which they are accrued.

When there are reasonable uncertainties regarding the collectability of the principal of a financial instrument, interest is recognized as revenues if there is reasonable certainty of collection.

**(d) *Foreign exchange transactions***

The Central Bank prepares and presents its financial statements in soles, which is its functional and presentation currency.

Assets and liabilities in foreign currency are recorded at the exchange rate of the date in which transactions are settled and are stated in soles using the buying rate established by the SBS for operations in U.S. dollars. Balances in other currencies are expressed according to the exchange rates provided by Bloomberg (note 24.B(iii)).

For paying the liabilities in foreign currency to the Central Bank's suppliers and recording the tax withholding, as applicable, the Central Bank uses the average of the U.S. dollar selling rate related to sol published by the SBS.

The Central Bank records the exchange rate adjustment in 'Adjustment for Valuation – Article 89 of Organic Act' in equity.



**(e) Derivative instruments**

The Central Bank holds held-for-trading instruments and embedded derivatives.

**i. Held-for-trading instruments**

The reference value (committed face value) of forward and future operations is recorded in 'off-balance sheet accounts' (notes 20(b) and 20(d)), which are subsequently measured at fair value. Fair value is calculated based on exchange rates, interest rates and market prices.

Interest on investment of the underlying asset plus the higher amount received in the currency used for foreign exchange swaps (using the spot exchange rate and the forward exchange rate), which corresponds to the increase in currency from basis points, are recorded in the statement of profit or loss and other comprehensive income. Thus, the effects recorded in 'Adjustment for Valuation – Article 89 of Organic Act' in equity correspond to the measurement of the underlying asset during the term of the foreign exchange swap plus (less) the exchange rate effects from changes in the foreign currency with respect to the domestic currency.

Gains and losses from changes in the fair value of future and forward operations are recorded in 'Yield from transactions with derivative instruments' in the statement of profit or loss and other comprehensive income and in 'Adjustment for Valuation – Article 89 of Organic Act' from net equity, respectively. Assets and liabilities are recognized in the statement of financial position, as applicable.

**ii. Embedded derivatives**

The Central Bank recognizes the measurement of instruments containing embedded derivatives at the reporting date, affecting the 'fair value reserve' from net equity. The measurement of instruments, without separating the embedded derivative from its host contract, is obtained from Bloomberg. The effects of the measurement of instruments are recorded on the date of maturity in 'net yield on securities' in the statement of profit or loss and other comprehensive income. As of December 31, 2020 and 2019, the Central Bank does not have instruments containing embedded derivatives.

**(g) Gold**

Gold holdings are measured using the quoted prices in the New York marketplace provided by Bloomberg. The results of such measurement are recorded in 'Adjustment for Valuation – Article 89 of Organic Act' in equity.

**(h) Contributions to international organizations**

This caption corresponds to contributions made by the Central Bank to the IMF, FLAR and BIS recorded at face value, which represents their acquisition cost, since it is the amount that the Central Bank would be entitled to receive if it ceases to be a member of any of such organizations. These contributions cannot be negotiated with third parties.

Returns on such contributions are recognized when accrued, and dividends when declared.

**(j) Collections**

Collections mainly correspond to artworks (archeological objects, paintings, sculptures, among others) and collectible coins acquired or received as donation. They are measured at their acquisition cost or face value. Due to their nature, these assets are considered to have an indefinite useful life. Therefore, they are not depreciated and are recorded in 'other assets' in the statement of financial position (note 10 (b)). The acquisition cost of donated assets is recorded in 'other income' in the statement of profit or loss and other comprehensive income and is determined based on the fair value measured by specialists when they are received.

**(i) Property, furniture and equipment**

**Recognition and measurement**

An item of property, furniture and equipment is recorded at its acquisition cost less accumulated depreciation and any accumulated impairment losses. Repair and maintenance costs are charged to profit or loss, and significant renewals and improvements are capitalized when: i) it is probable that future economic benefits associated with the asset will flow to the Central Bank; and ii) the cost can be measured reliably. Cost and accumulated depreciation of disposed of or sold assets are removed from their accounts, and any resulting gain or loss is recorded in profit or loss for the period.

Work-in-progress and in transit are measured at acquisition cost and are not depreciated until they are in working condition.

**Depreciation**

Land is not depreciated. Depreciation of assets is calculated on a straight-line basis using the following estimated useful lives:

	<u>Years</u>
Buildings and other constructions	100
Machinery and equipment	10
Vehicles	5
IT equipment	3

**(j) Impairment of long-lived assets**

Whenever events or changes in the economic environment indicate that the carrying amount of a long-lived tangible asset may not be recovered, the Central Bank reviews the carrying amount of its assets in order to verify if there is no permanent impairment in their values.

When the carrying amount of a tangible asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit or loss and other comprehensive income. The recoverable amount is the higher of net selling price and value in use. Net selling price is the amount that would be received from selling a tangible asset in a free market. Value in use is the present value of the estimated future cash flows expected to be provided by the continuous use of an asset and its subsequent disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if not possible, for each cash-generating unit.

Management annually assesses whether the carrying amount exceeds the recoverable amount of long-lived tangible assets based on available market data.

**(k) Sterilized stock**

This caption corresponds to liabilities in domestic currency. It comprises securities in circulation and deposits in domestic currency from the public sector and financial institutions, which are not included in reserve requirements. The sterilized stock is the result from the Central Banks' monetary operations to withdraw liquidity from the financial system and deposits of financial institutions which, in case of reversal, would imply an increase in the monetary base.

Issued securities in circulation are measured at face value, and accrued interest is recognized in profit or loss for the year. Discounts granted at placement are deferred and amortized during the term of the instrument using the effective interest rate method.

The CDR BCRP's carrying amount is adjusted for changes in the exchange rate of the U.S. dollar with respect to the sol. Those changes are recognized in 'Adjustment in Valuation – Article 89 of Organic Act' from net equity.

**(l) Currency in circulation**

This caption includes banknotes and coins in legal tender issued by the Central Bank, which are held by the public and are recorded as liabilities at face value in 'monetary base' in the statement of financial position.

Currency not in circulation and kept in the Central Bank's vaults are recorded at face value in off-balance sheet accounts.

**(m) Employee benefits**

According to Article 58 of the Bylaws, the Central Bank annually transfers resources to the Fund for Diseases, Insurance and Pensions of the Central Bank's Employees (hereinafter the Fund) to meet the payment of obligations to its employees. The amount of transfers from the Central Bank to the Fund is approved on an annual basis by the Board of Directors.

The Central Bank has the following defined benefit plans:

- Supplementing retirement, widow, and burial benefits; and
- Other supplementing retirement benefits, related to health care benefits granted by the Central Bank.

The cost to the Central Bank of granting the benefits included in defined benefit plans is estimated separately for each plan using the projected unit credit method. Actuarial gains and losses of the defined benefits plans are fully recognized in profit or loss of the period in which they occur.

Assets or liabilities for defined benefits include the present value of the defined benefit obligation, which is determined using mortality tables and a discount rate based on high-quality corporate bonds (note 16), less the past service cost and the fair value of the plan assets required to settle said obligations. Plan assets comprise assets held by a long-term employee benefit fund. Plan assets are not available to the Central Bank's creditors and cannot be directly paid to the Central Bank. The fair value of these assets is measured based on market data.

The Fund's net assets, which are considered by the Central Bank to reduce the liabilities of the actuarial reserve, comprise the value of deposits and loans, net of obligations.

Supplementing retirement, widow, health care and burial benefits and other benefits less present value of the Fund's net assets, are recorded in 'other liabilities' in the statement of financial position (note 16).

**(n) Operational expenses and issuance costs of currency**

Operational expenses and costs of transporting currency are recognized in profit or loss of the period in which they are incurred.

Cost of minting coins and coin blanks includes the cost of raw materials, labor costs and production overheads.

At initial recognition, printing costs of banknotes and cost of minting coins are recognized in 'other assets' in the statement of financial position (note 10(a) and (c)), and are subsequently recognized in profit or loss of the period in which currency is available for circulation for the first time.

**(o) Cash and cash equivalents**

Cash and cash equivalents comprises gross international reserves, net of currency in circulation recorded in 'monetary base' in the statement of financial position. As of December 31, this caption comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Gross international reserves	271,019,524	226,372,590
<b>Less:</b>		
Currency in circulation	<u>(82,688,894)</u>	<u>(62,099,221)</u>
<b>Cash and cash equivalents</b>	<b><u>188,330,630</u></b>	<b><u>164,273,369</u></b>

The difference between total gross international reserves and liabilities reserves (consisting of obligations with international institutions) represents net international reserves. Such gross international reserves reflect the international liquidity of the country and its financial capacity in relation to other countries. They correspond to the Central Bank's available resources to meet its obligations in foreign currency.

**(p) Provisions**

A provision is only recognized when the Central Bank has a present (legal or implicit) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the best estimates as of the date of the statement of financial position. Where the effect of the time value of money is material, the amount of a provision shall be the present value of future payments expected to be required to settle the obligation.

Expenses related to a provision are shown in the statement of profit or loss and other comprehensive income, net of any related refunds.

**(q) Contingencies**

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

of resources embodying economic benefits to cover a contingent liability 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 resources embodying economic benefits is probable.

**(r) Domestic credit**

Domestic credit comprises the following:

- Repos of government-backed credit portfolio represented in securities, in which the participant entity sell government-backed credit portfolio represented in securities to the Central Bank. Such entities receive in return domestic currency and agree to repurchase those securities at a later date against a payment in domestic currency. These agreements are part of the Reactiva Peru program. Such program was elaborated in order to promote financing the replenishment of working capital funds to entities facing short-term payments and obligations with their employees and goods and services providers, to ensure that the economy's chain of payments is not interrupted. Repurchase agreements of securities are recognized as assets in the statement of financial position with balancing entry in 'deposits of financial enterprises'. The amounts placed in these agreements correspond to the guaranteed amounts of the credits subject to such agreements.
- Repos of credit portfolio represented in securities, in which the participant entities sell credit portfolio represented in securities to the Central Bank. Such entities receive in return domestic currency (selling amount) and agree to repurchase those securities at a later date against a payment in domestic currency. Repurchase agreements of securities are recognized as assets with balancing entry in 'deposits of financial enterprises' in the statement of financial position.
- Investments in securities issued by the MEF, which are recognized and classified as investments at FVOCI. They are initially recognized and subsequently measured in accordance with the criteria included in note 2.A(vi).
- Securities received from the MEF to hedge losses according to Article 93 of the Organic Act (note 1), which are recorded at their face value and accrue interest at agreed-upon interest rates (coupon rate).
- Security repurchase agreements (Repo transactions) used to inject liquidity in domestic currency into financial institutions. This operation involves the purchase of securities at the commencement date of the operation, when financial institutions transfer the ownership of securities to the Central Bank, and at the maturity date of the operation financial institutions repurchase the same securities, and the Central Bank transfers back the ownership of such securities. Repurchase agreements of securities are recognized as assets in the statement of financial position, with balancing entry in 'deposits of financial enterprises'.
- Currency repurchase agreements involve operations in which a market participant sells a domestic or foreign currency to the Central Bank in exchange for a foreign or domestic currency, and agrees to repurchase the sold currency at a later date at current market exchange rates. Currency repurchase agreements are recognized as assets in the statement of financial position with balancing entry in 'deposits of financial enterprises' in the currency lend.

**(s) Foreign exchange swaps**

Foreign exchange swaps, whose notional value is recorded in off-balance sheet accounts (note 20(e)), involves operations in which one counterparty pays a variable interest rate over a domestic currency notional amount, and the other counterparty pays a fixed interest rate, over an equivalent notional amount in U.S. dollars, and also pays the exchange difference on the notional value in U.S. dollars.

The Central Bank calculates outstanding interest and interest payable, which are recognized in 'other financial income' and 'other financial expenses' in the statement of profit and loss and other comprehensive income in the period in which they are accrued, and are credited to 'other assets' and 'other liabilities' in the statement of financial position, respectively. Similarly, the exchange difference on the face value in U.S. dollars is recognized in 'Adjustment for valuation – Article 89 of Organic Act' in equity, and is credited to 'assets' and 'liabilities,' as appropriate.

Upon maturity date, the Central Banks settles the operation in soles using prevailing market exchange rates.

**(t) Subsequent events**

Events after the end of the reporting period that provide additional information about the financial situation of the Central Bank at the date of the statement of financial position (adjusting events) are included in the financial statements. Significant subsequent events after the reporting period that are non-adjusting events are disclosed in notes to the financial statements.

**C. New accounting pronouncements**

A number of new amendments have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2021.

Amendments	Effective date
<i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022 to existing contracts on the adoption date. Early adoption is permitted.
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
<i>Property, Plant and Equipment – Proceeds before Intended Use</i> (Amendments to IAS 16)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after January 1, 2021. Early adoption is permitted.

Since the aforementioned standards are solely adopted in addition to those established by the Organic Act and those issued by the Central Bank's Board of Directors, such standards will not have a significant effect on the preparation of the financial statements. The Central Bank has not measured the effects of adopting such standards in the preparation of the financial statements, if adopted.

### 3. DEPOSITS AT FOREIGN BANKS

As of December 31, this caption comprises the following:

	Note	2020 (S/ 000)	2019 (S/ 000)
Term deposits (a)		66,653,412	62,237,563
Outstanding interest on term deposits (b)		17,555	79,544
		<b>66,670,967</b>	<b>62,317,107</b>
Demand deposits		6,063	3,028
Outstanding interest on gold deposits	6(b)	23	77
Portfolio in external administration deposits at foreign entities (c)		88,290	-
Investment in external administration guarantee at foreign entities (d)		8,792	-
		<b>66,774,135</b>	<b>62,320,212</b>

- (a) As of December 31, 2020 and 2019, term deposits are held at tier 1 foreign banks, accrue interest at international market rates and are mainly stated in U.S. dollars for US\$ 18,423 million and US\$ 16,082 million, respectively.

In 2020, deposits with foreign banks accrued interest at an annual interest rate of 0.36% (2019: 1.66%).

- (b) In 2020 and 2019, the Central Bank recognized interest revenues on deposits at foreign banks for S/ 476 million and S/ 1,283 million, respectively. They are recorded in 'financial revenues' in the statement of profit or loss and other comprehensive income.
- (c) As of December, 2020, it corresponds to call accounts for US\$ 20 million and guarantee deposits for derivative instruments for US\$ 4 million.
- (d) As of December 31, 2020, it corresponds to guarantees for foreign exchange swap operations for US\$ 2,4 million.

### 4. DEPOSITS AT FOREIGN ORGANIZATIONS

As of December 31, 2020 and 2019, this caption corresponds to deposits at the IMF stated in SDR, which accrue interest at annual interest rates of 0.08% and 0.74%, respectively. They do not have free withdrawal option, except when there are actual or potential cash-flow problems or balance of payments problems that require financial assistance from the IMF, or when there is a request of withdrawal from the membership of this international organization.

## 5. SECURITIES FROM INTERNATIONAL INSTITUTIONS

As of December 31, this caption comprises the following:

	2020			2020		
	Cost (i) (\$'000)	Unrealized gains and losses		Cost (i) (\$'000)	Unrealized gains and losses	
		Increase (\$'000)	Decrease (ii) (\$'000)		Increase (\$'000)	Decrease (ii) (\$'000)
			Carrying amount (iii) (\$'000)			Carrying amount (iii) (\$'000)
<b>Financial assets measured at FVOCI</b>						
<b>At local entities</b>						
Short-term foreign currency certificates of deposit (vi)	635,175	-	635,175	19,106,376	-	19,106,376
Short-term sovereign securities (iv)	71,443,556	378,206	71,821,242	50,007,545	22,428	50,022,775
Short-term supranational securities (v)	5,333,178	6,149	5,339,327	4,296,772	8,157	4,304,280
Long-term sovereign securities (iv)	93,939,841	1,032,733	94,969,494	73,512,645	625,472	74,093,586
Long-term supranational securities (v)	10,121,249	265,301	10,385,896	4,171,954	169,221	4,341,061
	<b>181,472,999</b>	<b>1,682,389</b>	<b>183,151,134</b>	<b>151,095,292</b>	<b>825,278</b>	<b>151,868,078</b>
Accrued interest	-	-	491,168	-	-	567,512
			<b>183,642,302</b>			<b>152,435,590</b>
<b>At foreign entities</b>						
Short term securities – PIMCO	963,943	342	964,274	-	-	-
Fixed income securities – PIMCO	1,866,310	3,658	1,869,692	-	-	-
Fixed income securities – Amundi	1,283,596	7,721	1,289,826	-	-	-
Fixed income securities – BNP Paribas	1,779,423	1,923	1,780,184	-	-	-
	<b>5,893,272</b>	<b>13,644</b>	<b>5,903,976</b>	-	-	-
Accrued interest	-	-	12,655	-	-	-
			<b>5,916,631</b>			<b>152,435,590</b>
			<b>189,558,933</b>			<b>152,435,590</b>

- (i) It corresponds to the amortized cost.
- (ii) It corresponds to the temporary decrease in the market price of investments.
- (iii) It corresponds to the estimated market price for financial assets measured at FVOCI.
- (iv) As of December 31, 2020 and 2019, it corresponds to securities issued by central governments. The Central Bank's portfolio is mainly invested in sovereign bonds issued by the U.S. Government.
- (v) As of December 31, 2020 and 2019, it corresponds to securities issued by supranational entities, such as the Bank for International Settlements (BIS), for its Spanish acronym), European Investment Bank (EIB), International Bank for Reconstruction and Development (IBRD), BIS, Asian Development Bank, among others.
- (vi) As of December 2020 and 2019, it mainly includes bankers' acceptance.



During 2020, the delegation scheme of a part of the investment portfolio of international reserves held at tier 1 foreign financial institutions was maintained. Such institutions manage the portfolios under the guidelines established by the Central Bank. Accordingly, the following firms render services to the Central Bank from July 2020: BNP Paribas Asset Management USA, Inc., Pacific Investment Management Company LLC. and Amundi Asset Management, which are located in the USA.

As of December 31, 2020 and 2019, maturities and nominal interest rates of investments are as follows:

	Maturity		Nominal interest rate (i)						
	2020		2019		2020		2019		
	2020	2019	US\$	Other currencies	US\$	Other currencies	Min. %	Max. %	
<b>Financial assets measured at FVOCI</b>									
<b>At local entities</b>									
Short-term foreign currency certificates of deposit	Jan. 2021/Jan. 2021	Jan. 2020/Feb. 2020	0.30	0.23	0.24	2.08	2.30	(0.45)	1.96
Short-term sovereign securities	Jan. 2021/Dec. 2021	Jan. 2020/Dec. 2020	0.22	(0.29)	6.50	1.25	2.75	(0.49)	4.75
Short-term supranational securities	Jan. 2021/Dec. 2021	Jan. 2020/Nov. 2020	0.19	2.25	6.00	1.63	3.00	0.63	5.75
Long-term sovereign securities	Jan. 2022/Sept. 2025	Jan. 2021/May 2023	0.13	0.13	6.00	1.13	3.13	0.50	6.50
Long-term supranational securities	Jan. 2022/Oct. 2025	Jan. 2021/Sept. 2022	0.13	0.30	6.00	1.63	3.00	1.70	6.00
<b>At foreign entities</b>									
Short term securities – PIMCO	Jan. 2021/June 2021	-	0.00	-	-	-	-	-	-
Fixed income securities – PIMCO	Dec. 2021/Dec. 2050	-	0.13	0.25	2.50	-	-	-	-
Fixed income securities – Amundi	Mar. 2021/June 2050	-	0.13	0.00	4.75	-	-	-	-
Fixed income securities – BNP Paribas	June 2021/Feb. 2050	-	0.00	-	-	-	-	-	-

(i) It corresponds to the coupon rate for investments in bonds, and the discount rate for certificates of deposit, bankers' acceptance, commercial papers, and other fixed income securities, excluding premiums or discounts obtained on the acquisition date of the instruments at coupon rate.

As of December 31, 2020 and 2019, securities from international entities are tier 1 and low-risk financial instruments. Securities from international entities or foreign public enterprises have risk ratings of at least A+, according to the credit rating agencies: Moody's and Standard & Poor's. Certificates of deposit and bankers' acceptance have a risk rating of at least A, according to the credit rating agencies: Fitch Group, Standard & Poor's and Moody's. These securities accrue interest at international market rates and are held at tier 1 foreign banks.

The following table shows the maturities of financial assets measured at FVOCI, excluding interest:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Less than 3 months	46,985,311	56,744,358
3–12 months	31,727,670	16,689,073
1–3 years	102,381,942	75,586,328
3–5 years	4,790,649	1,047,665
More than 5 years	<u>3,169,538</u>	<u>1,800,654</u>
<b>Total</b>	<b><u>189,055,110</u></b>	<b><u>151,868,078</u></b>

In 2020 and 2019, the Central Bank recognized revenues from net return on securities for S/2,202 million and S/2,732 million, respectively. They are recorded in 'financial income' in the statement of profit or loss and other comprehensive income. Likewise, in 2020 and 2019, it recognized an increase of S/ 1,026 million and S/ 1,135 million, respectively, in 'fair value reserve' in equity (note 17.C).

## 6. GOLD

As of December 31, this caption comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
<b>In Peru</b>		
Gold coins (a)	3,787,680	2,778,514
Provision for costs of converting gold into high purity or good delivery gold bars	<u>(2,470)</u>	<u>(2,261)</u>
	<b><u>3,785,210</u></b>	<b><u>2,776,253</u></b>
<b>Abroad</b>		
Gold bars (b)	<u>3,860,035</u>	<u>2,831,590</u>
<b>Total</b>	<b><u>7,645,245</u></b>	<b><u>5,607,843</u></b>

(a) As of December 31, 2020 and 2019, it corresponds to 552,101 gold troy ounces in commemorative coins deposited in the vaults of the Central Bank, which are valued at quotation value per troy ounce.

(b) As of December 31, 2020 and 2019, it corresponds to 562,647 gold troy ounces in high purity or good delivery gold bars deposited in tier 1 foreign banks under term deposits.

As of December 31, 2020, such term deposits accrue interest at an annual interest rate between 0.020% and 0.035%, and have a term between 20 and 21 days from the date of their constitution (2019: accrued interest at an annual interest rate between 0.01% and 0.03%, and had term between 88 and 153 days from the date of their constitution).

The accrued interest in 2020 and 2019, was recorded in 'deposits at foreign banks' in the statement of financial position (note 3).

## 7. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

As of December 31, this caption comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Contributions to the FLAR (a)	1,949,906	1,722,275
Contributions to the IMF (b)	1,779,132	1,187,792
Contributions to the BIS (c)	342,418	300,866
	<b><u>4,071,456</u></b>	<b><u>3,210,933</u></b>

- (a) This contribution grants Peru access to financing facilities from the FLAR. As of December 31, 2020, contributions paid to the FLAR amount to US\$ 539 million, equivalent to S/ 1,950 million (2019: US\$ 520 million equivalent to S/ 1,722 million). As of December 31, 2020 and 2019, Peru's participation in the FLAR is 17% of the subscribed capital. Likewise, as of December 31, 2020, the Central Bank holds contributions pending capitalization for US\$ 125 million, equivalent to S/ 451 million (2019: US\$ 143 million equivalent to S/ 475 million), which were recorded as outstanding accounts and accounts payable, and are recorded, net, in the statement of financial position (note 2.B(g)).
- (b) Contribution to IMF grants Peru access to IMF's financing facilities. The IMF determines Peru's contribution as a participating country, which, as of December 31, 2020 and 2019, amounts to SDR 1,335 million; made up by contributions in SDR and soles. As of December 31, 2020 and 2019, Peru's participation in the total quota subscriptions of the IMF's member countries is 0.28% and comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
<b>Contribution in SDR</b>		
Contribution to the IMF in SDR (i)	1,779,132	1,187,792
<b>Domestic currency contributions</b>		
Contribution to the IMF, equivalent in domestic currency (ii)	5,132,010	4,945,577
Revaluations to be settled – contribution to the IMF in domestic currency (iii)	39,931	(18,856)
	<b><u>5,171,941</u></b>	<b><u>4,926,721</u></b>
<b>Total contribution to the IMF</b>	<b><u>6,951,073</u></b>	<b><u>6,114,513</u></b>

- (i) As of December 31, 2020 and 2019, it corresponds to contributions granted by Peru to the IMF for SDR 341 million and SDR 259 million, respectively.
- (ii) For contributions in soles, the Central Bank did not disburse any funds but issued promissory notes in favor of the IMF, through which said institution can arrange the cashing of the aforementioned contributions at any moment. Therefore, the counter account is recorded as a liability with the IMF in 'other foreign liabilities' in the statement of financial position. This obligation does not accrue interest and can be requested at any moment.
- (iii) It corresponds to the exchange rate difference generated by the remeasurements of the contribution in domestic currency between April 30 and December 31 of every year. These revaluations are settled at the closing of IMF's financial year, which takes place every year on April 30.

Through Law 29823, published December 29, 2011, the Congress of the Republic of Peru approved the increase of Peru's quota in the IMF from SDR 638 million to SDR 1,335 million.

- (c) The Central Bank is member of that international institution since 2011. The BIS determines the percentage of participation of member countries. Peru's participation corresponds to

3,000 shares. As of December 31, 2020 and 2019, 25% of the market value of such shares has been paid, corresponding to SDR 66 million, equivalent to S/ 342 million as of December 31, 2020 (2019: S/ 301 million).

The 75% of the market value of said shares, corresponding to SDR 197 million, equivalent to S/ 1,027 million as of December 31, 2020 (2019: S/ 903 million), was recorded as outstanding accounts and accounts payable, which are recorded, net, in the statement of financial position (note 2.B(g)).

## 8. DOMESTIC CREDIT

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>To banks (a)</b>		
Repurchase agreements of currencies	5,190,000	10,687,500
Repurchase agreements of securities	5,011,275	6,284,135
Repurchase agreements of portfolio	463,568	-
Repos of government-backed credit portfolio	47,795,675	-
Outstanding fees from repurchase agreements of currencies	107,607	106,156
Outstanding interest from repurchase agreements of portfolio	248	-
Outstanding interest from repos of government-backed credit portfolio	117,829	-
	<u><b>58,686,202</b></u>	<u><b>17,077,791</b></u>
<b>To the public sector (b)</b>		
Bonds issued by the MEF in foreign currency	3,557,500	2,004,696
Securities issued by the MEF in domestic currency	-	393,740
Repurchase agreements of currencies	720,000	191,900
Outstanding interest from securities issued in Peru	33,825	67,713
Outstanding fees from repurchase agreements of currencies	4,972	1,697
	<u><b>4,316,297</b></u>	<u><b>2,659,746</b></u>
<b>To other entities and funds</b>		
Repurchase agreements of currencies	60,000	129,000
Repurchase agreements of securities	1,249,133	-
Repos of government-backed credit portfolio	2,705,411	-
Outstanding interest from repos of government-backed credit portfolio	4,137	-
Outstanding fees from repurchase agreements of currencies	1,121	1,465
	<u><b>4,019,802</b></u>	<u><b>130,465</b></u>
<b>To financial enterprises</b>		
Repurchase agreements of currencies	-	41,700
Repos of government-backed credit portfolio	228,377	-
Outstanding interest from repos of government-backed credit portfolio	464	-
Comisiones por cobrar sobre operaciones de reporte de monedas	-	342
	<u><b>228,841</b></u>	<u><b>42,042</b></u>
<b>Total</b>	<u><b>67,251,142</b></u>	<u><b>19,910,044</b></u>

- (a) As of December 31, 2020 and 2019, the Central Bank carried out repurchase agreements of currencies with banks, whereby such banks sold foreign or domestic currency to the Central Bank in exchange for domestic or foreign currency, and simultaneously agreed to repurchase the sold currency at a later date at the exchange rate current at the repurchase date. The Central Bank charges a fee equivalent to the interest rate offered by each financial enterprise in auctions, less a discount established in the corresponding announcement. As

of December 31, 2020, these operations had interest rates ranging from 0,29% to 3,51%, with settlement dates between February 2021 and September 2024 (2019: interest rates from 1,03% to 3,46%, with settlement dates between January 2020 and October 2020).

Also, as of December 31, 2020, the Central Bank has current repurchase agreements of certificates of deposit and treasury bonds with banks at an average annual interest rate of 1,08%, with settlement dates between March 2021 and July 2024 (2019: average annual interest rate of 3,78%, with settlement dates between January 2020 and November 2020).

As of December 31, 2020, the Central Bank has current repos of credit portfolio represented in securities with banks at an average annual interest rate of 0,50%, with maturity date between January 2021 and October 2024.

As of December 31, 2020, the Central Bank has current repos of government-backed credit portfolio represented in securities in the Reactiva Peru program. Such program was elaborated in order to ensure that the chain of payments is not interrupted regarding the impact the COVID-19 outbreak has had on different entities. This program allows the Central Bank to provide liquidity to financial institutions participating in it, receiving as collateral the government-backed loans in exchange. As of December 31, 2020, balances of these operations had an average annual interest rate of 0,50%, with maturity date between May 2023 and December 2023. It is also worth mentioning, that such operations have a grace period of less than 12 months.

- (b) As of December 31, 2020 and 2019, the Central Bank holds MEF's bonds issued in U.S. dollars acquired in the secondary market, which mature between July 2025 and November 2033, and accrue interest at rates ranging from 7.35% to 8.75%, respectively. Such instruments are classified and valued as financial assets measured at FVOCI. As of December 31, 2020 and 2019, it recognized an increase of fair value for S/ 110 million and S/ 201 million, respectively, which was recorded in 'fair value reserve' in the statement of financial position (note 17.C).

As of December 2019, the Central Bank held securities issued by the MEF that were received in August 2015 (after amortizations made in 2019, 2017 and 2016). Such securities were intended to hedge 2014 losses. These securities were issued with a 20-year term at an annual interest rate of 2.20%, and shall be settled at maturity or when the call option is exercised. On August 14, 2020, 25% of the 2019 net profits was used to cancel the principal and accrued interest of these bonds for S/ 394 million and S/ 43 million, respectively. Also, S/ 27 million were transferred to a MEF's account in domestic currency (note 17.D).

Likewise, as of December 31, 2020 and 2019, the Central Bank carried out repurchase agreements of currencies with public sector enterprises, whereby such enterprises sold foreign or domestic currency to the Central Bank in exchange for domestic or foreign currency, and simultaneously, agreed to repurchase the sold currency at a later date at the exchange rate current at the repurchase date. The Central Bank charges a fee equivalent to the interest rate offered by each sector public enterprise in auctions, less a discount established in the corresponding announcement. As of December 31, 2020, these operations had interest rates ranging from 0.29% to 3.51%, with settlement dates in September 2024 (2019: interest rates from 1.69% to 1.24%, with settlement dates in July 2020).

In 2020 and 2019, the Central Bank recognized interest income and fees from domestic credit operations for S/ 539 million and S/ 425 million, respectively. Such revenues are recorded in 'financial income' in the statement of profit or loss and other comprehensive income.

**9. PROPERTY, FURNITURE AND EQUIPMENT, NET**

The movement of property, furniture and equipment for the years 2020 and 2019, and the accumulated depreciation are as follows:

Description	Land (S/000)	Building and other constructions (S/000)	Furniture and office equipment (S/000)	Vehicles (S/000)	Various equipment (S/000)	Goods in transit (S/000)	Total (S/000)
<b>Cost</b>							
<b>Balance as of January 1, 2019</b>	28,419	172,368	7,102	3,758	106,426	152	318,225
Additions	-	1,751	180	222	9,926	521	12,600
Transfers	-	-	-	-	152	(152)	-
Disposals and others	-	(1,868)	-	-	-	-	(1,868)
<b>Balance as of December 31, 2019</b>	28,419	172,251	7,282	3,980	116,504	521	328,957
Additions	-	1,117	117	-	3,710	1,537	6,481
Transfers	-	442	3	-	76	(521)	-
Disposals and others	-	(663)	(274)	-	(7,898)	(12)	(8,847)
<b>Balance as of December 31, 2020</b>	28,419	173,147	7,128	3,980	112,392	1,525	326,591
<b>Accumulated depreciation</b>							
<b>Balance as of January 1, 2019</b>	-	72,761	4,576	3,344	72,418	-	153,099
Annual depreciation (d)	-	3,688	374	183	7,786	-	12,031
Disposals and others	-	(977)	0	-	0	-	(977)
<b>Balance as of December 31, 2019</b>	-	75,472	4,950	3,527	80,204	-	164,153
Annual depreciation (d)	-	3,739	376	161	8,733	-	13,009
Disposals and others	-	(313)	(272)	-	(7,869)	-	(8,454)
<b>Balance as of December 31, 2020</b>	-	78,898	5,054	3,688	81,068	-	168,708
<b>Carrying amount</b>							
<b>As of January 1, 2019</b>	28,419	99,607	2,526	414	34,008	152	165,126
<b>Balance as of December 31, 2019</b>	28,419	96,779	2,332	453	36,300	521	164,804
<b>Balance as of December 31, 2020</b>	28,419	94,249	2,074	292	31,324	1,525	157,883

As of December 31, 2020 and 2019, the Central Bank has fully depreciated items of property, furniture and equipment. Such items are still in use for S/ 60 million and S/ 61 million, respectively.

The Central Bank has insured its main assets, according to policies established by management and the Board of Directors.

In 2020 and 2019, depreciation of items of property, furniture and equipment amounted to S/ 13 million and S/ 12 million, respectively, and is included in 'operational expenses' and 'issuance expenses and costs' for S/ 10 million and S/ 3 million, and S/ 9 million and S/ 3 million, respectively (notes 21 and 22).

Management annually performs an assessment to determine whether the carrying amount exceeds the recoverable value of its long-lived assets based on available market data. In management's opinion, there is no evidence of impairment of the long-lived items of property, furniture and equipment held by the Central Bank as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the Central Bank did not grant any asset as guarantee.

## 10. OTHER ASSETS

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Financial instruments</b>		
Outstanding interest	13,783	20,677
Outstanding accounts from personnel	<u>2,876</u>	<u>2,989</u>
	<b>16,659</b>	<b>23,666</b>
<b>Non-financial instruments</b>		
Raw material, semi-finished and finished goods (a)	112,497	92,897
Collections (b)	79,454	79,543
Deferred charges (c)	34,828	46,611
Advance payments to suppliers	3,356	14,236
Intangible assets	9,097	9,157
Outstanding accounts (d)	5,148	4,573
Silver	1,731	1,076
Others	<u>1,594</u>	<u>1,597</u>
	<u>247,705</u>	<u>249,690</u>
<b>Total</b>	<b><u>264,364</u></b>	<b><u>273,356</u></b>

- (a) Raw material comprises supplies acquired by the Central Bank for coin minting. It is valued at average cost. The value of semi-finished and finished goods comprises cost of raw material, direct labor and manufacturing overhead.
- (b) Collections comprise paintings, archaeological pieces, sculptures, collections of coins and banknotes, medals and other objects acquired by or donated to the Central Bank and maintained for display.
- (c) Deferred charges mainly comprise cost of printing banknotes. Such cost is charged to expenses when banknotes are available for circulation for the first time.
- (d) It mainly corresponds to the mortgage guarantee in favor of the Central Bank arising from lawsuits with third parties.

## 11. OTHER FOREIGN LIABILITIES

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
SDR allocations and revaluations to be settled (a)	3,176,330	2,794,944
Allocation in Andean pesos (b)	72,360	66,220
Others	<u>5,843</u>	<u>2,041</u>
<b>Total</b>	<b><u>3,254,533</u></b>	<b><u>2,863,205</u></b>

- (a) As of December 31, 2020 and 2019, the account's balance is equivalent to SDR 610 million and corresponds to the distribution that the IMF made to Peru in proportion to its quota, according to the provisions of the IMF's Articles of Agreement. The balance at the aforementioned dates comprises exchange difference generated by revaluation of SDR allocation received from the IMF from the date of the account's last movement (December 16 and June 26, for years 2020 and 2019, respectively). As of December 31, 2020, it amounts to S/ 25 million (2019: S/ 11 million) (negative revaluation).

SDR allocations accrue interest according to the conditions of the Articles of Agreement. As of December 31, 2020 and 2019, the annual interest rate was 0,08% and 0,74%, respectively.

- (b) As of December 31, 2020 and 2019, the allocation in Andean pesos corresponds to those delivered by the FLAR for 20 million Andean pesos, equivalent to S/ 72 million and S/ 66 million, respectively. Such allocation neither accrues interest nor has a defined maturity for its cancellation. The counterpart account is an outstanding account recorded in 'other foreign assets' in the statement of financial position.

In 2020 and 2019, the Central Bank recognized interest expense for approximately S/ 6 million and S/ 28 million, respectively. Such expense correspond to its foreign liabilities, mainly for the obligations for SDR allocations, which are recorded in 'financial expenses' in the statement of profit or loss and other comprehensive income.

## 12. SECURITIES IN CIRCULATION

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
BCRP certificates of deposit (CD BCRP)	41,067,000	28,364,500
BCRP indexed certificates of deposit (CDR BCRP)	6,406,958	-
Sale discounts on CD BCRP and CDR BCRP	<u>(92,906)</u>	<u>(379,651)</u>
	<b><u>47,381,052</u></b>	<b><u>27,984,849</u></b>

As of December 31, 2020 and 2019, securities in circulation comprise certificates of deposit and indexed certificates of deposit, which are placed by the auction mechanism or by direct placement to withdraw liquidity surpluses from the financial system.

As of December 31, 2020, certificates of deposit for S/ 894 million guarantee repurchase agreements of securities (2019: S/ 4,147 million).



In 2020 and 2019, the Central Bank recognized interest expense for securities in circulation for S/ 515 million and S/ 737 million, respectively. Such expense is recorded in 'financial expenses' in the statement of profit or loss and other comprehensive income.

As of December 31, certificates of deposit issued by the Central Bank were acquired by:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
Banks	39,279,708	21,066,304
Insurance Deposit Fund	1,220,000	3,216,300
Banco de la Nación	3,000,000	2,750,000
Mutual funds and funds of administrators of pension funds	52,400	47,700
Financial institutions	740,400	524,196
Other institutions	3,181,450	760,000
	<u>47,473,958</u>	<u>28,364,500</u>
Sale discounts on CD BCRP and CDR BCRP	(92,906)	(379,651)
<b>Total</b>	<u><b>47,381,052</b></u>	<u><b>27,984,849</b></u>

As of December 31, 2020, certificates of deposit issued by the Central Bank mature between January 2021 and March 2023. and accrue interest at discount rates between -0.05% and 2.69% (2019: maturity between January 2020 and August 2021, and accrued interest between 2.02% and 3.12%).

### 13. DEPOSITS IN DOMESTIC CURRENCY

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
Public sector	38,217,654	34,624,447
Banco de la Nación	20,259,903	11,038,351
Banks	40,609,828	1,130,000
Municipal Savings and Credit institutions	1,963,292	603,600
Financial enterprises	1,342,282	334,300
Insurance Deposit Fund	2,620,700	24,997
Rural Savings and Credit institutions	243,900	47,500
Other institutions and funds	5,210	6,972
	<u>105,262,769</u>	<u>47,810,167</u>

As of December 31, deposits in domestic currency, per type of transaction, are classified as follows:

Type	Interest rate %	Maturity	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
Checking accounts	0 to 0.15	No maturity	4,203,847	5,056,415
Term deposits	0.20 to 2.10	Jan.21 to Mar.22	84,793,700	35,600,000
Special deposits (overnight)	0.15	4 days	16,265,222	7,153,752
			<u>105,262,769</u>	<u>47,810,167</u>

In 2020 and 2019, the Central Bank recognized interest on deposits in domestic currency for S/ 656 million and S/ 922 million, respectively. Such interest is recorded in 'financial expenses' in the statement of profit or loss and other comprehensive income.

#### 14. MONETARY BASE

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Currency in circulation (a)</b>	<b>82,688,894</b>	<b>62,099,221</b>
<b>Deposits in domestic currency (b)</b>		
Banks	2,250,353	1,331,858
Municipal Savings and Credit Institutions	474,412	465,257
Financial enterprises	150,444	289,715
Banco de la Nación	280,000	280,000
Rural Savings and Credit Institutions	142,540	98,636
Others	-	3
	<u><b>3,297,749</b></u>	<u><b>2,465,469</b></u>
	<u><b>85,986,643</b></u>	<u><b>64,564,690</b></u>

(a) Denomination of currency in circulation is as follows:

	<u>2020</u>		<u>2019</u>	
	Units	(S/ 000)	Units	(S/ 000)
<b>Banknotes</b>				
Denomination S/ 10	149,039,583	1,490,396	122,434,297	1,224,343
Denomination S/ 20	192,783,682	3,855,674	159,078,805	3,181,576
Denomination S/ 50	239,034,100	11,951,705	157,463,575	7,873,179
Denomination S/ 100	553,667,383	55,366,738	422,741,940	42,274,194
Denomination S/ 200	35,512,161	7,102,432	23,613,450	4,722,690
		<u><b>79,766,945</b></u>		<u><b>59,275,982</b></u>
<b>Coins</b>				
Denomination S/ 0.01	347,760,038	3,478	347,783,003	3,478
Denomination S/ 0.05	503,735,095	25,187	503,823,268	25,191
Denomination S/ 0.10	1,764,033,822	176,403	1,680,412,491	168,041
Denomination S/ 0.20	504,875,224	100,975	481,713,078	96,343
Denomination S/ 0.50	547,684,968	273,843	518,062,042	259,031
Denomination S/ 1.00	1,030,356,377	1,030,356	998,615,722	998,616
Denomination S/ 2.00	208,681,166	417,362	200,744,382	401,489
Denomination S/ 5.00	178,513,816	892,569	173,855,691	869,278
		<u><b>2,920,173</b></u>		<u><b>2,821,467</b></u>
Commemorative coins		1,776		1,772
		<u><b>82,688,894</b></u>		<u><b>62,099,221</b></u>

(b) As of December 31, 2020 and 2019, it corresponds to deposits in domestic currency of financial institutions subject to reserve requirements in the domestic financial system. Such funds are intended to hedge the amount of legal reserve required by the Central Bank for obligations subject to reserve requirements in domestic currency and do not have maturity. Additionally, the legal reserve requirements may be hedged with cash in domestic currency from institutions subject to reserve requirements.

Legal reserve requirements include minimum legal reserve and additional reserve requirements. Additional reserve requirements are defined as the part of the legal reserve requirements that exceeds the minimum legal reserves. As of December 31, 2020, the minimum legal reserves had a rate of 4.0% for obligations subject to reserve requirements

in domestic currency (2019: 5.0%). Also, the obligations subject to reserve requirements are classified into 2 regimes: general and special.

As of December 31, 2020 and 2019, only additional reserve requirements in domestic currency are required for institutions exceeding the limits of foreign currency sale operations through forward contracts and swaps, as well as those entities that have obligations subject to the special regime. As of December 31, 2020, reserve requirement funds corresponding to the additional reserve requirements of the general and special regime in soles, which are deposited with the Central Bank, did not accrue interest, since the remuneration rate of deposits in domestic currency was 0.00%. Also, such rate equals the highest rate divided by 0% and interest rate of overnight deposits in domestic currency with the Central Bank (2020: 0.15%) less 195 bps. As of December 31, 2019, the remuneration rate of deposits in domestic currency was also 0.00%.

On March 31, 2020, the Central Bank issued Circular 0010-2020-BCRP, referred to the provisions of reserve requirements in domestic currency. Such Circular reduced the minimum legal reserves rate and the reserve requirements rate for obligations subject to general regime from 5.0% to 4.0%. It also reduced the minimum amount of deposits in current accounts that financial institutions subject to reserve requirements shall have with the Central Bank as reserve requirement funds, from 1.0% to 0.75% of the total obligations subject to reserve requirements.

On December 26, 2019, the Central Bank issued Circular 0030-2019-BCRP, referred to the provisions of reserve requirements in domestic currency. Such Circular expanded the limits for the weekly and monthly agreed transactions for selling foreign currency in exchange for domestic currency through forward contracts and swaps.

## 15. DEPOSITS IN FOREIGN CURRENCY

As of December 31, this caption comprises the following:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
Banks (a)	40,524,448	44,432,869
Public sector (b)	11,052,797	28,561,028
Other financial Institutions (a)	758,820	788,018
Banco de la Nación (a)	2,501,344	1,861,377
Financial institutions (a)	188,563	357,204
Other institutions and funds	-	3
	<u><u>55,025,972</u></u>	<u><u>76,000,499</u></u>

- (a) As of December 31, 2020 and 2019, it corresponds to deposits in foreign currency of financial institutions subject to reserve requirements in the domestic financial system. Such funds are intended to hedge the amount of legal reserve required by the Central Bank for obligations subject to reserve requirements in foreign currency and mature January 2021.

Legal reserve requirements include minimum legal reserves and additional reserve requirements. As of December 31, 2020 and 2019, minimum legal reserves had a rate of 9% for obligations subject to reserve requirements in foreign currency. Additional reserve requirements are defined as the part of the legal reserve requirements that exceeds the minimum legal reserves. As of December 31, 2020, the rate of the additional reserve requirements in foreign currency for banks was 25.4% on average (2019: 26.5%).

As of December 31, 2020, the reserve requirements funds corresponding to the additional reserve requirements of the general and special regime, which are deposited with the

Central Bank, accrued interest at an annual interest rate of 0.0060%. It is equivalent to the higher rate divided by zero, and 25% of one-month LIBOR less 0.125% (2019: 1.2534%).

On December 19, 2020, the Central Bank issued Circular 0034-2020-BCRP, referred to the provisions of reserve requirements in foreign currency, which extended the temporary suspension of additional reserve requirements according to the evolution of credit in foreign currency until April 2021.

On March 31, 2020, the Central Bank issued Circular 0011-2020-BCRP, referred to the provisions of reserve requirements in foreign currency, which reduced the reserve requirements rate for obligations with average terms less than 2 years with foreign financial institutions, subject to special regime from 50% to 9%. It also suspended additional reserve requirements for 2020 according to the evolution of credit in foreign currency.

On December 26, 2019, the Central Bank issued Circular 0031-2019-BCRP, referred to the provisions of reserve requirements in foreign currency, which amended one of the limits to determine the additional reserve requirements according to the evolution of credit in foreign currency.

- (b) As of December 31, 2020 and 2019, deposits in foreign currency of public institutions are stated in U.S. dollars and mainly comprise agreements entered into with the General Directorate of Public Treasury of the MEF. Such agreements establish the conditions for receiving deposits from such institution. As of December 31, 2020, such deposits correspond to demand and term deposits, which accrued interest at an effective annual rate between 0% and 0.22% (2019: between 0.30% and 2.02%). As of December 31, 2020, term deposits have maturity in January 2021 (2019: maturity in January and March 2020).

In 2020 and 2019, the Central Bank recognized interest on deposits in foreign currency for S/ 277 million and S/ 1,396 million, respectively. Such interest is recorded in 'financial expenses' in the statement of profit or loss and other comprehensive income.

## 16. OTHER LIABILITIES

As of December 31, this caption comprises the following:

	<u>Note</u>	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Financial liabilities</b>			
Reverse repurchase agreements of foreign currencies	8(a)/(b)	6,304,903	11,026,680
Interest and fees payable		165,854	355,224
Deposit Insurance Fund		461,943	12,621
Accounts payable		10,865	8,028
Fund for diseases, insurance and pensions of Central Bank's employees		13,464	1,798
		<u>6,957,029</u>	<u>11,404,351</u>
<b>Non-financial liabilities</b>			
Actuarial liabilities		143,446	140,784
Other provisions		37,622	35,450
Others		4,178	5,063
		<u>185,246</u>	<u>181,297</u>
		<u>7,142,275</u>	<u>11,585,648</u>

As of December 31, 2020 and 2019, actuarial liabilities comprise the provision corresponding to an allowance for supplementing retirement, widow and burial benefits, and a reserve of current risks of health care services calculated by an actuary, less the value of the Fund's net assets (note 2.B(m)).

The Fund is a private institution incorporated by Decree-Law 7137, which is intended to provide assistance to the Central Bank's active and retired employees, as well as their spouses, children and parents, in accordance with its regulations. This assistance is additional to social security benefits and other social benefits granted by Law (EsSalud, National Pension System - Decree-Law 19990, and Private Pension System). According to IAS 19 *Employee Benefits*, the aforementioned assistance corresponds to a defined benefits plan.

As of December 31, 2020 and 2019, 54.63% and 12.70% of the Fund's assets respectively, are deposited with the Central Bank. Such assets mainly comprise deposits in domestic currency which accrue interest at an effective annual rate between 2.48% and 4.02%, respectively, and loans to employees of the Central Bank, which are directly discounted on the payroll.

Provision recovery and/or net expense recognized in the statement of profit or loss and other comprehensive income for employee benefits (note 21) comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Changes in net assets of the Employees' Fund	14,704	8,216
Changes in reserves calculated by the actuary	<u>(2,211)</u>	<u>521</u>
	<b><u>12,493</u></b>	<b><u>8,737</u></b>

As of December 31, 2020 and 2019, the movement in the obligation for employee benefits and the fair value of the benefits' assets are the following:

	<b>Note</b>	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Opening balance		140,784	142,631
Transfers to the Fund during the year		(9,831)	(10,584)
Provision (recovery) for employee benefits	21	<u>12,493</u>	<u>8,737</u>
		<b><u>143,446</u></b>	<b><u>140,784</u></b>

In January 2020 and 2019, the Central Bank's Board of Directors authorized the transfer to the Fund for Diseases, Insurance and Pensions of Central Bank's Employees for S/ 52.5 million and S/49 million, respectively. In 2020, from the aforementioned amount, S/9.8 million were used to pay pensions of retired personnel, which decreased the actuarial liability by the same amount (2019: S/ 10.6 million); S/ 40.3 million were transferred to the Fund for health expenses of active personnel, which increased the balance of 'operational expenses' (2019: S/ 35.9 million) (note 21); and approximately S/ 2.4 million were transferred to health expenses of National Mint (CNM) personnel, which were recognized in cost of issued coins (2019: S/ 2.5 million).

The main categories of the Fund's assets as a percentage of the fair value of total liquid assets are the following:

	<b>2020</b>		<b>2019</b>	
	S/ (000)	%	S/ (000)	%
Deposits with the Central Bank	13,464	55.0	1,802	13.0
Outstanding accounts from personnel	11,178	45.0	12,064	87.0
<b>Total</b>	<b>24,642</b>	<b>100.0</b>	<b>13,866</b>	<b>100.0</b>

The main hypotheses used when determining the actuarial liability for employee benefits are the following:

	<b>2020</b>	<b>2019</b>
Discount rate (%)	5.5	6.0
Increase (decrease) in pensions (%)	0.1	(4.6)
Average period for amortization of pensions	9.68	9.40
<b>Active and retired personnel as of the date of the statement of financial position</b>		
Males	1,043	1,018
Females	617	598
<b>Mortality tables</b>		
Males	SP-2005-H	SP-2005-H
Females	SP-2005-M	SP-2005-M

The sensitivity of the actuarial assumptions in the Central Bank's profit or loss is as follows:

<b>Año</b>	<b>Increase/decrease in discount rate</b>	<b>Effects on reserve for the year</b>
		S/ 000
2020	50pbs	(6,761)
	(50pbs)	7,377
2019	50pbs	(6,295)
	(50pbs)	6,835
<b>Año</b>	<b>Increase/decrease in life expectancy</b>	<b>Effects on reserve for the year</b>
	Years	S/ 000
2020	1	3,372
	(1)	3,595
2019	1	1,900
	(1)	2,712

## 17. EQUITY

### A. Capital

As of December 31, 2020 and 2019, the authorized, subscribed and paid-in capital by the Peruvian Government in accordance with regulations amounts to S/ 1,183 million.

The capital is not represented by shares and its value is only disclosed in 'capital' in the statement of financial position. Likewise, through a Supreme Decree countersigned by the MEF, the Central Bank's authorized capital may be adjusted.

**B. Reserves*****Legal reserve***

According to Article 92 of its Organic Act, the Central Bank shall distribute its net profits annually as follows: (i) 25% for the Public Treasury and (ii) 75% for the constitution and increase up to 100% of its capital for a reserve which, preferably, shall be used for capitalization.

On March 14, 2019, after the approval of the 2018 financial statements, the constitution of the legal reserve was agreed for 75% of the profit or loss for the year 2018, applying S/ 378 million. Thus, the legal reserve was equivalent to the capital.

***Special statutory reserve***

According to Article 63 of the Central Bank's Bylaws, the surplus generated by the application of Article 92 of the Organic Act shall be used for the constitution of a special reserve.

On March 5, 2020, after the approval of the 2019 financial statements, the constitution of a special reserve was agreed for S/ 1,392 million, for the surplus of 75% of the profits corresponding to the Central Bank, since the legal reserve was equivalent to 100% of the capital.

On March 14, 2019, after the approval of the 2018 financial statements, the constitution of a special reserve was agreed for S/ 440 million, for the surplus of 75% of the profits corresponding to the Central Bank, since the legal reserve was equivalent to 100% of the capital.

**C. Fair value reserve**

The movement of this caption for the years 2020 and 2019 is as follows:

	<u>Note</u>	<b>Securities from international entities</b> (S/ 000)	<b>Bonds issued by the MEF</b> (S/ 000)	<b>Total</b> (S/ 000)
<b>Balance as of January 1, 2019</b>		<b>(361,794)</b>	<b>(165,077)</b>	<b>(526,871)</b>
Gains from fluctuations	5 and 8 (b)	1,139,968	200,595	1,340,563
Loss from fluctuations	5 and 8 (b)	(5,388)	-	(5,388)
<b>Balance as of December 31, 2019</b>		<b>772,786</b>	<b>35,518</b>	<b>808,304</b>
Gains from fluctuations	5 and 8 (b)	916,309	124,650	1,040,959
Loss from fluctuations	5 and 8 (b)	(256)	(14,842)	(15,098)
<b>Balance as of December 31, 2020</b>		<b>1,688,839</b>	<b>145,326</b>	<b>1,834,165</b>

**D. Accumulated results**

According to Article 93 of the Organic Act, if the Central Bank incurs losses, they shall be hedged by the reserve from prior year profits. If the legal reserve is insufficient, the Public Treasury, within 30 days of the approval of the financial statement, issues and delivers to the Central Bank negotiable debt instruments that accrue interest, for the unhedged amount.

On March 5, 2019, after approval of the 2019 financial statements, it was agreed to distribute 2019 profits, corresponding to Public Treasury S/ 464 million. Such profits will be used for amortization of sovereign bonds transferred by the MEF. On August 14, 2020, 25% of the 2019 net profits was used to cancel the principal and accrued interest of these bonds for S/ 394 million and S/ 43 million, respectively. Also, S/ 27 million were transferred to a MEF's account in domestic currency.

On March 14, 2019, S/ 273 million were transferred to the Public Treasury. Such amount was used for amortizing the bonds received from the Public Treasury and the corresponding interest, as described in note 1.

#### E. Adjustment for valuation – Article 89 of Organic Act

In accordance with the accounting policies approved by the Board of Directors based on Article 89 of the Organic Act, the exchange rate differences resulting from the valuation in domestic currency of the Central Bank's assets and liabilities in gold, silver, currencies, SDR or other monetary units of international use, are debited or credited in this account. However, such differences are not considered as gains or losses for the year (note 2.B (d)).

The movement of this caption for the years 2020 and 2019 is as follows:

	<u>2020</u> (S/ 000)	<u>2019</u> (S/ 000)
<b>Opening balance</b>	<b>10,328,711</b>	<b>11,558,501</b>
<b>Plus (less):</b>		
Valuation of derivative instruments operations and others related to exchange rate	(2,542,901)	(539,917)
Valuation of metals (gold)	2,243,205	798,286
Valuation of IMF's contribution and obligations	(381,415)	55,143
Valuation of U.S. dollars	6,861,098	(1,270,716)
Valuation of other currencies	9,834,426	(272,586)
Valuation of indexed certificates of deposit	(126,635)	-
<b>Closing balance</b>	<b><u>26,216,489</u></b>	<b><u>10,328,711</u></b>

## 18. TAX MATTERS

In accordance with the Income Tax Law, Peruvian public institutions are not subject to income tax. The Central Bank, as a withholding agent, is only subject to self-employment income tax, regular employment income tax, and social contributions.

The Tax Authorities are entitled to review and, if applicable, to correct the tax calculated by the Central Bank within the 4 years following the year of the tax return filing. The Central Bank's income tax returns from 2016 to 2020 are open for review by the Tax Authorities. Due to the possible varied interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Central Bank. Therefore, any major tax, moratory interest or penalty that might arise from eventual tax assessments would be applied to profit or loss of the period in which they are determined. In management's opinion, any possible additional settlement of taxes would not be significant for the Central Bank's financial statements as of December 31, 2020 and 2019.



## 19. CONTINGENCIES

Certain civil and labor lawsuits have been filed against the Central Bank, for which the pertinent legal instruments and actions have been submitted and conducted. Therefore, the Central Bank's management and its legal advisors consider that, as of December 31, 2020 and 2019, it is not necessary to record a material provision for possible losses as a result of these legal contingencies.

## 20. OFF-BALANCE SHEET ACCOUNTS

As of December 31, this caption comprises the following:

	<u>Note</u>	<u>2020</u> (\$/ 000)	<u>2019</u> (\$/ 000)
Currency in circulation (a)		15,199,651	30,863,904
Forward operations (b)		89,191,048	80,124,565
Securities held in custody (c)		3,079,442	3,436,741
Future operations (d)		3,119,989	-
Foreign exchange swaps (e)	2.B(s)	16,273,154	1,781,354
Public Treasury securities with repurchase agreement (f)		5,129,761	2,006,622
Government-backed credits (g)		50,730,995	-
Others		925,274	366,523
<b>Total</b>		<b><u>183,649,314</u></b>	<b><u>118,579,709</u></b>

(a) As of December 31, it corresponds to the currency not in circulation that the Central Bank holds in its vaults. It comprises the following:

	<u>2020</u> (\$/ 000)	<u>2019</u> (\$/ 000)
New	8,519,000	26,306,090
Available	3,559,546	3,894,303
To be classified	3,015,381	456,637
To be destroyed	46,204	195,603
In transit	59,520	11,271
<b>Total</b>	<b><u>15,199,651</u></b>	<b><u>30,863,904</u></b>

The movement of 'currency in circulation' in 2020 and 2019, is as follows:

	<u>2020</u> (\$/ 000)	<u>2019</u> (\$/ 000)
<b>Opening balance</b>	<b>30,863,904</b>	<b>51,029,138</b>
Acquisition of currency	9,119,904	832,309
Destruction of currency	(4,194,483)	(18,142,350)
Removal of circulation, net of revenues	(20,589,674)	(2,855,193)
<b>Closing balance</b>	<b><u>15,199,651</u></b>	<b><u>30,863,904</u></b>

- (b) As of December 31, 2020 and 2019, it corresponds to the reference value (committed face value) of the Central Bank's forward operations in foreign currency, classified as held-for-trading instruments. As of December 31, 2020, the Central Bank has 53 forward operations with maturities between January and March 2021 (2019: 85 forward operations with maturities between January and March 2020). Likewise, as of December 31, 2020, the valuation of such instruments generated an asset for S/ 41 million (2019: S/ 32 million), which was recorded in "other available assets", and a liability for S/ 711 million (2019: S/ 172 million), which was recorded in "reserves liabilities". Such valuation was recorded in "Readjustment in valuation Article 89 – Organic Act" in equity (note 17.E). During 2020, the Central Bank recognized revenues for the forward contracts traded for S/ 831 million, which are included in "return on operations with derivative instruments" in the statement of profit or loss and other comprehensive income (2019: S/ 768 million).

As of December 31, 2020 and 2019 the face value of forward operations per type of currency is as follows:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Purchase of U.S. dollar / sell of currencies other than sol	42,695,567	38,951,778
Sell of U.S. dollar / purchase of currencies other than sol	269,641	-
Purchase of British pound sterling / sell of currencies other than sol	346,226	-
Sell of British pound sterling / purchase of currencies other than sol	3,624,578	789,627
Purchase of Japanese yen / sell of currencies other than sol	99,250	-
Sell of Japanese yen / purchase of currencies other than sol	38,206,334	31,968,117
Purchase of euro / sell of currencies other than sol	25,560	-
Sale of euro / purchase of currencies other than sol	2,170,478	6,949,334
Purchase of Swedish krona / sell of currencies other than sol	13,540	-
Sell of Swedish krona / purchase of currencies other than sol	10,416	-
Purchase of Norwegian krone / sell of currencies other than sol	16,669	-
Sell of Norwegian krone / purchase of currencies other than sol	50,256	-
Purchase of Canadian dollar / sell of currencies other than sol	411,663	535,428
Sell of Canadian dollar / purchase of currencies other than sol	297,976	-
Purchase of Chinese renminbi / sell of currencies other than sol	11,101	-
Purchase of Singapore dollar / sell of currencies other than sol	10,947	-
Sell of Singapore dollar / purchase of currencies other than sol	21,949	-
Purchase of Australian dollar / sell of currencies other than sol	620,302	588,226
Sell of Australian dollar / purchase of currencies other than sol	191,514	-
Purchase of New Zealand dollar / sell of currencies other than sol	19,245	-
Sell of New Zealand dollar / purchase of currencies other than sol	27,928	-
Purchase of Swiss francs / sell of currencies other than sol	13,509	-
Sell of Swiss francs / purchase of currencies other than sol	36,399	342,055
<b>Total</b>	<b><u>89,191,048</u></b>	<b><u>80,124,565</u></b>

- (c) As of December 31, 2020 and 2019, securities held in custody mainly comprise promissory notes in guarantee for operations with the IMF.
- (d) As of December 31, 2020, it corresponds to the reference value (committed face value) of the Central Bank's futures trading portfolio are classified as held-for-trading instruments. Such operations are managed directly by BNP Paribas Asset Management USA, Inc., Pacific Investment Management Company LLC., and Amundi Asset Management, according to guidelines approved by the Central Bank. As of December 31, 2020 the Central Bank had 4,190 future contracts. Such contracts' underlying assets are bonds of the U.S. Treasury issued in U.S. dollars, pound sterling, Canadian dollar, euro and Australian dollar. Likewise, the estimated market value, provided by the 3 aforementioned entities, generated an asset for S/ 2,109 million and a liability for S/ 1,404 million. They were recorded in 'other available assets' and 'reserves liabilities', respectively, in the statement of financial position and 'net return on securities' in the statement of profit or loss and other comprehensive income. As of December 31, 2019, the Central Bank did not have futures operations.
- (e) As of December 31, 2020, the Central Bank has 235 operations with banks, those operations are called foreign exchange swaps, whereby the notional value in soles in favor of the Central Bank is S/ 8,135 million, and the counter account in favor of other banks is US\$ 2,249 million (2019: 13 operations, with a notional value in soles in favor of the Central Bank for S/ 900 million and a counter account in favor of other banks for US\$ 266 million). The maturity of such operations is between January and June 2021 (2019: between January and February 2020). The interest rate for the notional value in soles equals the capitalization of the Cumulative Overnight Interbank Transactions Index calculated and published by the BCRP. As of December 31, 2020, it was 0.25% (2019: 2.25%).

In 2020, the Central Bank recognized interest revenues and expenses paid and received on foreign exchange swaps for S/ 36 million and S/ 6 million. Such revenues and expenses are recorded in 'other financial revenues' and 'other financial expense' in the statement of profit or loss and other comprehensive income, respectively (2019: S/ 17 million and S/ 7 million, respectively). Likewise, during said period, the Central Bank recognized the effect of changes in the exchange rate on the notional value in U.S. dollars as a credit to the account 'adjustment for valuation – Article 89 of Organic Act' in equity for S/ 9 million, corresponding to financial institutions (note 17.E).

- (f) As of December 31, 2020, the Central Bank has effective repurchase agreements of treasury bonds with banks for S/ 5,130 million (2019: S/ 2,007 million).
- (g) As of December 31, 2020, it corresponds to government-backed credits for the financial institutions which granted loans to enterprises that benefited from the Reactiva Peru program. The Central Bank has S/ 50,731 million at face value of repos of government-backed credit portfolio.

## 21. OPERATIONAL EXPENSES

This caption comprises the following:

	<b>Note</b>	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Personnel expenses and social benefits	23	145,758	155,432
Administrative expenses		51,459	56,530
Health expenses of active personnel	16(a)(i)	40,279	35,915
Expenses for actuarial provision	16(a)	12,493	8,737
Depreciation	9	10,146	8,966
Amortization		1,555	1,849
Others		4,599	9,202
<b>Total</b>		<b>266,289</b>	<b>276,631</b>

In 2020 and 2019, administrative expenses mainly correspond to expenses for surveillance, data supplies, public utilities, training, advisory, insurance, among others.

## 22. ISSUANCE EXPENSES AND COSTS

This caption comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Cost of minting issued coins	38,313	57,317
Expenses for printing issued banknotes	49,585	41,524
Expenses for transporting currency	3,681	2,444
	<b>91,579</b>	<b>101,285</b>

## 23. PERSONNEL EXPENSES AND SOCIAL BENEFITS

This caption comprises the following:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Salary	85,926	85,830
Legal bonuses and holidays	25,712	26,682
Bonuses and allocations	11,653	17,731
Retirement compensation arrangement	9,097	9,423
EsSalud	8,579	8,859
Training	2,269	2,942
Others	2,522	3,965
	<b>145,758</b>	<b>155,432</b>

## 24. FINANCIAL INSTRUMENTS

### A. Accounting classification and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities held by the Central Bank, including their levels in the fair value hierarchy.

Note	As of December 31, 2020				Fair Value			
	At amortized cost	At FVOCI	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
<b>Financial assets</b>								
	181,280	-	-	181,280	-	-	-	-
3	66,774,135	-	-	66,774,135	-	-	-	-
4	2,699,723	-	-	2,699,723	-	-	-	-
5	180,882	189,378,052	-	189,558,934	189,378,051	-	-	189,378,051
7	4,071,456	-	-	4,071,456	-	-	-	-
	250	88,503	-	88,753	-	88,503	-	88,503
	72,360	-	-	72,360	-	-	-	-
8	63,659,817	3,591,325	-	67,251,142	3,591,325	-	-	3,591,325
10	2,876	13,783	-	16,659	-	13,783	-	13,783
	<b>137,642,779</b>	<b>193,071,663</b>	-	<b>330,714,442</b>	<b>192,969,376</b>	<b>102,286</b>	-	<b>193,071,662</b>
<b>Financial liabilities</b>								
	-	721,472	8,447	729,919	-	721,472	-	721,472
7 & 11	-	-	8,426,473	8,426,473	-	-	-	-
12 & 13	-	-	152,643,820	152,643,820	-	-	-	-
14	-	-	85,986,643	85,986,643	-	-	-	-
15	-	-	55,025,972	55,025,972	-	-	-	-
16	-	-	6,957,029	6,957,029	-	-	-	-
	-	<b>721,472</b>	<b>309,048,384</b>	<b>309,769,856</b>	-	<b>721,472</b>	-	<b>721,472</b>



Note	As of December 31, 2019				Fair Value			
	At amortized cost (S/ 000)	At FVOCI (S/ 000)	Financial liabilities at amortized cost (S/ 000)	Total (S/ 000)	Level 1 (S/ 000)	Level 2 (S/ 000)	Level 3 (S/ 000)	Total (S/ 000)
<b>Financial assets</b>								
	165,913	-	-	165,913	-	-	-	-
3	62,320,212	-	-	62,320,212	-	-	-	-
4	2,468,937	-	-	2,468,937	-	-	-	-
5	19,109,291	133,326,299	-	152,435,590	133,326,299	-	-	133,326,299
7	3,210,933	-	-	3,210,933	-	-	-	-
	2,356	160,806	-	163,162	-	160,806	-	160,806
	66,220	-	-	66,220	-	-	-	-
8	17,875,748	2,034,296	-	19,910,044	2,034,296	-	-	2,034,296
10	2,989	20,677	-	23,666	-	20,677	-	20,677
	<b>105,222,599</b>	<b>135,542,078</b>	-	<b>240,764,677</b>	<b>135,360,595</b>	<b>181,483</b>	-	<b>135,542,078</b>
<b>Financial liabilities</b>								
	-	171,833	6,830	178,663	-	171,833	-	171,833
7 & 11	-	-	7,789,926	7,789,926	-	-	-	-
12 & 13	-	-	75,795,016	75,795,016	-	-	-	-
14	-	-	64,564,690	64,564,690	-	-	-	-
15	-	-	76,000,499	76,000,499	-	-	-	-
16	-	-	11,404,351	11,404,351	-	-	-	-
	-	<b>171,833</b>	<b>235,561,312</b>	<b>235,733,145</b>	-	<b>171,833</b>	-	<b>171,833</b>

## B. Financial risk management

The Central Bank is exposed to the following risks related to the use of financial instruments: liquidity risk, credit risk, currency risk, interest rate risk and operational risk. The Central Bank's risk management aims to reduce the potential adverse effects on its financial performance.

The Central Bank's statement of financial position mainly comprises financial instruments, as described in note 2.B(b). Gross international reserves are a relevant component of such instruments (as of December 31, 2020 and 2019, they represent 78.8% and 89.9%, respectively). Reserve management complies with the principles of security, liquidity and profitability indicated in Article 71 of the Organic Act. International reserves contribute to Peru's economic and financial stability, to the extent that they guarantee availability of currency in extraordinary situations—i.e., an eventual significant withdrawal of foreign currency deposits from the domestic financial system or temporary external shocks, which may cause imbalances on the real economy and feedback expectations. Likewise, a suitable availability of currency helps to reduce the Peru's risk and improve its credit ratings, which results in better conditions for private and public Peruvian companies to obtain foreign credits, and contributes to the foreign investment growth in the country.

Financial risk management mainly focuses on the investment portfolio, which includes the assets that are easily tradable in international markets. These assets comprise deposits with foreign institutions and organizations, securities from international institutions, and foreign gold holdings.

Risk management is carried out considering the following criteria:

- The Central Bank's reserve management policy considers as a priority to preserve capital and guarantee the liquidity of reserves. Once these conditions are met, the Central Bank seeks to maximize the return of foreign assets.
- Management of foreign assets is closely related to the origin and characteristics of sources of foreign currency resources—i.e. Central Bank's liabilities—regarding the amount, currency, term, and volatility. Accordingly, the Central Bank seeks to minimize the financial risks that may affect the value and availability of the resources managed by the Central Bank.

Foreign assets managed by the Central Bank are exposed to liquidity, credit, exchange rate and interest rate risks.

The Central Bank management is aware of the current market conditions and, based on its knowledge and experience, it controls the aforementioned risks in accordance with the policies approved by the Board of Directors. Major aspects in risk management are the following:

**i. Liquidity risk**

It arises from the impossibility of trading securities at the appropriate moment. To mitigate this risk, fixed income instruments' liquidity degree is controlled by selecting securities from deep markets, establishing minimum amounts according to the issuance size and a limit for the percentage acquired in each issuance. Liquidity of instruments is reflected in a low bid-ask spread in their market price.

Likewise, the Central Bank also minimizes this risk by dividing the investment portfolio into tranches that reflect the required liquidity to manage withdrawals associated with the different nature of reserve sources. Such portfolio is divided as follows:

- Immediate availability tranche: It includes very short-term investments mainly to face obligations with local banks and unexpected events.
- Intermediation and liquidity tranches: It corresponds to deposits in foreign currency of financial (mainly for reserve requirements) and public institutions with the Central Bank. These resources help to make investments, which mainly comprise bank deposits with staggered maturity and high-liquidity fixed income instruments in international financial markets.
- Investment and diversification tranches: It comprises Central Bank's resources (foreign exchange position) for investments including securities with terms generally longer than one year (mainly bonds), which may generate higher returns and support risk diversification.

As of December 31, the distribution of investments into tranches is reflected in the percentage composition per term at maturity of the investment portfolio as follows:

	<u>2020</u> (%)	<u>2019</u> (%)
<b>Maturity</b>		
0-3 months	46	55
3-12 months	12	8
More than 1 year	<u>42</u>	<u>37</u>
	<u><b>100</b></u>	<u><b>100</b></u>

The table below presents the undiscounted cash flows payable by the Central Bank, according to agreed contractual terms:



## As of December 31, 2020

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	No maturity	Total
	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
<b>Financial liabilities per type (i)</b>							
Sterilized Stock							
Certificates of deposit	15,225,629	26,912,268	1,448,283	2,219,910	1,574,962	-	47,381,052
Deposits in domestic currency	65,372,049	12,500,000	23,931,700	3,000,000	-	459,019	105,262,768
Monetary base	-	-	-	-	-	85,986,643	85,986,643
Deposits in foreign currency	12,272,150	-	-	-	-	42,753,822	55,025,972
Other financial liabilities	-	30,542	6,950,647	30,368	8,396,104	-	15,407,662
<b>Total non-derivative liabilities</b>	<b>92,869,828</b>	<b>39,442,810</b>	<b>32,330,630</b>	<b>5,250,278</b>	<b>9,971,066</b>	<b>129,199,484</b>	<b>309,064,097</b>
Accounts payable for derivatives (ii)	392,583	306,794	-	-	-	-	699,377
	<b>93,262,411</b>	<b>39,749,604</b>	<b>32,330,630</b>	<b>5,250,278</b>	<b>9,971,066</b>	<b>129,199,484</b>	<b>309,763,474</b>

## As of December 31, 2019

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	No maturity	Total
	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
<b>Financial liabilities per type (i)</b>							
Sterilized Stock							
Certificates of deposit	1,909,617	4,749,219	16,901,945	4,424,068	-	-	27,984,849
Deposits in domestic currency	13,353,751	10,000,000	19,400,000	-	-	5,056,416	47,810,167
Monetary base	-	-	-	-	-	64,564,690	64,564,690
Deposits in foreign currency	25,959,309	10,280,655	-	-	-	39,760,535	76,000,499
Other financial liabilities	-	6,830	11,404,352	2,041	7,787,884	-	19,201,107
<b>Total non-derivative liabilities</b>	<b>41,222,677</b>	<b>25,036,704</b>	<b>47,706,297</b>	<b>4,426,109</b>	<b>7,787,884</b>	<b>109,381,641</b>	<b>235,561,312</b>
Accounts payable for derivatives (ii)	146,306	25,526	-	-	-	-	171,832
	<b>41,368,983</b>	<b>25,062,230</b>	<b>47,706,297</b>	<b>4,426,109</b>	<b>7,787,884</b>	<b>109,381,641</b>	<b>235,733,144</b>

- (i) As of December 31, 2020 and 2019, financial liabilities do not include non-accrued interest.
- (ii) As of December 31, 2020 and 2019, it corresponds to the valuation of held-for-trading instruments.

## ii. **Credit risk**

Credit risk refers to the possibility that a counterparty may be unable to meet an obligation with the Central Bank on a timely basis. In order to face this risk, investments are diversified as follows:

- Deposits with tier one foreign banks, according to the capital involved and to short-term and long-term risk ratings assigned by the main international credit rating agencies, such as Standard & Poor's, Moody's and Fitch.
- Fixed income securities issued by international organizations or foreign public institutions. As of December 31, 2020 and 2019, these securities shall have a long-term rating assigned in one of the five highest ratings from the more than twenty ratings assigned by credit rating agencies.
- Debt investments of private institutions are not allowed.

The magnitude and concentration of the Central Bank's exposure to credit risk can be observed directly from the statement of financial position, which describes the size and composition of the Central Bank's financial assets.

As of December 31, the risk rating of the investment portfolio is summarized as follows:

	<u>2020</u> (%)	<u>2019</u> (%)
<b>Long-term rating</b>		
AAA	58	42
AA+/AA/AA-	23	25
A+/A/A-	19	33
	<u>100</u>	<u>100</u>

Based on the obtained risk ratings and management's analysis as of December 31, 2020 and 2019, the Central Bank has no exposure in countries or institutions with debt issues that may represent a credit risk for its deposits with foreign banks and investments.

## iii. **Exchange rate risk**

It refers to the risk to which the Central Bank is exposed due to fluctuations in the value of financial assets and financial liabilities arising from changes in exchange rates. The magnitude of the risk depends on:

- The imbalance between the Central Bank's assets and liabilities in foreign currency.
- The exchange rate of foreign currency transactions pending at the end of the period.

The Central Bank's assets are mostly invested in U.S. dollars. They reflect both the denomination of liabilities in foreign currency (mainly bank reserve requirements and special resident deposits) and the currency used by the Central Bank for intervention in the domestic foreign exchange market.

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

As of December 31, 2020, the free market buy rate, published by the SBS for transactions in U.S. dollars, is S/3.618 (2019: S/3.311). Balances in other currencies were stated in U.S. dollars at the exchange rate daily provided by Bloomberg, as described in paragraph (c) below.

(a) As of December 31, the Central Bank's assets and liabilities in foreign currency are as follows:

	2020			2019		
	U.S. dollar (US\$ 000)	Other currencies (US\$ 000)	Total (US\$ 000)	U.S. dollar (US\$ 000)	Other currencies (US\$ 000)	Total (US\$ 000)
<b>Monetary assets</b>						
Cash in foreign currency	50,105	-	50,105	50,110	-	50,110
Deposits at foreign banks	15,803,503	2,652,587	18,456,090	16,103,241	2,718,931	18,822,172
Deposits at foreign organizations	-	746,192	746,192	-	745,677	745,677
Securities from international entities	39,321,601	13,071,692	52,393,293	33,483,332	12,555,807	46,039,139
Gold	-	2,113,113	2,113,113	-	1,693,701	1,693,701
Contributions to international organizations	538,946	586,387	1,125,333	520,168	449,609	969,777
Other available assets	12,623	11,908	24,531	40,798	8,481	49,279
Other external assets	-	20,000	20,000	-	20,000	20,000
Domestic credit	631,485	-	631,485	614,405	-	614,405
Other assets	2,431	526	2,957	5,869	369	6,238
	<b>56,360,694</b>	<b>19,202,405</b>	<b>75,563,099</b>	<b>50,817,923</b>	<b>18,192,575</b>	<b>69,010,498</b>
<b>Monetary liabilities</b>						
Reserves liabilities	201,011	736	201,747	52,518	1,442	53,960
Other foreign liabilities	-	20,000	20,000	-	20,000	20,000
Deposits in foreign currency	15,208,947	-	15,208,947	22,953,941	-	22,953,941
Other liabilities	1,874,034	-	1,874,034	3,362,926	-	3,362,926
	<b>17,283,992</b>	<b>20,736</b>	<b>17,304,728</b>	<b>26,369,385</b>	<b>21,442</b>	<b>26,390,827</b>
<b>Subtotal</b>	<b>39,076,702</b>	<b>19,181,669</b>	<b>58,258,371</b>	<b>24,448,538</b>	<b>18,171,133</b>	<b>42,619,671</b>
<b>Derivatives</b>						
Net forward contract position	11,726,347	(11,898,789)	(172,441)	11,764,355	(11,756,412)	7,943
<b>Net monetary position</b>	<b>50,803,049</b>	<b>7,282,880</b>	<b>58,085,930</b>	<b>36,212,893</b>	<b>6,414,721</b>	<b>42,627,614</b>

- (b) As of December 31, balances in foreign currency, SDR and precious metals, excluding derivative instruments, stated in their equivalence to thousands of U.S. dollars, are summarized as follows:

	<b>2020</b> (US\$ 000)	<b>2019</b> (US\$ 000)
<b>Assets</b>		
U.S. dollar	56,360,011	50,817,241
Japanese yen (i)	10,550,781	9,656,088
Euro	595,678	2,099,303
Gold	2,113,839	1,694,427
SDR (ii)	1,332,580	1,195,287
Pound sterling	1,412,966	724,283
Other currencies	3,154,778	2,823,869
	<b><u>75,520,633</u></b>	<b><u>69,010,498</u></b>
<b>Liabilities</b>		
U.S. dollar	17,284,160	26,369,385
SDR (ii)	153	1,096
Other currencies	407	20,346
	<b><u>17,284,720</u></b>	<b><u>26,390,827</u></b>
<b>Net assets</b>	<b><u>58,235,913</u></b>	<b><u>42,619,671</u></b>

- (i) As of December 31, 2020 and 2019, there is no exposure to this currency, since it is fully hedged by forward operations (note 20 (b)).
- (ii) The SDR is a foreign reserve asset created by the IMF and allocated to its member countries in proportion to their quota as a member country. The value of the SDR is calculated daily by adding the U.S. dollar values (noon London quotation) based on a basket of 5 currencies—the U.S. dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. The amounts of each currency of the SDR basket are calculated according to agreed percentages.
- (c) As of December 31, the main foreign exchange rates used by the Central Bank in relation to the U.S. dollar are as follows:

	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
Gold troy ounce	1,896.210000	1,519.970000
Pound sterling	1.366600	1.324000
SDR	1.440270	1.382830
Euro	1.221000	1.121700
Japanese yen	0.009682	0.009205

According to Article 89 of the Organic Act, the Central Bank registered a net positive adjustment for valuation of foreign currency for S/ 15,888 million in 2020 (2019: net negative adjustment for S/ 1,230 million) in 'adjustment for valuation Article 89 – Organic Act' in equity (note 17.E.).

The following table shows the sensitivity analysis on changes in the price of the main currencies to which the Central Bank is exposed as of December 31, 2020 and 2019. The analysis determines the devaluation or revaluation effects of a reasonably possible change in the exchange rate of soles against foreign currencies. It also assumes that all other variables remain constant in the statement of profit or loss and other comprehensive income. A negative amount reflects a potential net decrease in equity, while a positive amount reflects a potential net increase. In both cases, these changes do not affect the Central Bank's profits since they are recorded as exchange differences in equity.

<b>Sensitivity analysis</b>	<b>Change in exchange rates</b>	<b>2020</b> (S/ 000)	<b>2019</b> (S/ 000)
<b>Devaluation</b>			
U.S. dollars	5%	10,534,877	7,055,687
U.S. dollars	10%	21,069,753	14,111,373
British pound sterling	5%	255,602	119,905
British pound sterling	10%	511,204	239,810
Japanese yen	5%	1,908,636	1,598,699
Japanese yen	10%	3,817,273	3,197,399
Euro	5%	107,698	66,800
Euro	10%	215,396	133,599
<b>Revaluation</b>			
U.S. dollars	5%	(10,534,877)	(7,055,687)
U.S. dollars	10%	(21,069,753)	(14,111,373)
British pound sterling	5%	(255,602)	(119,905)
British pound sterling	10%	(511,204)	(239,810)
Japanese yen	5%	(1,908,636)	(1,598,699)
Japanese yen	10%	(3,817,273)	(3,197,399)
Euro	5%	(107,698)	(66,800)
Euro	10%	(215,396)	(133,599)

#### iv. **Interest rate risk**

It is associated with unexpected changes in the market return rates of the portfolio's fixed income assets, which may affect the market value of investments before their maturity. The longer the maturity period of investments, the greater the impact of changes in the return on the market value of such investments. The measurement of such impact is reflected in the portfolio's duration. It reflects risk-return preferences of the Board of Directors.

The Central Bank faces this risk by considering the maturity structure of the liabilities for the maturity composition of its assets. This makes the total portfolio duration lower, so the impact of changes in interest rates on the market value of the portfolio is limited. Likewise, maximum investment terms have been established, that are consistent with the market risk profile intended for each portfolio instrument.

As of December 31, 2020 and 2019, the average duration of the investment portfolio (including internally managed foreign assets, mainly deposits with foreign banks, investments in securities and gold holdings) is 0.90 and 0.73 years.



**vi. Operational risk**

It refers to the effect of the uncertainty that the Central Bank faces on its ability to meet its strategic objectives and functions, safeguard its equity and protect its reputation, image and credibility, as a result from internal process and control failures, human errors, information systems and supporting technology failures, breach of legal provisions and internal regulations, or external events.

Operational risk management is part of all the processes of the Central Bank, involves all levels within the organization and is based on the application of a structured process under the “Three Lines of Defense” model which guarantees a comprehensive operational risk management by promoting coordinated action among the different roles with a separation and independence level that maximizes efficiency and effectiveness.

Risk Management and the Central Bank’s managements perform operational risk assessments that include the following activities:

- Setting up framework and mapping of processes.
- Identifying risks to which processes are exposed, and controls applied to mitigate them.
- Performing risks analysis and assessment, as well as determining additional controls that need to be implemented when assessment is above the Central Bank’s tolerance level.

Once management has performed the risk assessment and determined the additional controls that shall be implemented, Risk Management submits the assessments to the Risk Committee. This entity is the supervisory body in charge of approving policies and recommending actions regarding risk management and continuity of operations. It also recommends preventive actions and resolution of events that affect the Central Bank, and assesses reports and proposals submitted by Risk Management.

**25. INFORMATION ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value or estimated market value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Company uses the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

When a financial instrument is traded in an active and liquid market, its fixed price in the market through real transactions offers the best evidence of its fair value. When a quoted market price is not available, or it cannot be an indicative of the fair value of the financial instrument, the fair value may be determined using the market value of another instrument that is substantially the same, the discounted cash flow analysis or other valuation techniques, which are significantly affected by the different assumptions made. Management has used its best judgment in the financial instruments’ fair value measurement. Fair value estimates may not be indicative of the net realizable value or settlement value of such instruments.

Methodologies and assumptions applied to determine estimated market values as of December 31, 2020 and 2019, in the applicable cases according to the policies of the Central Bank, depend on the risk terms and characteristics of the different financial instruments, as shown below:

- Cash in foreign currency and deposits with foreign banks represent cash and term deposits with banks, with terms up to 90 days, respectively. Such cash and deposits do not represent significant credit risks or interest rate risks.
- The carrying amount of securities issued by international institutions classified as financial assets measured at FVOCI corresponds to their estimated market value.
- The carrying amount of gold corresponds to its market value.
- The value of the contributions to and deposits with international organizations corresponds to their fair values, since they represent the amount the Central Bank would receive if it is no longer a member of such organizations. Additionally, contributions to international organizations cannot be traded with third parties. Such contributions accrue interest at interest rates based on their market risk.
- Securities in circulation accrue interest at fixed and variable rates according to the respective issuance.
- Deposits in domestic and foreign currency accrue interest at fixed and variable rates. Such rates are fixed in terms under a year by the Central Bank.
- The carrying amount of currency held by the Central Bank recognized in 'monetary base' corresponds to its market value, since it represents the currency in circulation in the Peruvian economy.

Consequently, as of December 31, 2020 and 2019, management considers that the estimated fair values of the Central Bank's financial instruments holdings do not differ significantly from their corresponding carrying amount.

## 26. SUBSEQUENT EVENTS

Supreme Decree 009-2021-SA, published February 13, 2021 on the official daily newspaper of Peru "El Peruano," extended the national health state of emergency, which was declared through Supreme Decree 008-2020-SA. Such Supreme Decree extended Supreme Decrees 020-2020-SA, 027-2020-SA and 031-2020-SA from March 7, 2021, for 180 days. Likewise, Supreme Decree 008-2021-PCM extended the implemented measures for the national state of emergency to mitigate the impact of the COVID-19's second wave until March 14, 2021. Such measures established mandatory social immobilization—i.e., social immobilization per region, restrictions of some social immobilization-related activities, suspension of interprovincial land travel and curfew by hours).

No material events that may have an impact on the Central Bank's financial statements, have occurred between December 31, 2020 and the date of the independent auditors report.