



# INDEPENDENT AUDITOR'S REPORT

**To the Director Board  
Banco Central de Reserva del Peru**

## **Our opinion**

In our opinion, the financial statements, present fairly, in all material respects, the financial position of Banco Central de Reserva del Peru as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

## **What we have audited**

The financial statements of Banco Central de Reserva del Peru (hereinafter, the "Central Bank") comprise:

- the statement of financial position as of December 31, 2022;
- the statement of profit and loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

## **Independence**

We are independent of the Central Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code of Ethics) and the ethical requirements of the Code of Professional Ethics issued by the Board of Deans of the Institutes of Peruvian Certified Public Accountants, that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code of Ethics and the ethical requirements of the Code of Professional Ethics issued by the Board of Deans of the Institutes of Peruvian Certified Accountants.

## **Our audit approach**

### **Overview**

An audit is designed to obtain reasonable assurance that the financial statements are free from material misstatement whether due to fraud or error. These are considered material if, individually or in total, they could reasonably influence the economic decisions that users make based on the financial statements.

The scope of our audit and the nature, timing and extent of our procedures was determined by our risk assessment that the financial statements may contain material errors, whether due to fraud or error.

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Key Audit Matters (KAM) are those which, in our professional judgment, were the most significant in our audit of the financial statements of the current period:

- Information technology environment; and
- Securities from international institutions.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involve making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement in the financial statements due to fraud.

### How we designed the scope of our audit of the Central Bank

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Central Bank, the accounting processes and controls, and the economic sector in which the Central Bank operates.

### Key Audit Matters (KAM)

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

Key Audit Matters (KAM)	How our audit addressed the key audit matter
<b>Information technology environment</b>	
<p>The Central Bank has a technological infrastructure to support its operating activities, as well as continuous improvement plans, maintenance of access management, changes in systems and applications, development of new programs and controls dependent on Information Technology (IT) in the relevant operating processes. The controls to authorize, control, restrict and withdraw access to the systems and the management of changes to the programs are fundamental to mitigate the potential risk of fraud or error based on misuse or improper change in the Central Bank's systems, thus ensuring the integrity of the financial reporting and accounting records.</p> <p>The Central Bank has an integrated IT structure with different segregated processes and controls, which include third-party support in some cases; situation that leads to increased risks associated with information security and cybersecurity.</p> <p>The lack of an adequate general IT control environment and its dependent controls could affect the processing capacity for the preparation of the financial statements.</p> <p>The Central Bank is highly dependent on its technology structure for the processing of its operations, as well as for the preparation and fair presentation of its financial statements, which leads us to consider the IT environment as an important area in our audit.</p>	<p>With the participation of systems audit specialists, we performed, among others, the following procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated and tested the design and operating effectiveness of the IT general controls, evaluated the Central Bank's IT governance framework and the key controls over program and data access management, development and changes to programs, and IT operations.</li> <li>• We evaluated the mechanisms implemented by the Central Bank in order to respond to possible cybersecurity events and segregation of duties, including compensatory controls, when necessary.</li> <li>• We evaluated the existence of technology risk mitigation mechanisms and containment of cyber- attacks, preventive measures to ensure the continuous operation of its security and access controls, identity and access management, among others, that contribute to mitigating cybersecurity risks.</li> </ul>

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Key Audit Matters (KAM)	How our audit addressed the key audit matter
<b>Information technology environment</b>	
<b>Investments in securities from international institutions (Notes 2.B.(b) and 5 to the financial statements)</b>	
<p>At December 31, 2022, the amount of investments in securities from international entities amounts to S/202,966.4 million.</p> <p>One of the main functions of the Central Bank is to manage the country's international reserves. International reserves contribute to the economic and financial stability of the country, to the extent that they guarantee the availability of currencies in extraordinary situations, such as an eventual significant withdrawal of foreign currency deposits from the domestic financial system or temporary external shocks that could cause imbalances in the real sector of the economy.</p> <p>The international reserves administered by the Central Bank are mainly composed of investments in securities from international entities, which correspond to first-class, low-risk financial debt instruments issued by international organizations or foreign public entities.</p> <p>The investments in securities from international entities are mainly recorded at their fair value through other comprehensive income in accordance with the business model defined by the Central Bank's management. The fair value is estimated on a daily basis according to the market prices available at the end of the day.</p> <p>Considering the above, this area was a key audit matter.</p>	<p>Our audit approach to address this issue included, among other procedures, the following:</p> <ul style="list-style-type: none"> <li>• With the support of our systems specialists, we obtained an understanding of the management process of investments in securities from international entities and other related processes. We also identified and evaluated the IT dependencies and systems involved in the management process of investments in securities from international entities.</li> <li>• We tested the key controls related to the process of investment in securities from international entities.</li> <li>• We applied, among other procedures, the following tests:               <ul style="list-style-type: none"> <li>○ We obtained the detail of investment in securities from international entities; we tested its completeness and, based on a sample, we compared the accuracy of the relevant data of the instrument; we tested the calculation of the amortized cost and its fair value. To determine the fair value, we considered price sources other than those used by the Central Bank.</li> <li>○ We obtained external confirmations from the international custodians and compared the amount of the securities with the reports maintained by the Central Bank.</li> <li>○ We tested the impairment of credit risk of investment in securities from international entities.</li> <li>○ We reviewed the sufficiency of the information disclosed in the notes to the financial statements.</li> </ul> </li> </ul>

#### Other information

Management is responsible for the other information. The other information comprises the Annual Report required for its Bylaws but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those Central Bank's charged with governance.

#### Responsibilities of management and those charged with Corporate Governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Central Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Central Bank or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Central Bank's financial reporting process.

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## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

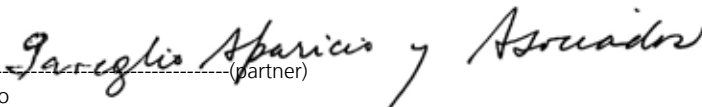
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, February 28, 2023

Countersigned by

  
----- (partner)  
Cecilia Hashimoto  
Peruvian Chartered Public Accountant  
Registration No.01-24793



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**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2022, and 2021

	<u>Note</u>	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Assets</b>			
<b>Gross International reserves</b>			
Cash in foreign currency		372,457	388,775
Deposits at foreign banks	3	50,274,815	70,455,058
Deposits at foreign organizations	4	9,075,389	9,954,474
Securities from international institutions	5	202,966,413	217,661,144
Gold	6	7,731,051	8,094,321
Contributions to international organizations	7	4,467,251	4,676,002
Other available assets	20(b)(h)	226,752	964,695
		<u><b>275,114,128</b></u>	<u><b>312,194,469</b></u>
<b>Other foreign assets</b>			
Contributions in domestic currency to the International Monetary Fund	7(b)	4,794,573	5,374,636
Other external assets	11(b)	76,160	79,500
		<u><b>4,870,733</b></u>	<u><b>5,454,136</b></u>
<b>Domestic credit</b>			
	8		
To banks		31,812,532	51,137,613
To public sector		7,130,372	5,084,517
To financial enterprises		63,857	205,248
To other entities and funds		1,559,976	2,760,631
		<u><b>40,566,737</b></u>	<u><b>59,188,009</b></u>
Property, plant and equipment, net	9	160,785	155,671
Other assets	10	1,742,910	936,056
<b>Total assets</b>		<u><b>322,455,293</b></u>	<u><b>377,928,341</b></u>
Off balance sheet accounts	20	<u>253,792,017</u>	<u>286,098,227</u>

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

	<u>Note</u>	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Liabilities</b>			
Reserve liability	20	1,382,273	174,897
<b>Other foreign liabilities</b>			
Equivalent of the contribution in domestic currency to the International Monetary Fund	7(b)	4,794,573	5,374,636
Other foreign liabilities	11	9,660,212	10,597,267
		<u><b>14,454,785</b></u>	<u><b>15,971,903</b></u>
<b>Sterilized stock</b>			
Issued securities in circulation	12	25,371,126	28,366,413
Deposits in domestic currency	13	85,746,846	108,361,119
		<u><b>111,117,972</b></u>	<u><b>136,727,532</b></u>
<b>Monetary base</b>			
	14		
Currency in circulation		90,417,535	93,541,490
Deposits in domestic currency		2,573,689	3,737,987
		<u><b>92,991,224</b></u>	<u><b>97,279,477</b></u>
Deposits in foreign currency	15	65,443,973	71,981,687
Other liabilities	16	3,217,438	5,583,885
<b>TOTAL LIABILITIES</b>		<u><b>288,607,665</b></u>	<u><b>327,719,381</b></u>
<b>Equity</b>			
	17		
Capital		1,182,750	1,182,750
Legal reserve		1,182,750	1,182,750
Special statutory reserve requirements		4,208,099	3,132,642
Fair value reserve		(5,890,286)	(434,582)
Retained earnings		(1,663,653)	1,433,943
<b>Capital, reserves and results</b>		<u><b>(980,340)</b></u>	<u><b>6,497,503</b></u>
Adjustment for evaluation. Article No. 89 –Organic Act	17(e)	34,827,968	43,711,457
<b>Total equity</b>		<u><b>33,847,628</b></u>	<u><b>50,208,960</b></u>
<b>TOTAL LIABILITIES AND NET EQUITY</b>		<u><b>322,455,293</b></u>	<u><b>377,928,341</b></u>
Off balance sheet accounts	20	253,792,017	286,098,227

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the years ended December 31, 2022, and 2021

	<u>Note</u>	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Financial revenue</b>			
Interest on deposits at foreign banks	3(b)	980,375	177,313
Net return on securities	5	2,161,021	1,539,531
Return on operations with derivative instruments	20(b)	208,673	144,668
Interest on international agreements and deposits at the IMF		121,213	3,883
Profits and dividends received from international institutions		4,156	119,786
<b>Return on gross international reserves</b>		<b>3,475,438</b>	<b>1,985,181</b>
Interest and fees on domestic credit operations	8	4,182,486	767,365
Other finance income	20(i)	2,539	111,895
<b>Total financial income</b>		<b>7,660,463</b>	<b>2,864,441</b>
Non- financial income		12,669	38,186
<b>Total income</b>		<b>7,673,132</b>	<b>2,902,627</b>
<b>Financial expenses</b>			
Interest on other liabilities abroad	,11(c)	(107,692)	(3,190)
Interest on securities in circulation	12	(3,699,276)	(374,167)
Interest on domestic currency deposits	13	(4,012,666)	(580,420)
Interest on foreign currency deposits	15	(1,060,089)	(14,702)
Other finance costs	,20(i)	(64,378)	(148,262)
<b>Total financial expenses</b>		<b>(8,944,101)</b>	<b>(1,120,741)</b>
Operational expenses	21	(293,605)	(270,833)
Issuance expenses and costs	22	(99,079)	(77,110)
<b>Total expenses</b>		<b>(9,336,785)</b>	<b>(1,468,684)</b>
<b>Net (loss) profit</b>		<b>(1,663,653)</b>	<b>1,433,943</b>
Other comprehensive income	17(c)	(5,455,704)	(2,268,747)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(7,119,357)</b>	<b>(834,804)</b>

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

**STATEMENT OF CHANGES IN EQUITY**

For the years ended December 31, 2022 and 2021

Note	Share capital (\$/ 000)	Legal reserve (\$/ 000)	Special legal reserve requirements (\$/ 000)	Fair value reserve (\$/ 000)	Retained earnings (\$/ 000)	Total capital, reserves and profit or loss (\$/ 000)	Adjustment for Valuation - Article 89 of Organic Act (\$/ 000)	Total equity (\$/ 000)
<b>Balance as of January 1, 2021</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>
Net profit	-	-	-	-	1,433,943	1,433,943	-	1,433,943
Other comprehensive income	-	-	-	(2,268,747)	-	(2,268,747)	-	(2,268,747)
<b>Total comprehensive income</b>	-	-	-	<b>(2,268,747)</b>	<b>1,433,943</b>	<b>(834,804)</b>	-	<b>(834,804)</b>
Transfer to legal reserve	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	1,299,941	-	(1,299,941)	-	-	-
Transfer of profits to Public Treasury	-	-	-	-	(433,314)	(433,314)	-	(433,314)
Adjustment for valuation - Article 89 of Organic Act for the period	-	-	-	-	-	-	17,494,968	17,494,968
<b>Balance as of December 31, 2021</b>	<b>1,182,750</b>	<b>1,182,750</b>	<b>3,132,642</b>	<b>(434,582)</b>	<b>1,433,943</b>	<b>6,497,503</b>	<b>43,711,457</b>	<b>50,208,960</b>
Net Profit / (Loss)	-	-	-	-	(1,663,653)	(1,663,653)	-	(1,663,653)
Other comprehensive income	-	-	-	(5,455,704)	-	(5,455,704)	-	(5,455,704)
<b>Total comprehensive income</b>	-	-	-	<b>(5,455,704)</b>	-	<b>(7,119,358)</b>	-	<b>(7,119,358)</b>
Transfer to statutory reserve	-	-	1,075,457	-	(1,075,457)	-	-	-
Transfer of profits to Public Treasury	-	-	-	-	(358,486)	(358,486)	-	(358,486)
Evaluation adjustment O.A. Art. 89 for the period	-	-	-	-	-	-	(8,883,490)	(8,883,490)
<b>Balance as of December 31, 2022</b>	<b>1,182,750</b>	<b>1,182,750</b>	<b>4,208,099</b>	<b>(5,890,287)</b>	<b>(1,663,653)</b>	<b>(980,340)</b>	<b>34,827,968</b>	<b>33,847,628</b>

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



**STATEMENT OF CASH FLOWS**

As of December 31, 2022 and 2021

	<u>Note</u>	<u>2021</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Cash flows from operating activities</b>			
Net (loss) profit		(1,663,653)	1,433,943
<b>Adjustments to reconcile the profit with the cash and cash equivalents from operating activities</b>			
Depreciation of property, plant and equipment	9	14,139	13,435
Amortization of intangible assets		1,422	1,160
Fixed assets write-off		125	884
<b>Net change in assets, liabilities and equity</b>			
Domestic credit		18,621,271	8,063,133
Other foreign assets		583,403	(209,835)
Other assets		(805,433)	(672,875)
Reserve Liability		1,207,377	(555,024)
Other foreign liabilities		(1,517,118)	7,545,430
Securities in circulation		(2,995,288)	(19,014,638)
Deposits in domestic currency		(22,614,273)	3,098,350
Deposits of banks, financial enterprises and others (monetary base)		(1,164,297)	440,237
Deposits in foreign currency		(6,537,713)	16,955,715
Other liabilities		(2,366,447)	(1,558,391)
Fair value reserve		(5,455,704)	(2,268,748)
Adjustment for valuation - Article 89 of Organic Act		(8,883,490)	17,494,969
Transfer of profits to Public Treasury	17(d)	(358,486)	(433,314)
<b>Cash and cash equivalents provide by (used in) operating activities</b>		<b>(33,937,009)</b>	<b>30,334,431</b>
<b>Cash flows from investing activities</b>			
Additions of property, plant and equipment	9	(19,378)	(12,083)
<b>Cash and cash equivalents used in investing activities</b>		<b>(19,378)</b>	<b>(12,083)</b>
Net Increase (decrease) of cash and cash equivalents		(33,956,387)	30,322,348
Cash and cash equivalents at the beginning of the year		218,652,980	188,330,631
<b>Cash and cash equivalents at the end of the year</b>	2.B(o)	<b><u>184,696,593</u></b>	<b><u>218,652,979</u></b>

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

**NOTAS A LOS ESTADOS FINANCIEROS**

31 de diciembre de,2021 y de,2020

**1. OPERATIONS****(a) Operations**

Banco Central de Reserva del Perú (hereinafter the “Central Bank” or “BCRP”) 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 control 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, 2022 and 2021, the Central Bank has 965 and 984 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 constitutive agreements of the International Monetary Fund (IMF) and the Latin American Reserves Fund (hereinafter “FLAR”, for its Spanish acronym) and is responsible for all transactions, operations and formal relationships with these organizations. The Central Bank may also act as a Peruvian Government agent in its relations 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 Central 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 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 with the Central Bank, as well as grant loans or advance 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 rate regimes.
- Purchase shares, except for those issued by international financial organizations or those needed to be acquired to strengthen banks or financial enterprises; 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 (the latter must be sold within a term not exceeding 1 year after their acquisition date).

The financial statements as of and for the year ended December 31, 2022, prepared in accordance with the accounting policies described in note 2, have been issued with Management approval on January 12, 2023 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 January 13, 2022, approved the Company's financial statements as of and for the year ended December 31, 2021.

### **Equity**

According to Article 93 of the Organic Act, if the Central Bank incurs losses, they shall be covered by the accounting reserve from prior year profits, presented in the account "Statutory reserve". If this reserve is insufficient, within thirty days of the approval of the financial statement, the Public Treasury issues and grants to the Central Bank interest bearing negotiable debt securities for the non-covered amount.

The net loss recorded during 2022 (that amount to S/1,664 million) is associated with: i) the higher cost of liquidity sterilization operations by the BCRP, which is associated with the increase in interest rates in soles, in line with the increase in the reference interest rate of the monetary policy to reduce inflation; this effect was partially offset by ii) higher income generated by interest associated with the investment of the Gross International Reserves, which reflects the consequent increase in interest rates at the international level to reduce inflation in advanced economies.

The net profits recorded as of December 31, 2021 (that amount to S/1,434 million) is associated with the lower income generated by the interest obtained from the investment of the International Reserves, and this is due to the lower average yield recorded this year as a consequence of the continuity of the monetary stimulus of the Federal Reserve of the United States (hereinafter "FED") and of the central banks of the main developed economies, reflected in the low international interest rates. Likewise, there was a lower cost of sterilization operations associated with the fact that interest rates in soles remain below their historical averages, and this is consistent with a monetary stimulus policy that has begun to normalize as of the second semester of 2021, with the objective of guaranteeing the return of inflation and its expectations to the target range.

On May 24, 2022, 25% of the 2021 net profits was allocated to the Public Treasury; transferring S/358 million to the principal in domestic currency from the Ministry of Economy and Finance (hereinafter "MEF") (note 17.d).

On March 11, 2021, 25% of the net income for 2020 was allocated to the Public Treasury, transferring S/433 million to the main account in domestic currency of the MEF (note 17.d).

**(b) Significant events**

On March 15, 2020, the Peruvian Government, by means of Supreme Decree No.044-2020 declared a National State of Emergency and mandatory social isolation, due to the serious circumstances that endangered human lives as a result of the outbreak of COVID-19, through which individual rights such as personal freedom and safety, inviolability of domicile and freedom of assembly and movement remained restricted; a situation which ended on October 27, 2022, by means of Supreme Decree No.130-2022-PCM. Furthermore, the Peruvian Government additionally declared a State of Health Emergency from the year 2020 through Supreme Decree No.008-2020-SA, which, at the date of this report, has been extended until February 25, 2023, by Supreme Decree No.015-2022-SA.

During the year 2021, given the restart of economic activities in the Country after the health crisis caused by the COVID-19 pandemic, which was accompanied by the development of safe vaccines and the increase in the rate of vaccination worldwide, the Central Bank established different monetary and financial measures. Said measures included the progressive increase in the reference interest rate from the historical minimum of 0.25% that was set in April 2020, up to 2.5% in December 2021, likewise, the withdrawal began of some stimulus measures implemented in 2020, such as the Loan Portfolio Rescheduling Repurchase Agreements in October 2021, and the increase in reserve requirement rates in domestic currency, also from October 2021.

During 2022, the Central Bank continued establishing the monetary and financial measures which were mainly oriented towards continuing with the progressive increase in the benchmark interest rate, which, at the close of 2022 reached 7.5%, mainly in response to the increase in inflation which has been occurring in the national economy.

**(c) Approval of the financial statements**

The financial statements as of and for the year ended December 31, 2022, prepared in accordance with the accounting policies described in note 2, have been issued with Management approval on January 19, 2023 and will be submitted for the 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 on March 3, 2022, approved the Company's financial statements as of and for the year ended December 31, 2021.

**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 powers (Article 88 of the Organic Act); and,
- (b) 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, 2022 and 2021, as applicable for the Central Bank, and the standards established by the Superintendency of Banking, Insurance and Private Pension Fund Administrators (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS).

The criteria established by the Board of Directors of the Central Bank that differ from the IFRS are mainly the following:

**i. Recognition of changes due to fluctuations in exchange rates**

The Central Bank records adjustment 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 period in which they were generated.

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).

As of December 31, 2022 y de 2021, the adjustment was recorded in equity, and corresponds to a decrease of S/8,883 million and an increase of S/ 17,495 million, respectively, see notes 2.B(e) and 17(e).

According to the IFRS, the results of the above-mentioned valuations must be included in the results for the year in which they were generated.

**ii. Recognition of embedded derivatives**

Financial instruments which contain embedded derivatives will be recognized and treated separately from other financial instruments; and both the host contract and the value of the embedded derivative will be dealt with together.

According to the IFRS, embedded derivatives of a main (or host) agreement must be treated like separate derivative instruments and recorded at their fair value if their economic risks and characteristics are not closely related to those of the host contract.

**iii. Statement of cash flows**

The preparation of the statement of cash flows is carried out by the Central Bank considering as cash and cash equivalents, the balance of the accounts which comprise the "Gross international reserves" less the balance of the account "Currency in circulation", as indicated in note 2.B(o). Likewise, the Central Bank prepares and presents the statement of cash flows applying the indirect method.

According to the IFRS, cash and cash equivalents correspond to available funds, short term, highly liquid instruments, easily convertible into a determined amount of cash, which are subject to an insignificant risk of changes in their value, with maturities no more than 90 days from the acquisition date.

**iv. Disclosure of financial instruments**

As of December 31, 2022 and 2021, the Central Bank has not fully applied the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments. These standards require 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 and at the end of the reporting period, and how the entity manages those risks. The Central Bank does not apply the disclosures related to derivative financial instruments, mainly with regard to risk disclosures.

**v. Measurement of exchange rate related instruments**

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

Gains and losses from changes in fair value of these instruments and from the exchange rate are recorded in "Adjustment for valuation – Article 89 of Organic Act" in equity, without affecting the profit or loss for the period in any case.

According to IFRS, 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, issued in Soles through the Public Treasury, to cover any loss in compliance with Article 93 of the Organic Act (notes 1 and 17.D). Such bonds are initially recorded as financial assets at face value in "Domestic credit" in the statement of financial position.

According to the IFRS, said bonds do not qualify as financial assets, since the amortization of the interest in favor of the Central Bank, is made through dividends that the Central Bank itself has the obligation to transfer to the Public Treasury when it presents profits, see 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 measured 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 income 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.

The gains and losses generated by exchange rate variations are recorded in the caption "Valuation adjustment Article 89 – Organic Act" of equity, in no case affecting results for the year.

**vii. New accounting policies**

The accounting principles used by the Central Bank in the preparation of its financial statements are consistent with those applied in previous years. During 2022, there were no new principles established by the Board of Directors of the Central Bank which differed from the IFRS:

## **B. Accounting principles**

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

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

The accompanying financial statements have been prepared from the accounting records of the Central Bank, held in soles, in accordance with the accounting principles approved by the Board of Directors; and they are presented in values rounded to thousands of soles.

The preparation of the accompanying financial statements requires Management to formulate estimates that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of significant events in notes to the financial statements. The final results may differ from said 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 entities, which include investments at fair value through other comprehensive income - FVOCI, actuarial reserves for retirement, survivor, health care and burial benefits, the accounting principles of which are described in the respective notes to the financial statements.

The information included in these financial statements is the responsibility of the Management and Board of Directors of the Central Bank, who expressly confirm that all the applicable principles and criteria of the Central Bank have been applied.

### **(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 attached notes 2.A(vi) and 2.B(r).

Other financial instruments are classified as assets, liabilities, or equity according to the contract that gave rise to them. financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as income or expense. 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, 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 of 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 the objective of which 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 both of the following conditions are met:

- It is held within a business model the objective of which 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. The calculated amortization is recorded by increasing or decreasing the carrying amount of the instrument with the offsetting entry in profit or loss. Instruments initially recorded at face value are not amortized.

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

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

- First, 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. The calculated amortization is recording by increasing or decreasing the carrying amount of the instrument with the offsetting entry in profit or loss profit. Financial instruments acquired at face value are not amortized.
- In addition, the instruments classified as measured at FVOCI are also measured on a daily basis at market prices, comparing them with the instrument's



last amortized cost or acquisition cost (in case has been recently acquired). Adjustments to market prices are recorded by increasing or decreasing the carrying amount of the instrument, crediting the offsetting entry to fair value reserve in equity.

Fair value is the market price provided on a daily basis by the financial information service available in the Central Bank (information provide to date mainly by Bloomberg, specialized provider of the financial market, recognized worldwide). In Management's opinion, said information reasonably reflects 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 transferred to the profit or loss for the year, excluding the effects of the exchange differences, which are recorded as indicated in paragraph (d) below.

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 return on securities" in the statement of profit or loss and other comprehensive income.

**iv. *Impairment of financial assets***

The Central Bank's Management evaluates, on each presentation date of the financial statements, whether there is objective evidence that its financial assets measured at amortized cost or at fair value through other comprehensive income present changes in credit risk since their initial recognition.

The Central Bank's Management periodically monitors credit risk, based on the most recognized risk rating agencies, in order to evaluate whether there is any evidence of significant increase in said risk since its initial recognition, which may have a significant impact on the investment portfolio, and therefore is considered as a permanent reduction in its market value. Furthermore, Management considers that its investments have a low credit risk, through the evidence obtained that certifies a low risk of non-compliance for each investment instrument and for each issuer thereof.

In the event that the reduction in the market value of the investments proved to be permanent or due to credit impairment of the issuer, the respective provisions will be established affecting the results for the year.

**(c) *Income and expense recognition***

Income and expense are calculated using the effective interest method (amortized cost) and are recognized in profit or loss of the period in which they accrue, depending on the term of the generating operations and the agreed upon interest rates, except for interest on investments that are recognized as indicated in paragraph (b)(iii) above. Interest income includes the return on investments in securities from international entities and is presented in the account "Net return on securities".

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

Other income and expense are recognized as earned or incurred in the period in which they accrue.

When there are reasonable uncertainties about the collectability of the principal of a financial instrument, interest is recognized as income if there is reasonable certainty of payment.

**(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 on which transactions are entered into and are stated in soles using the buying rate established by the SBS for operations in U.S. dollars. Balances in other currencies are stated at the exchange rates provided by the financial information service available in the Central Bank (note 24.B(iii)).

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

The Central Bank recognizes the adjustment to exchange rates in "Adjustment for Valuation – Article 89 of Organic Act" in equity.

**(e) Derivative financial instruments**

The Central Bank has derivative financial instruments held-for-trading and embedded derivatives.

**i. Derivatives held-for-trading.**

The reference price (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 (simultaneous operations of foreign currency purchase and sale, one using the spot exchange rate and the other, the forward exchange rate), which equals the increase in currency from the agreed forward points, are recorded in the statement of profit or loss and other comprehensive income. Thus, the effect recorded in "Adjustment for Valuation – Article 89 of Organic Act" in equity corresponds to the measurement of the underlying asset during the term of the foreign exchange swap plus (less) the exchange rate effect from the changes in the quotation of the foreign currencies in relation to the domestic currency.

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

**ii. Foreign Exchange swaps**

Foreign exchange swaps (FX Swaps), whose notional amount is recorded in memorandum accounts (note 20(c)), correspond to transactions in which one

of the parties undertakes to pay a variable interest rate on a notional amount in local currency in exchange for the counterparty paying a fixed interest rate on the equivalent notional amount in U.S. dollars, and also paying the exchange difference determined on the notional amount in U.S. dollars.

The Central Bank calculates interest receivable and payable, which are recognized in the statement of income and other comprehensive income in the period in which they are accrued, within "other financial income" and "other financial expenses", with a balancing entry in "other assets" and "other liabilities" in the statement of financial position, respectively. Likewise, the Central Bank recognizes the exchange difference on the notional amount committed in U.S. dollars in the caption "Valuation adjustment article No. 89 - Organic Law" of the shareholders' equity, with a balancing entry in the asset and liability captions mentioned above, as appropriate.

At maturity of the transaction, the settlement is made in soles at current exchange rates.

### iii. ***Interest rate swaps (IRS)***

The Central Bank recognizes the interest receivable and payable related to these operations in the statement of profit or loss and other comprehensive income in the period in which they are accrued, in the accounts "Interest and fees on domestic credit operations" and "Interest on securities in circulation", respectively; with offsetting entry in the headings "Other assets" and "Other liabilities" of the statement of financial position, respectively.

Additionally, for the interest rate swaps agreed at an original term of more than 15 months, the fluctuations in their fair value are recognized on each reporting date in the statement of profit or loss and other comprehensive income, in the headings "Interest and fees on domestic credit operations" or "Interest on securities in circulation", with offsetting entry in the headings "Other assets" and "Other liabilities" of the statement of financial position, respectively.

The fair value of the interest rate swaps is equal to the difference between the present value of the fixed payments, less the present value of the variable payments, taking as discount factor the curve of CD BCRP, and the zero-coupon curve constructed on the basis of the yields of the Peruvian Treasury Bonds.

### iv. ***Embedded derivatives***

The Central Bank recognizes the measurement of instruments containing embedded derivatives at the reporting date in "fair value reserve" in net equity. The measurement of instruments, without separating the embedded derivative from its host contract, is obtained from the financial information service available in the Central Bank.

The effect of the measurement of instruments is 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, 2022 and 2021, the Central Bank does not have instruments containing embedded derivatives.

### (f) ***Gold***

Gold holdings are valued using the quoted prices in the New York market, provided daily by the financial information service available in the Central Bank. The result of said

measurement is recorded in “Adjustment for Valuation – Article 89 of Organic Act” in net equity.

**(g) *Transactions with international organizations***

**Contributions to international organizations**

This caption corresponds to contributions made by the Central Bank to the IMF, FLAR and BIS which are at face value, which represents the acquisition cost since it is said amount that the Central Bank would have the right to receive in case it ceased to be a member in some of said institutions. These contributions cannot be traded with third parties.

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

***Allocations of Special Drawing Rights (SDR)***

The recognition of the allocations of SDR with the IMF involves a charge to an asset account in foreign currency which forms part of the “Gross International reserves” and a credit to a liability account in foreign currency, which is part of the item “Other external liabilities” and constitutes a long-term obligation. Both concepts are initially recognized at cost, subsequently they are measured at their adjusted value and are presented in the statement of financial position of the Central Bank.

**(h) *Collections***

Collections mainly correspond to artworks (archeological objects, paintings, sculptures, among others) and collectible coins acquired and/or received in donation. They are valued at their acquisition cost or face value. Due to their nature, these assets have an indefinite useful life. Therefore, they are not depreciated and are recognized 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 estimated by specialists when they are received.

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

***Recognition and measurement***

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Repair and maintenance expenses 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) its 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 is measured at acquisition cost and is not depreciated until it is 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 recoverable, the Central Bank reviews the carrying amount of its assets in order to verify that there is no permanent impairment in its value.

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 can be obtained 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 continued 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 (CGU).

Management annually assesses whether the carrying amount exceeds the recoverable amount of most significant long-lived assets based on available market information.

**(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 enterprises, which are not included in reserve requirements. The sterilized stock corresponds to the Central Banks' monetary operations to withdraw liquidity from the financial system, as well as deposits of financial institutions which, in case of reversal, would imply an increase in the monetary base.

Securities in circulation are measured at face value, and accrued interest is recognized in profit or loss. Discounts granted at placement are deferred and amortized during the term of the instrument using the effective interest 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" in equity.

**(l) *Currency in circulation***

This caption includes banknotes and coins of 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 in the Central Bank's vaults is measured 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 Disease, Insurance and Pension Fund of 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 supplementary retirement benefits, related to health care benefits granted by the Central Bank.

The cost of granting benefits through defined benefits plans is determined separately for each plan, by means of the projected unit credit method. Actuarial gains and losses of both defined benefits plans are fully recognized in profit or loss of the period in which they occur.

Assets or liabilities for defined benefit include the present value of the defined benefit obligation, which is determined using mortality tables and a discount rate based on high-quality debt instruments (note 16), less the past service cost and the fair value of the plan assets required to settle the 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 price data.

The Fund’s net assets, which reduce the liabilities of the actuarial reserve, comprise the value of deposits and loans, net of obligations.

Supplementary retirement, widow, health care and burial benefits and other benefits less present value of the Fund’s net assets, are recognized in “other liabilities” in the statement of financial position (note 16).

**(n) Operational expenses and currency issuing costs**

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

Minting cost of coins and coin blanks includes the expenses for raw materials, labour costs and production overheads.

Expenses for printing banknotes and costs of minting coins are initially 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**

This caption, according to the criterion established by the Central Bank in note 2.A (ii), comprises gross international reserves, net of currency in circulation recorded in “monetary base” in the statement of financial position, as follows, at December 31:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Gross international reserves	275,114,128	312,194,469
<b>Less:</b>		
Currency in circulation	<u>(90,417,535)</u>	<u>(93,541,490)</u>
<b>Cash and cash equivalents</b>	<b><u>184,696,593</u></b>	<b><u>218,652,979</u></b>

The difference between total gross international reserves and reserve liabilities (including obligations with international entities) represents net international reserves. As of December 31, 2022, and 2021, the net international reserves amount to US\$71,883 million (equivalent to approximately S/273,732 million) and US\$78,496 million (equivalent to approximately S/312,020 million), respectively, and reflect the international liquidity of the country and its credit rating compared with other countries. They correspond to the Central Bank's resources required to meet its obligations in foreign currency.

**(p) Provisions**

A provision is only recognized when the Central Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and are 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 the expenses expected to be required to settle the obligation.

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

**(q) Contingencies**

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

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

**(r) Domestic credit**

This caption comprises the following:

- Repos of government-backed credit portfolio represented in securities, in which the participating entities sell government-backed credit portfolio represented in securities to the Central Bank, receiving domestic currency in return, and agreeing to repurchase said securities on a later date of BCRP at a subsequent date against payment of domestic currency. These operations part of the "Reactiva Peru" program, which was elaborated in order to promote financing of the replacement of working capital funds to entities facing short-term payments and obligations with their employees and good and service providers, to ensure the continuity of the economy's chain of payments. These operations are recognized as assets in the statement of financial position and offsetting entry in the account "deposits at financial enterprises". The amounts placed in these agreements correspond to the guaranteed amounts of the credits subject to said operations.

- Repos of credit portfolio represented in securities, in which the participating entities sell credit portfolio represented in securities to the Central Bank. Said entities receive domestic currency and agree to repurchase these portfolios at a later date against payment of domestic currency. These operations are recorded as assets of the statement of financial position and offsetting entry in “deposits at financial enterprises”.
- Investments in instruments issued in Soles by the MEF, through the Public Treasury, which are recognized and classified as investments at FVOCI. They are initially recognized and subsequently measured in accordance with the criteria described in note 2.A(vi).
- Repurchase agreements of securities (Securities Repos) used to inject liquidity in domestic currency into financial enterprises. This operation involves, principally, the purchase of securities at the commencement date of the operation (financial enterprises transfer the ownership of securities to the Central Bank) and at the maturity date of the repo operation (financial enterprises repurchase the same securities and the Central Bank transfers the ownership of such securities). Repurchase agreements of securities are recognized as assets in the statement of financial position with offsetting entry in “deposits at financial enterprises”.
- Currency Repos are operations in which a market participant sells a domestic or foreign currency to the Central Bank in exchange for foreign or domestic currency and agrees to buy the currency back at a later date at existing exchange rates. Repurchase agreements of currencies are recognized as assets in the statement of financial position with offsetting entry in the account “Deposits in domestic currency” or “Deposits in foreign currency” according to the transaction currency.

**(s) Subsequent events**

Events after the end of the reporting period that provide additional information regarding the financial position of the Central Bank as of the date of the statement of financial position (adjusting events) are included in the financial statements. Significant 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, 2022:

<b>Amendments</b>	<b>Effective date</b>
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods that begin on or after January 1, 2022, for existing contracts on the date of application. Early adoption is permitted
Annual Improvements to IFRS Standards 2018-2020	Annual periods that begin on or after January 1, 2022. Early adoption is permitted.
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	Annual periods that begin on or after January 1, 2022. Early adoption is permitted.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Annual periods that begin on or after January 1, 2023. Early adoption is permitted.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	Annual periods that begin on or after January 1, 2023. Early adoption is permitted.
Amendments to IAS 8 – Definition of accounting estimates	Annual periods that begin on or after January 1, 2023. Early adoption is permitted.
Amendments to IAS 1 – Classification of liabilities as current or non-current	Annual periods that begin on or after January 1, 2024.



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, the standards issued and effective for the year 2022 have had no effect on the preparation of the Central Bank's financial statements.

Likewise, the Central Bank's Management estimates that the standards issued and effective for periods subsequent to January 1, 2023 will not have a significant effect on the preparation of the accompanying financial statements. The Central Bank has not determined the effects of adopting said standards in the preparation of its financial statements, if adopted.

### 3. DEPOSITS AT FOREIGN BANKS

As of December 31, this caption comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Time deposits (a)	50,024,318	70,326,820
Interest due on term deposits (b)	94,798	23,339
	<b>50,119,116</b>	<b>70,350,159</b>
Demand deposits	4,448	2,874
Interest due on gold deposits (b)	495	251
Portfolio deposits at foreign entities (c)	91,590	86,193
Investment guarantee at foreign entities (d)	59,166	15,581
	<b>50,274,815</b>	<b>70,455,058</b>

- (a) As of December 31, 2022 and 2021, 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\$ 13,137 million and US\$ 17,692 million, respectively. During 2022, deposits with foreign banks accrued interest at an average annual interest rate of 3.36% (0.32% as of December 31, 2021).
- (b) During 2022 and 2021, the Central Bank recognized interest income on deposits with foreign banks for S/980 million and S/ 177 million, respectively, which are recorded in "Other finance income" in the statement of profit or loss and other comprehensive income.
- (c) As of December 31, 2022, the portfolio deposits at foreign entities are composed of call deposit accounts for US\$ 13,1 million and security deposits for financial derivatives for US\$ 10,9 million (2021: US\$ 12 million and US\$ 10 million, respectively)
- (d) As of December 31, 2022 and 2021, the investment guarantee at foreign entities for US\$ 15,5 million and US\$ 3,9 million, respectively, corresponds to guarantees for forwards, forex swap and future operations, which increased due to the larger number of operations.

### 4. DEPOSITS AT FOREIGN ORGANIZATIONS

As of December 31, 2022 and 2021, this caption corresponds to deposits at the IMF, stated in SDR, which accrue interest at average annual rates of 2.916% and 0.077%, respectively, their availability is subject to their maturity dates; however, they may be made immediately available in certain situations such as the presence of actual or potential balance of payments problems that require financial assistance from the IMF, or when there is a request for withdrawal of membership from this international organization.

## 5. SECURITIES OF INTERNATIONAL ENTITIES

As of December 31, this caption comprises the following:

	2022			2021			
	Cost (i)	Unrealized gross amount		Cost (i)	Unrealized gross amount		Carrying amount (iii)
		Increase	Decrease (ii)		Increase	Decrease (ii)	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Financial assets measured at FVOCI</b>							
<b>At local entities</b>							
Short-term bankers' acceptances (vi)	26,719,749	-	-	12,389,659	-	-	12,389,659
Short-term sovereign bonds (iv)	63,966,000	161	(1,368,261)	79,986,281	184,397	(22,239)	80,148,439
Short-term supranational bonds (v)	12,213,111	17	(140,082)	9,837,917	4,794	(1,367)	9,841,344
Long-term sovereign bonds (iv)	89,345,177	34,339	(3,405,486)	94,737,952	65,483	(644,829)	94,158,606
Long-term supranational bonds (v)	9,000,368	370,142	(348,402)	14,055,324	360,955	(98,225)	14,318,054
	<b>201,244,405</b>	<b>404,659</b>	<b>(5,262,231)</b>	<b>211,007,133</b>	<b>615,629</b>	<b>(766,660)</b>	<b>210,856,102</b>
Accrued interest	-	-	-	-	-	-	314,119
							<b>211,170,221</b>
<b>At foreign entities</b>							
Short-term securities – PIMCO	-	-	-	348,241	193	-	348,434
Fixed income securities – PIMCO	2,046,609	66	(96,132)	1,826,648	-	(5,304)	1,821,344
Fixed income securities – AMUNDI	2,040,926	1,598	(95,075)	2,145,402	-	(17,760)	2,127,642
Fixed income securities – BNP	2,068,008	602	(40,421)	2,187,051	-	(3,932)	2,183,119
	<b>6,155,543</b>	<b>2,266</b>	<b>(231,628)</b>	<b>6,507,342</b>	<b>193</b>	<b>(26,996)</b>	<b>6,480,539</b>
Accrued interest	-	-	-	-	-	-	10,384
		<b>406,925</b>	<b>(5,493,859)</b>				<b>6,490,923</b>
							<b>202,966,413</b>

(i) It corresponds to the amortized cost.

(ii) It corresponds to the temporary decrease in the market price of the investments.

(iii) It corresponds to the estimated market price of financial assets measured at FVOCI (note 17.D).

(iv) As of December 31, 2022, and 2021, it corresponds to securities issued by central governments. The Central Bank's portfolio as of December 31, 2022, and 2021, is mainly invested, 44.4% and 37.0%, respectively, in sovereign bonds issued by the U.S. Government.

(v) As of December 31, 2022, and 2021, it corresponds to securities issued by supranational entities, such as the Bank for International Settlements (BIS), the European Investment Bank (EIB), the World Bank - International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ASIAN), among others.

(vi) As of December 31, 2022, and 2021, it mainly includes bankers' acceptances.

In 2022 and 2021, the delegation framework of a part of the investment portfolio of the international reserves held at tier 1 foreign financial institutions which manage the portfolios was maintained under the guidelines established by the Central Bank. Accordingly, since 2020 the following three specialized firms have rendered services to the Central Bank: BNP Paribas Asset Management USA, Inc., Pacific Investment Management Company LLC. and Amundi Asset Management, all three located in the USA.

As of December 31, the maturities and the nominal annual interest rates of the investments are as follows:

	Maturity		Annual nominal interest rate (i)							
			2022			2021				
	2022	2021	US\$	Other currencies	US\$	Other currencies	Min. %	Max. %	Min. %	Max. %
<b>Financial assets measured at FVOCI</b>										
<b>At local entities</b>										
Short-term banker's acceptances	Jan-2023 / Mar-2023	Jan-2022 / Mar-2022	4.57	5.07	1.22	4.56	0.27	0.30	0.21	0.29
Short term sovereign bonds	Jan-2023 / Dec-2023	Jan-2022 / Dec-2022	0.13	5.28	-0.32	5.50	0.13	3.00	(0.25)	6.00
Short-term supranational bonds	Jan-2023 / Dec-2023	Jan-2022 / Dec-2022	0.25	5.70	0.50	1.70	0.13	1.88	2.20	6.00
Long-term sovereign bonds	Jan-2024 / Apr-2026	Jan-2023 / Feb-2026	0.13	5.57	0.13	5.25	0.13	2.88	0.13	5.50
Long-term supranational bonds	Jan-2024 / Jun-2026	Jan-2023 / Feb-2026	0.38	5.25	0.75	4.00	0.18	3.00	0.30	4.90
<b>At foreign entities</b>										
Short-term securities- PIMCO		Jan-2022/Nov-2024	-	-	-	-	0.00	1.75	0.00	0.00
Fixed income securities – PIMCO	Jan-2023/Jan 2052	Apr-2022/Sep-2051	0.00	5.31	2.25	2.25	0.00	4.00	0.75	2.50
Fixed income securities – AMUNDI	Feb-2023/Aug-2051	Feb-2022/Aug-2051	0.00	4.50	0.00	4.75	0.13	4.50	0.00	4.75
Fixed income securities – BNP	Jan-2023/Mar-2050	Mar-2022/Mar-2050	0.14	6.50	0.63	4.40	0.00	6.5	0.63	0.75

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

As of December 31, 2022 and 2021, securities from international entities correspond to tier 1, low risk financial instruments. Securities issued by international organizations or foreign public entities have risk ratings of at least A+, according to the credit rating agencies Moody's and Standard & Poor's. Certificates of deposit and bankers' acceptances have a risk rating of at least A according to Fitch, Moody's and Standard & Poor's. These securities accrue interest at international market rates and are held at tier 1 foreign banks.

The following table shows the balance by maturity of financial assets measured at FVOCI, excluding interest:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Up to 3 months	44,493,240	60,334,035
3-12 months	58,239,349	43,475,322
1 to 3 years	94,965,184	106,143,933
3 to 5 years	1,608,681	3,850,681
More than 5 years	<u>3,006,560</u>	<u>3,532,670</u>
<b>Total</b>	<b><u>202,313,014</u></b>	<b><u>217,336,641</u></b>

In 2022 and 2021, the Central Bank recognized income for net yield on securities for S/2,161 million and S/1,540 million, respectively, which form part of "Finance Income" of the statement of profit or loss and other comprehensive income. Likewise, during the years 2022 and 2021, a decrease of S/4,909 million and S/1,866 million, respectively, was recorded in the caption "fair value reserve" of equity (note 17.C).

## 6. GOLD

As of December 31, this caption comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>In Peru</b>		
Gold coins (a)	3,830,162	4,010,214
Provision for costs of converting gold into high purity or "good delivery" bars	<u>(2,600)</u>	<u>(2,714)</u>
	<b>3,827,562</b>	<b>4,007,500</b>
<b>Abroad</b>		
Gold Time Deposits (b)	<u>3,903,489</u>	<u>4,086,821</u>
<b>Total</b>	<b><u>7,731,051</u></b>	<b><u>8,094,321</u></b>

(a) As of December 31, 2022, and 2021, it corresponds to 552,078 and 552,101 troy ounces in commemorative coins, respectively, deposited in the vaults of the Central Bank, which are valued at quotation value per troy ounce on the above-mentioned dates.

(b) As of December 31, of 2022 and 2021, it corresponds to Deposits of 562,647 troy ounces of gold, in high purity or good delivery gold bars deposited in tier 1 foreign banks under term deposits.

As of December 31, 2022, these term deposits accrue interest at an annual rate between 0.3% and 0.4% and have a term of 33 days from the date of their constitution (as of December 31, 2021, they accrued interest at a rate between 0.035% and 0.045% and had a term of 63 days from the date of their constitution).

The accrued interest pending collection at December 31 of 2022 and 2021, were recorded in "deposits at foreign banks" of the statement of financial position (note 3).

## 7. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

As of December 31, this caption comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Contributions to the FLAR (a)	2,165,756	2,260,735
Contributions to the IMF (b)	1,968,477	2,049,687
Contributions to the BIS (c)	333,018	365,580
	<u><u>4,467,251</u></u>	<u><u>4,676,002</u></u>

- (a) This contribution grants Peru access to financing facilities from the FLAR. As of December 31, 2022, the contribution paid to the FLAR amounts to US\$ 569 million, equivalent to S/ 2,166 million (US\$ 569 million equivalent to S/ 2,261 million at December 31, 2021). As of December 31, of 2022 and 2021, Peru's participation in the FLAR is 17% of its subscribed capital. Likewise, as of December 31, 2022, the Central Bank holds contributions pending capitalization for an amount of US\$95 million, equivalent to S/361 million (US\$95 million equivalent to S/377 million at December 2021), which are recorded as accounts payable and accounts receivable, and are recorded net in the account "Contributions to international organizations" in the statement of financial position, note 2.B (g).
- (b) The contribution to the IMF grants Peru access to IMF's financing facilities. The IMF determines Peru's contribution as a participating country, which, as of December 31 of 2022 and 2021 amounts to SDR 1,335 million; made up of contributions in SDR and soles. As of December 31, of 2022 and 2021, Peru's participation in the total quotas subscribed by the IMF's member countries is 0.28% and comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Contribution in SDR</b>		
Contribution to the IMF in SDR (i)	<u>1,968,477</u>	<u>2,049,687</u>
<b>Domestic currency contributions</b>		
Contribution to the IMF for the equivalent in domestic currency (ii)	4,834,583	5,447,462
Revaluations to be settled – contributions to the IMF in domestic currency (iii)	<u>(40,010)</u>	<u>(72,826)</u>
	<u><u>4,794,573</u></u>	<u><u>5,374,636</u></u>
<b>Total contribution to the IMF</b>	<u><u>6,763,050</u></u>	<u><u>7,424,323</u></u>

- (i) As of December 31, of 2022 and 2021, it corresponds to contributions granted by Peru to the IMF for SDR 388 million.
- (ii) For the contributions in soles, the Central Bank did not disburse any funds, but issued promissory notes in favor of the IMF which it can collect at any time; therefore, the balancing entry 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 payment can be required at any time.
- (iii) This corresponds to the exchange difference respect to the SDR generated by the adjustment of the contribution in domestic currency between April 30 and December 31 of each year. These revaluations are settled at the close of the IMF's financial year, which takes place on April 30 of every year.
- (c) The Central Bank has participated as a member of the IMF since 2011. The BIS determines the percentage participation of member countries, and in the case of Peru, its participation is equivalent to 3,000 shares. As of December 31, of 2022 and 2021, 25% of the market value of said shares has been paid, corresponding to SDR 66 million, equivalent to S/333 million (equivalent to S/ 365 million as of December 31, 2021).

The 75% of the market value of the 3,000 shares, corresponding to SDR 197 million, equivalent to S/999 million as of December 31, 2022 (equivalent to a S/1,097 million as of December 31, 2021) was recorded as an account receivable and account payable, which are presented, net in the account "Contributions to International Organizations" in the statement of financial position, (note 2.B (g)).

## 8. DOMESTIC CREDIT

As of December 31, this caption comprises the following:

	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
<b>To banks (a)</b>		
Currency repurchases agreements	589,000	2,041,200
Securities repurchase agreements	7,601,051	6,337,491
Credit portfolios repurchase agreements	6,339,867	6,440,707
Repos of government-backed credit portfolio	17,148,671	36,203,871
Outstanding fees from currency repurchase agreements	16,638	40,671
Outstanding interest from credit portfolios repurchase agreements	98,268	21,254
Outstanding interest from repos of government-backed credit portfolio	19,037	52,419
	<b><u>31,812,532</u></b>	<b><u>51,137,613</u></b>
<b>To the public sector (b)</b>		
Bonds issued by the MEF in foreign currency	4,646,593	2,274,813
Bonds issued by the MEF in domestic currency	1,806,312	1,729,685
Repurchase agreements of currencies	512,000	992,000
Outstanding interest from securities issued in Peru	163,145	79,424
Outstanding fees from currency repurchase agreements	2,322	8,595
	<b><u>7,130,372</u></b>	<b><u>5,084,517</u></b>
<b>To other entities and funds (a)</b>		
Currency repurchases agreements	-	,304,900
Securities repurchase agreements	39,511	-
Repos of government-backed credit portfolio	1,519,116	2,452,356
Outstanding interest from repos of government-backed credit portfolio	1,349	2,977
Outstanding fees from currency repurchase agreements	-	398
	<b><u>1,559,976</u></b>	<b><u>2,760,631</u></b>
<b>To financial enterprises (a)</b>		
Securities repurchase agreements	-	29,987
Currency repurchases agreements	11,000	,4,000
Repos of government-backed credit portfolio	52,783	171,086
Outstanding interest from repos of government-backed credit portfolio	71	174
Outstanding fees from repurchase agreements of currencies	43	1
	<b><u>63,857</u></b>	<b><u>205,248</u></b>
<b>Total</b>	<b><u>40,566,737</u></b>	<b><u>59,188,009</u></b>

- (a) As of December 31, 2022, and 2021, the Central Bank carried out repurchase agreements of currencies with financial 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 financial enterprise in the auctions, less a discount established in the corresponding announcement. As of December 31, of 2022, these operations had interest rates ranging between 1.76% and 4.40%, and with settlement dates between January 2023 and April 2023 (as of December 31, 2021, they had rates between 1.76% and 3.29 % and with settlement dates between January 2022 and April 2023).

Also, as of December 31, 2022, the Central Bank has current repurchase agreements of certificates of deposit and treasury bonds with Banks and Pension Fund Managers – AFP from the Spanish, at an average annual interest rate of 4.60%, with settlement dates between January 2023 and September 2025 (as of December 31, 2021, they had average annual interest rates of 1.58%, and settlement dates between January 2022 and September 2025).

As of December 31, 2022, the Central Bank has current repurchase agreements of credit portfolio represented by securities with Banks, which have an average annual interest rate of between 0.50% and 3.50%, with settlement dates between March 2023 and September 2025 (as of December 31, 2021, the annual interest rate was between 0,50% and 3,50%, with settlement dates between January 2022 and September 2025).

As of December 31, 2022, the Central Bank has current repurchase agreements of Government-backed credit portfolio represented by securities in the framework of the Reactiva Peru program, which was created in order to ensure the continuity of the chain of payments in the face of the impact of Covid-19 on companies. This is an instrument which allows the Central Bank to provide liquidity to the financial institutions participating in the program, receiving Government-backed loans as collateral. As of December 31, 2022 and 2021, the balance of these operations had an average annual interest rate of 0,50%, with settlement dates between May 2023 and December 2025. It is also worth mentioning that these operations have a grace period of up to 12 months.

- (b) As of December 31, 2022 and 2021, the Central Bank holds MEF 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 between 7.35% and 8.75%. Additionally, the Central Bank holds MEF bonds issued in Soles, acquired in the secondary market between December 2020 and December 2022, which mature between August 2028 and February 2055, and accrue interest at rates ranging between 5.35% and 6.95%.

Said instruments are classified and valued as financial assets measured at FVOCI. As of December 31, 2022, a decrease in fair value of S/ 547 million (a decrease of S/ 402 million as of December 31, 2021), was recorded in “fair value reserve” of the statement of financial position, see note 17(c).

Likewise, as of December 31, 2022 and 2022, the Central Bank carried out currency repurchase agreements with Public Sector companies, for which said companies sold foreign or domestic currency to the Central Bank in exchange for domestic or foreign currency, simultaneously undertaking to repurchase the sold currency on a subsequent date at the exchange rate current on the repurchase date. The Central Bank charges a fee equivalent to the interest rate offered by each public sector company in auctions, less a discount announced in the respective announcement. As of December 31, 2022, these operations had interest rates ranging from 0.18% to 0.38%, and with settlement dates between January 2023 and May 2024 (as of December 31, 2021, these operations had interest rates between 0.18% and 3.43%, and with settlement dates between February 2022 and May 2024).

- (c) In 2022 and 2021, the Central Bank recognized interest income and fees from domestic credit operations for S/4,182 million and S/767 million, respectively, which are recorded in “finance income” in the statement of profit or loss and other comprehensive income.

## 9. PROPERTY, PLANT AND EQUIPMENT, NET

The movement of property, plant and equipment for the years 2022 and 2021, as well as the accumulated depreciation, was as follows:

	Land	Building and other constructions	Furniture and office equipment	Vehicles	Various items of equipment	Units in transit	Total
	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
<b>Cost -</b>							
<b>Balance as of January 1, 2021</b>	28,419	173,147	7,128	3,980	112,392	1,525	326,591
Additions	-	2,513	173	212	8,224	961	12,083
Transfers	-	1,108	-	-	423	(1,531)	-
Disposals and others	-	(1,693)	-	-	18	6	(1,669)
<b>Balance as of December 31, 2021</b>	28,419	175,075	7,301	4,192	121,057	961	337,005
Additions	-	2,174	107	199	9,647	7,250	19,377
Transfers	-	-	-	-	166	(166)	-
Disposals and others	-	(239)	(1)	-	(115)	-	(355)
<b>Balance as of December 31, 2022</b>	<b>28,419</b>	<b>177,010</b>	<b>7,407</b>	<b>4,391</b>	<b>130,755</b>	<b>8,045</b>	<b>356,027</b>
<b>Accumulated depreciation -</b>							
<b>Balance as of January 1, 2021</b>	-	78,898	5,054	3,688	,81,068	-	168,708
Depreciation for the period	-	3,839	368	153	,9,075	-	13,435
Disposals and others	-	(809)	-	-	-	-	(809)
<b>Balance as of December 31, 2021</b>	-	81,928	5,422	3,841	,90,143	-	181,334
Depreciation for the period	-	3,916	372	127	,9,723	-	14,138
Disposals and others	-	(119)	(1)	-	(110)	-	(230)
<b>Balance as of December 31, 2022</b>	-	<b>85,725</b>	<b>5,793</b>	<b>3,968</b>	<b>,99,756</b>	-	<b>195,242</b>
<b>Carrying amount -</b>							
<b>Balance as of January 1, 2021</b>	28,419	94,249	,2,074	292	31,324	1,525	157,883
<b>Balance as of December 31, 2021</b>	<b>28,419</b>	<b>93,147</b>	<b>1,879</b>	<b>351</b>	<b>30,914</b>	<b>961</b>	<b>155,671</b>
<b>Balance as of December 31, 2022</b>	<b>28,419</b>	<b>91,285</b>	<b>1,614</b>	<b>423</b>	<b>30,999</b>	<b>8,045</b>	<b>160,785</b>



As of December 31, 2022, and 2021, the Central Bank has fully depreciated items of property, plant and equipment, still in use, for S/ 74 million and S/ 60 million, respectively.

The Central Bank has insured its main assets in accordance with the policies established by the Management and the Board of Directors.

In 2022 and 2021, the depreciation of Property, plant and equipment amounted to S/14 million and S/ 13 million, respectively, and is included in "operational expenses" and "issuance expenses and costs" for S/ 11 million and S/ 3 million in 2022, and for S/ 11 million and S/ 2 million in 2021, respectively (notes 21 and 22).

Management performs an annual evaluation to determine whether the carrying amount exceeds the recoverable value of its long-lived assets based on available market input. In the opinion of the Central Bank's Management, there is no evidence of impairment of the fixed assets held by the Central Bank as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, no asset of the Central Bank was granted in guarantee.

## 10. OTHER ASSETS

As of December, this caption comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Financial instruments</b>		
Outstanding interest foreign exchange swaps (a)	1,427,372	601,213
Outstanding interest, interest rate swap	8	2,019
Outstanding accounts from personnel	3,630	2,798
	<u>1,431,010</u>	<u>606,030</u>
<b>Non-financial instruments</b>		
Raw material, semi-finished and finished goods (b)	99,779	102,069
Collections (c)	79,473	79,368
Deferred charges (d)	107,790	127,167
Advance payments to suppliers	1,171	45
Intangible assets	13,430	12,618
Outstanding accounts (e)	5,200	5,582
Silver	1,497	1,598
Others	3,560	1,579
	<u>311,900</u>	<u>330,026</u>
<b>Total</b>	<u>1,742,910</u>	<u>936,056</u>

- (a) Comprises the interest receivable on foreign exchange swap operations. In October 2021, the method of "FX swap sale" of the BCRP was included with fixed interest rate in soles, in order to increase the range of methods of derivative instruments for exchange intervention, in a context of expectations of increases in the benchmark interest rate of monetary policy.

As of December 31, 2022 and 2021, the Central Bank recognized interest income from currency swap operations for S/1 632 million and S/226 million, respectively, which forms part of "Interest and fees on domestic credit operations" of the statement of profit or loss and other comprehensive income.

- (b) Raw material comprises the supplies acquired by the Central Bank for coin minting and is valued at average cost. The value of semi-finished and finished products comprises the cost of raw material, direct labor and manufacturing overhead.
- (c) Collections comprise paintings, archaeological items, sculptures, banknotes, coins, medals and other objects acquired by or donated to the Central Bank, which are maintained for display.
- (d) Deferred charges mainly comprise the cost of printing banknotes, which, as of December 31, 2022 and 2021 amounts to S/ 102,474 and S/ 121,112, respectively, which is charged to expense when said banknotes are put into circulation for the first time.
- (e) It mainly corresponds to the mortgage guarantee in favor of the Central Bank, arising from lawsuits with third parties.

## 11. OTHER EXTERNAL LIABILITIES

As of December 31, this caption comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Asignación DEG y revaluaciones por liquidar (a)	9,572,898	10,508,932
Asignación pesos andinos (b)	76,160	79,500
Otros	<u>11,154</u>	<u>8,835</u>
<b>Total</b>	<b><u>9,660,212</u></b>	<b><u>10,597,267</u></b>

- (a) As of December 31, 2022, the balance of the account was SDR 1,889 million, equivalent to S/ 9,573 million (SDR 1,889 million, equivalent to S/ 10,509 million as of December 31, 2021), the increase corresponds to the distribution which the IMF made to Peru in proportion to its quota, according to the provisions of the Articles of Agreement of the IMF, the last distribution having been made on August 23, 2021. The balances at the above-mentioned dates include the exchange difference generated by the revaluation of the SDR allocation received from the IMF from the last movement of the account (August 23, 2021).

SDR allocations accrue interest in accordance with the conditions of the Articles of Agreement. As of December 31, 2022 and 2021, the annual interest rate was 2.916% and 0.077%, respectively.

- (b) The allocation in Andean pesos corresponds to those delivered by the FLAR for 20 million Andean pesos, equivalent to S/ 77 million and S/ 80 million as of December 31, 2022 and 2021, respectively. This allocation does not accrue interest, has no defined maturity for its cancellation and the balancing entry is an account receivable recorded in "other external assets" in the statement of financial position.
- (c) As of December 31, 2022 and 2021, the Central Bank recognized interest expense for S/ 108 million and S/ 3 million respectively, which corresponds to its external liabilities, mainly for the obligations for SDR allocations which are recorded in "Interest on other external liabilities" 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>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
BCRP certificates of deposit (CD BCRP)	12,444,400	14,346,900
BCRP certificates of deposit at variable rate (CDV BCRP)	13,126,579	12,685,910
BCRP indexed certificates of deposit (CDR BCRP)	-	1,352,636
Sale discounts on CD BCRP, CDR BCRP and CDLD BCRP	<u>(199,853)</u>	<u>(19,033)</u>
	<b><u>25,371,126</u></b>	<b><u>28,366,413</u></b>

As of December 31, 2022 and 2021, securities in circulation comprise certificates of deposit, variable rate certificates of deposit and adjustable certificates of deposit, placed by the mechanism of auction or direct placement, in order to withdraw excess liquidity from the financial system.

As of December 31, 2022, S/ 1,324 million in certificates of deposit guarantee security repurchase transactions (S/ 1,168 million, as of December 31, 2021).

In 2022 and 2021, the Central Bank recognized net interest expense for securities in circulation for S/3,699 million and S/374 million, respectively, which form part of "finance costs" in the statement of profit or loss and other comprehensive income.

In 2022 and 2021, the interest expense for securities issued, correspond mainly to certificates of deposits at variable rates for S/2,596 million and S/84 million, respectively. The increase presented during 2022, corresponds mainly to the variation in the benchmark interest rate, since, as mentioned in note 1(b), it increased from 2.5% in 2021 to 7.5% at the close of 2022.

Likewise, during 2022, the Central Bank recognized interest income on certificates of deposit at variable rate for S/1,629 million (S/ 28 million in 2021), which forms part of "Other finance income" in the statement of profit or loss and other comprehensive income.

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

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Banks	17,107,897	24,707,409
Insurance Deposit Fund	3,965,971	415,500
Banco de la Nación	3,000,000	1,975,000
Mutual funds and funds of pension fund administrators	143,000	75,400
Financial institutions	578,411	351,222
Other institutions	<u>775,700</u>	<u>860,915</u>
	<b><u>25,570,979</u></b>	<b><u>28,385,446</u></b>
Sale discounts on CD BCRP and CDR BCRP	<u>(199,853)</u>	<u>(19,033)</u>
<b>Total</b>	<b><u>25,371,126</u></b>	<b><u>28,366,413</u></b>

As of December 31, 2022, the certificates of deposit issued by the Central Bank mature between January 2023 and September 2023 and accrue interest at discount rates between 1.000 per cent and 7.400 per cent (as of December 31, 2021, they had maturities between January 2022 and March 2023, and accrued interest at discount rates between 0.30 per cent and 2.49 per cent).

**13. DEPOSITS IN DOMESTIC CURRENCY**

As of December 31, this caption comprises the following:

	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
Public sector	57,788,538	65,439,042
Banco de la Nación	20,091,335	22,553,505
Banks	4,899,537	13,123,829
Municipal Savings and Credit Unions	512,800	1,652,136
Financial enterprises	637,854	872,008
Insurance Deposit Fund	1,733,800	3,258,500
Rural Savings and Credit Unions	44,650	18,450
Other entities and funds	38,332	1,443,649
	<b><u>85,746,846</u></b>	<b><u>108,361,119</u></b>

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

<b>Type</b>	<b>Interest rate %</b>	<b>Maturity date</b>	<b>2022</b> (S/ 000)
Checking accounts	5.90 - 6.10	No maturity	25,370,148
Time deposits	0.43 - 7.50	Between January and September 2023	59,122,700
<i>Special deposits (overnight)</i>	5.25	4 days	1,253,998
			<b><u>85,746,846</u></b>
<b>Type</b>	<b>Interest rate %</b>	<b>Maturity date</b>	<b>2021</b> (S/ 000)
Checking accounts	0 - 2.00	No maturity	17,624,869
Time deposits	0.29 - 2.50	Between January 2022 and April 2023	87,246,700
<i>Special deposits (overnight)</i>	0.85	3 days	3,489,550
			<b><u>108,361,119</u></b>

In 2022 and 2021, the Central Bank recognized interest on deposits in domestic currency for S/ 4,013 million and S/ 580 million, respectively, which is recorded in "Interest on deposits in domestic currency" caption "Finance costs" of the statement of profit or loss and other comprehensive income.

**14. MONETARY BASE**

As of December 31, this caption comprises the following:

	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
<b>Currency in circulation (a)</b>	<b>90,417,535</b>	<b>93,541,490</b>
<b>Deposits in domestic currency (b)</b>		
Banks	1,173,659	2,483,426
Municipal Savings and Credit Unions	659,617	465,169
Financial enterprises	292,191	285,989
Banco de la Nación	400,000	420,000
Rural Savings and Credit Unions	46,832	420,000
Others	1,390	83,403
	<b><u>2,573,689</u></b>	<b><u>3,737,987</u></b>
	<b><u>92,991,224</u></b>	<b><u>97,279,477</u></b>

(a) The denomination of the currency in circulation is as follows:

	2022		2021	
	Units	S/ (000)	Units	S/ (000)
<b>Banknotes</b>				
Denomination S/ 10	157,234,496	1,572,345	162,576,372	1,625,764
Denomination S/ 20	184,346,404	3,686,928	189,857,867	3,797,158
Denomination S/ 50	255,243,764	12,762,188	275,983,765	13,799,188
Denomination S/ 100	606,123,364	60,612,336	624,272,081	62,427,208
Denomination S/ 200	41,950,734	8,390,147	43,560,926	8,712,185
		<b>87,023,944</b>		<b>90,361,503</b>
<b>Coins</b>				
Denomination S/ 0.01	347,713,223	3,477	347,732,298	3,477
Denomination S/ 0.05	503,635,815	25,182	503,680,635	25,184
Denomination S/ 0.10	1,989,392,576	198,939	1,876,270,464	187,627
Denomination S/ 0.20	582,787,724	116,558	543,141,160	108,628
Denomination S/ 0.50	618,382,761	309,191	589,717,668	294,859
Denomination S/ 1.00	1,181,737,385	1,181,737	1,122,431,562	1,122,432
Denomination S/ 2.00	244,897,902	489,796	229,699,853	459,400
Denomination S/ 5.00	213,380,142	1,066,901	195,315,891	976,579
		<b>3,391,781</b>		<b>3,178,186</b>
Monedas conmemorativas		,1,810		1,801
		<b>90,417,535</b>		<b>93,541,490</b>

(b) As of December 31, 2022 and 2021, it corresponds to deposits in domestic currency of the financial institutions subject to the reserve requirement of the national financial system. Said funds are intended to cover the cash reserve required by the Central Bank for the obligations subject to reserve requirements in domestic currency and have no maturity. Additionally, the legal reserve requirement may be covered with cash in domestic currency, held by the entities subject to the legal reserve requirement.

The legal reserve requirement comprises a minimum legal reserve and additional reserve requirements, which is the part of the legal reserve requirement which exceeds the legal minimum. As of December 31, 2022 and 2021, the minimum legal reserve had a rate of 6.0% and 4.5% respectively, for the obligations subject to reserve requirements in domestic currency. Furthermore, the obligations subject to reserve requirements are classified into two regimes: general and special.

As of December 31, 2022, only the reserve requirement funds which correspond to the additional reserve requirement to be remunerated of the general and special regimes in soles which are deposited at the Central Bank accrued interest at an annual rate of 3.3%, equal to the higher rate between 0% and the interest rate of overnight deposits in domestic currency with the Central Bank, less 195 bps (as of December 31, 2021, the rate of remuneration of the deposits in domestic currency was 1.85).

On November 2, 2022, the Central Bank issued Official Letter No.0025-2022-BCRP, regarding reserve requirements in domestic currency, with which it has resolved to increase the weekly limit and the limit on the balance of the operations agreed of sale of foreign currency in exchange for domestic currency through forwards and swaps.

On January 20, 2022, the Central Bank issued Circular No.0003-2022-BCRP, regarding reserve requirements in domestic currency, with which it has resolved to increase the minimum legal reserve requirement from 5% in January 2022, to 5.25% in February

2022, 5.50% in March 2022, 5,75% in April 2022 and to 6% from May 2022, of all of the obligations subject to reserve requirements.

On October 26, 2021, the Central Bank issued Circular No. 0031-2021-BCRP, regarding reserve requirements in domestic currency, with which it resolved: a) to increase the minimum legal reserve from 4% in October 2021 to 4,5% in November 2021, to 4,75% in December 2021 and to 5,0% from January 2022; and b) to establish that the average reserve requirement rate of the obligations subject to the general regime should have a maximum limit of 6% as from November 2021.

On August 30, 2021, the Central Bank issued Circular No. 0024-2021-BCRP, regarding reserve requirements in domestic currency, with which it resolved: a) to establish a marginal reserve rate of 25% for the obligations subject to the general regime that exceed the average level of the base period, which corresponds to July 2021; b) to establish a minimum average reserve requirement rate of 4.0% applied to the obligations subject to the general regime, which increased to 4.25% in October 2021 and to 4,50% as from November 2021; and c) to increase the minimum level of deposits in checking accounts that the entities subject to reserve requirements must maintain in the Central Bank as reserve funds from 0.75% to 1.0% of the total obligations subject to reserve requirements with effect from October 2021

## 15. DEPOSITS IN FOREIGN CURRENCY

As of December 31, this caption comprises the following:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Banks (a)	50,927,851	60,711,855
Public Sector (b)	11,302,140	7,689,625
Other financial enterprises (a)	655,587	424,933
Banco de la Nación (a)	2,433,880	2,977,673
Financial institutions (a)	124,515	177,601
	<u><b>65,443,973</b></u>	<u><b>71,981,687</b></u>

- (a) As of December 31, 2022 and 2021, it corresponds to deposits in foreign currency by financial institutions subject to reserve requirements in the domestic financial system. Said funds are intended to cover the amount of legal reserve required by the Central Bank for the obligations subject to reserve requirements in foreign currency and which have no maturity.

Legal reserve requirements comprise minimum legal reserves and additional reserve requirements. As of December 31, 2022 and 2021, minimum legal reserves had a rate of 9.0% for obligations subject to reserve requirements in foreign currency. Additional reserve requirements, which are the part of the legal reserve requirements that exceeds the minimum legal reserves. As of December 31, 2022, the rate of the additional reserve requirement in foreign currency for banks was 25.24% on average (as of December 31, 2021, it was 24.81% on average).

As of December 31, 2022, the reserve requirement funds corresponding to the additional reserve requirement of the general and special regime, which are deposited with the Central Bank, accrued interest at an annual rate of 3.795%. Said rate is equivalent to the higher rate between: (i) 25% of the difference between the Chicago Mercantile Exchange (CME), Term Secured Overnight Financing Rate (SOFR) at one month less 10 basis points and (ii) the CME Term SOFR rate at one month less 50 basis points. (As of December 31 2021, the reserve requirement funds which correspond to the additional reserve requirement of the general and special regime which are

deposited in the Central Bank, did not accrue interest, since the rate of remuneration of deposits in foreign currency was zero and said rate is equal to the higher rate between 0% and 25% of the difference between the London Interbank Offered Rate (LIBOR) for one month minus 1/8 of one per cent.

On March 22, 2021, the Central Bank issued Circular No.0005-2021-BCRP, regarding reserve requirements in foreign currency, which amended the additional reserve requirements according to the evolution of total credit and for car loans and mortgage loans in foreign currency.

- (b) As of December 31, 2022 and 2021, deposits in foreign currency of public sector entities are stated in U.S. Dollars and mainly comprise agreements entered into with the MEF's General Directorate of Public Treasury, which established the conditions for receiving deposits from said institution. As of December 31, 2022, these deposits correspond to demand and term deposits, which accrued interest at an effective annual rate between 0% and 4.48% (As of December 31, 2021, the effective annual rate fluctuated between 0% and 0.18%). Term deposits have maturities between January and February 2023 (As of December 31, 2021, they had maturities in the months of January and March 2022).

In 2022 and 2021, the Central Bank recognized interest on deposits in foreign currency for S/ 1,060 million and S/ 15 million, respectively, and are recorded in "Interest on foreign currency deposits" 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>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Financial liabilities</b>			
Reverse repurchase agreements of foreign currencies		1,143,964	3,508,814
Deposit Insurance Fund		1,101,368	923,816
Interest and fees payable		768,747	939,138
Accounts payable		9,890	47,831
Fund for diseases, insurance and pensions of Central Bank's employees		<u>13,315</u>	<u>11,164</u>
		<b><u>3,037,284</u></b>	<b><u>5,430,763</u></b>
<b>Non-financial liabilities</b>			
Actuarial liabilities (a)		114,561	109,614
Other provisions		38,204	36,553
Others		<u>27,389</u>	<u>6,955</u>
		<u>180,154</u>	<u>153,122</u>
		<b><u>3,217,438</u></b>	<b><u>5,583,885</u></b>

- a) As of December 31, 2022 and 2021, the actuarial liabilities comprise the provision corresponding to the allowance for supplementing retirement, widow and funeral benefits, and a reserve for current risks of health care services, calculated by an expert actuary, deducting the value of the Fund's net assets, note 2.B(m).

The Fund for diseases, insurance and pensions of the Central Bank's employees, is a legal entity under private law created by Decree Law N° 7137, to provide assistance to the active and retired employees of the Central Bank, as well as their spouse, children and parents, in accordance with its regulations. This assistance is additional to social security and other social

benefits granted by Law (Essalud, National Pensión System - Decree Law No. 19990 and the Private Pensión System). According to the International Accounting Standard (IAS) - 19 "Employee Benefits", the above-mentioned assistance corresponds to a defined benefit plan.

As of December 31, 2022 and 2021, the movement in the obligation for employee benefit plans and the fair value of the assets of the plan is as follows:

	<b>Note</b>	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
Opening balance		109,614	,143,446
Transfer to the Fund during the year		(8,403)	(9,076)
Recovery for employee benefit plans	16	<u>13,350</u>	<u>(24,756)</u>
		<b><u>114,561</u></b>	<b><u>,109,614</u></b>

In December of 2022 and 2021, the Central Bank' Board of Directors authorized the transfer to the Fund for Diseases, Insurance and Pensions of the Central Bank's Employees of S/ 52,5 million and S/ 54,5 million, respectively. In 2022, from the aforementioned amount, S/ 8,4 million were used to pay pensions of retired personnel, which decreased the actuarial liability by the same amount (S/ 9,1 million in 2021) and S/ 41,1 million were transferred to the Fund for health expenses of active personnel, which increased the balance of "operational expenses" (S/ 42,9 million in 2021) (note 21); and approximately S/ 3 million were transferred for health expenses of National Mint (CNM) personnel, which were recognized in the cost of issued coins (S/ 2.2 million in 2021).

As of December 31, 2022 and 2021, 51.18% and 45.01% of the Fund's assets, respectively, are deposited in the Central Bank, and mainly comprise deposits in domestic currency which accrue interest at an effective annual rate of 6.84% and 2.52%, respectively; and loans to employees of the Central Bank, which are directly discounted through the payroll.

In 2022 the net expense is recognized in "operational expenses" (note 21) and in 2021 the recovery of the provision was recognized in "non-financial income" in the statement of profit or loss and other comprehensive income in respect of employee benefit plans; and comprises the following:

	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
Changes in net assets of the Employees' Fund	7,590	3,342
Change in reserves calculated by the actuary	<u>5,760</u>	<u>(28,098)</u>
	<b><u>13,350</u></b>	<b><u>(24,756)</u></b>

The principal categories of the assets of the Fund as a percentage of the fair value of its total liquid assets are as follows:

	<b>2022</b>		<b>2021</b>	
	S/ (000)	%	S/ (000)	%
Deposits with the Central Bank	13,315	51.0	11,164	45.0
Outstanding accounts from personnel	<u>12,707</u>	<u>49.0</u>	<u>13,634</u>	<u>55.0</u>
<b>Total</b>	<b><u>26,022</u></b>	<b><u>100.0</u></b>	<b><u>24,798</u></b>	<b><u>100.0</u></b>

The main hypotheses used when determining the actuarial liability for the defined employee benefit plans are the following:



	<b>,2022</b>	<b>,2021</b>
Discount rate (%)	6.50	6.0
Decrease in pensions (%)	(3.50)	(20.4)
Average period for amortization of pensions	8.34	8.81
<b>Active and retired personnel as of the date of the statement of financial position</b>		
Males	960	1,058
Females	599	624
<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>Increase/decrease in discount rate</b>	<b>Effect on reserve for the year in thousands of soles</b>
		S/ 000
<b>Years</b>		
2022	50pbs	(6,534)
	(50pbs)	7,272
2021	50pbs	(6,236)
	(50pbs)	6,911
	<b>Increase/decrease in life expectancy</b>	<b>Effect on reserve for the year in thousands of soles</b>
	Years	S/ 000
<b>Years</b>		
2022	1	6,660
	(1)	7,883
2021	1	1,055
	(1)	1,656

## 17. EQUITY

### a) Capital

As of December 31, 2022 and 2021, the capital authorized, subscribed and paid-in by the Peruvian State, in accordance with the legal norms, is S/ 1,183 million.

The capital is not represented by shares, and its value is only stated in the capital account. Furthermore, 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 must 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, of a reserve which, preferably, will be used for capitalization.

Since during 2022 and 2021 the Central Bank presented net losses, it has not established additional legal reserves.

### **Special legal reserve requirements**

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

On March 3, 2022, after the approval of the 2021 financial statements, the constitution of a special reserve was agreed for S/ 1,075 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 11, 2021, after the approval of the 2020 financial statements, the constitution of a special reserve was agreed for S/ 1,300 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 2022 and 2021 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, 2021</b>		<b>1,688,839</b>	<b>145,326</b>	<b>1,834,165</b>
Gain from fluctuations	5 and 8 (b)	126,074	-	126,074
Loss from fluctuations	5 and 8 (b)	(1,992,747)	(402,075)	(2,394,822)
<b>Balance as of December 31, 2021</b>		<b>(177,834)</b>	<b>(256,749)</b>	<b>(434,583)</b>
Gain from fluctuations	5 and 8 (b)	14,528	-	14,528
Loss from fluctuations	5 and 8 (b)	(4,923,717)	(546,515)	(5,470,232)
<b>Balance as of December 31, 2022</b>		<b>(5,087,023)</b>	<b>(803,264)</b>	<b>(5,890,287)</b>

### **d) Retained earnings**

Article 93 of the Organic Act states that in case of losses, the legal reserve shall be applied to offset them: If said amount is insufficient, within 30 days from the approval of the statement of financial position, the Public Treasury shall issue and deliver to the Central Bank, negotiable debt securities for the amount not covered.

On March 3, 2022, after the approval of the 2021 financial statements, it was agreed to transfer S/ 358 million to the Public Treasury, corresponding to 25% of the profit for that year. On May 24, 2022, the transfer was made to the settlement account in domestic currency of the MEF.

On March 11, 2021, after the approval of the 2020 financial statements, it was agreed to transfer S/ 433 million to the Public Treasury, corresponding to 25% of the profit for that year. On May 6, 2021, the transfer was made to the main account in domestic currency of the MEF.

**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 differences resulting from the valuation in domestic currency of the Central Bank's assets and liabilities in gold, silver, foreign currency, SDR or other monetary units in international use, are debited or credited in this account and are not considered as gains or losses for the year, note 2.B(d).

The movement of this caption for the years 2022 and 2021 is as follows:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Saldo al inicio del año</b>	<b>43,711,457</b>	<b>26,216,489</b>
<b>Más (menos):</b>		
Valuación de operaciones de derivados y otras relacionadas con el tipo de cambio	5,555,809	1,286,338
Valuación de metales (oro)	(363,265)	449,274
Valuación de aporte y obligaciones FMI	25	(234,343)
Valuación de dólares estadounidenses	(6,799,221)	14,884,730
Valuación de otras divisas	(7,359,123)	2,035,910
Valuaciones Certificados de depósitos reajustables	82,286	(926,941)
<b>Saldo al final del año</b>	<b><u>34,827,968</u></b>	<b><u>43,711,457</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 audit 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 2018 to 2022 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, 2022 and 2021.

**19. CONTINGENCIES**

Certain civil and labor lawsuits have been filed against the Central Bank in the country's courts, 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, 2022 and 2021, 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>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Currency in circulation (a)		46,979,585	33,565,948
Forward operations (b)	2.B(e)(i)	89,629,574	99,029,403
Foreign Exchange swaps (c)	2.B(e)(ii)	75,375,370	3,450,857
Government-backed credits (d)		18,729,358	3,044,714
Public Treasury securities with repurchase agreement (e)		7,233,148	75,785,051
Securities portfolio credits (f)		6,683,077	5,684,547
Securities held in custody (g)		3,121,980	38,826,663
Futures operations (h)	2.B(e)(i)	3,440,374	20,044,900
Interest rate swaps(i)	2.B(e)(iii)	2,400,100	6,474,037
Others		199,451	192,107
<b>Total</b>		<b><u>253,792,017</u></b>	<b><u>286,098,227</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>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
New	33,869,140	27,756,640
Available	10,002,631	4,598,984
To be classified	2,373,808	971,858
To be destroyed	618,866	142,186
In transit	115,140	96,280
<b>Total</b>	<b><u>46,979,585</u></b>	<b><u>33,565,948</u></b>

The movement of 'currency in circulation' in 2022 y 2021, is as follows:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
<b>Opening balance</b>	<b>33,565,948</b>	<b>15,199,651</b>
Acquisition of currency	17,565,042	29,223,692
Destruction of currency	(7,275,360)	(4,800)
(Entry into) removal from circulation, net	3,123,955	(10,852,595)
<b>Closing balance</b>	<b><u>46,979,585</u></b>	<b><u>33,565,948</u></b>

- (b) As of December 31, 2022 and 2021, 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, 2022, the Central Bank has 77 forward operations with maturities between January and March, 2023 (68 forward operations with maturities between January and February, 2022, held at December 31, 2021). Likewise, as of December 31, 2022, the valuation of the forwards generated an asset for S/ 112 million (S/ 916 million at December 31, 2021), which was recorded in "other available assets", and a liability for S/ 1,275 million (S/ 141 million at December 31, 2021), which was recorded as part of "reserve liability". Said valuations were recorded in "Adjustment for Valuation Article. 89 – Organic Act" in equity (nota 17.E). In 2022, the Central Bank recognized revenues for the forward contracts traded for S/ 22 million, which are included in "return on operations with derivative instruments"

of the statement of profit or loss and other comprehensive income (S/ 2 136 million in 2021).

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

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Purchase of U.S. dollar / sale of currencies other than sol	43,616,678	48,462,450
Sale of U.S. dollar / purchase of currencies other than sol	256,855	243,381
Purchase of British pound sterling / sale of currencies other than sol	92,655	468,092
Sale of British pound sterling/ purchase of currencies other than sol	4,954,739	1,606,391
Purchase of Japanese yen / sale of currencies other than sol	8,378	18,777
Sale of Japanese yen / purchase of currencies other than sol	1,002,420	34,274,643
Purchase of euro/ sale of currencies other than sol	99,575	8,326
Sale of euro/ purchase of currencies other than sol	21,177,910	1,392,880
Purchase of Swedish krona / sale of currencies other than sol	20,942	5,347
Sale of Swedish krona / purchase of currencies other than sol	10,771	9,163
Purchase of Chinese yuan / sale of currencies other than sol	2,754	-
Sale of Chinese yuan / purchase of currencies other than sol	2,684	-
Purchase of Norwegian krone / sale of currencies other than sol	20,639	2,593
Sale of Norwegian krone/ purchase of currencies other than sol	8,119	29,401
Purchase of Canadian dollar / sale of currencies other than sol	62,892	197,863
Sale of Canadian dollar / purchase of currencies other than sol	17,695,393	11,345,687
Purchase of Chinese RMB / sale of currencies other than sol	-	2,801
Sale of Chines RMB / purchase of currencies other than sol	9,135	-
Purchase of Singapore dollar / sale of currencies other than sol	-	2,063
Sale of Singapore dollar / purchase of currencies other than sol	-	2,064
Purchase of Korean won / sale of currencies other than sol	3,392	-
Purchase of Australian dollar / sale of currencies other than sol	333,830	732,986
Sale of Australian dollar / purchase of currencies other than sol	156,939	114,486
Purchase of New Zealand dollar / sale of currencies other than sol	8,752	18,545
Sale of New Zealand dollar / purchase of currencies other than sol	56,582	62,723
Purchase of Swiss francs / sale of currencies other than sol	14,452	2,990
Sale of Swiss francs / purchase of currencies other than sol	13,088	25,751
<b>Total</b>	<b><u>89,629,574</u></b>	<b><u>99,029,403</u></b>

- (c) As of December 31, 2022, the Central Bank maintains 850 operations with banks called foreign exchange swaps, whereby the nominal value in soles in favor of the Central Bank is S/ 38,054 million and the balancing entry in favor of the banking companies is US\$ 9,801 million (607 operations as of December 31, 2021, with a face value in soles in favor of the Central Bank for S/ 37,777 million and the counterpart in favor of banks for US\$ 9,562 million). These operations mature between January and September 2023 (between December, 2022 and December 31, 2021). The interest rate for the notional value in soles is equal to capitalization of the Accumulated Index of Interbank Overnight Operations (ION), calculated and published by the BCRP, and which, as of December 31, 2022 is 7.50% (2.50% at December 31, 2021).

In 2022, the Central Bank recognized interest income and expense for interest received and paid on foreign exchange swaps for S/1,632 million and S/535 million, respectively,

which form part “interest and fees on domestic credit operations” and “interest on securities in circulation” of the statement of profit or loss and other comprehensive income, respectively (S/226 million and S/85 million, respectively at December 31, 2021). Likewise, during said period, the Banco Central recognized the effect of the changes in the exchange rate on the face value in U.S. as a debit to “Adjustment for valuation Article 89 –Organic Act” in equity, for S/ 370 million (S/ 2 million at December 31, 2021), which corresponds to financial institutions (note 17.e).

- (d) This corresponds to the guarantee granted by the government to the companies of the financial sector in order to approve credits in favor of individuals in the framework of the Reactiva Peru Program. The Central Bank maintains S/ 18,729 million as of December 31, 2022 (S/ 38,827 million as of December 31, 2021) at nominal value of Government-backed Credit Portfolio Repurchase Operations.
- (e) As of December 31, 2022, the Central Bank has effective repurchase agreements of treasury bonds with banks, with a nominal value in soles of S/7,233 million (S/5,685 million as of December 31, 2021).
- (f) As of December 31, 2022, the Central Bank has effective security portfolio credit operations with banks, with a nominal value in soles of S/6,683 million (S/6,474 million as of December 31, 2021).
- (g) As of December 31, 2022 and 2021, the securities in custody mainly include promissory notes in guarantee for operations with the IMF.
- (h) This corresponds to the reference value (committed face value) of the portfolio of futures operations held by the Central Bank for trading purposes, which is managed directly by the specialized firms, BNP Paribas Asset Management USA, Inc., Pacific Investment Management Company LLC. and Amundi Asset Management, in accordance with the guidelines approved by the Central Bank. As of December 31, 2022, the Central Bank had 3,850 future contracts (4,941 contracts in 2021), of which the underlying assets are U.S. Treasury bonds, issued in U.S. dollars, pound sterling, Japanese yen, Canadian dollars euros and Australian dollars. Furthermore, the estimated market value, provided by the three specialized firms, generated an asset for S/15 million (S/3 408 million in 2021), and a liability of S/2 million (S/10 185 million in 2021), which were recorded in “other available assets” and “reserve liabilities”, respectively, of the statement of financial position and “net return on securities” of the statement of profit or loss and other comprehensive income.
- (i) As of December 31, 2022, the Central Bank maintains 93 operations (607 operations as of December 31, 2021) called interest rate swaps with banking companies, in which the notional amount in soles in favor of the Central Bank is S/2,400 million (S/20,045 million as of December 31, 2021). The maturity of these operations is between January and September of 2023 (maturity between January and September 2022, as of December 31, 2021). The interest rate for the notional value in soles equals the capitalization of the Cumulative Interbank Overnight Transactions Index (ION), calculated and published by the BCRP, and which, at December 31, 2022, is 7.50% (2.50% at December 31, 2021).

In 2022, the Central Bank recognized interest income and expenses received and paid on interest swaps for S/11 million and S/138 million (S/4,513 million and S/15,476 million as of December 31, 2021), which form part of “other finance income” and “other finance costs” of the statement of profit or loss and other comprehensive income, respectively.

**21. OPERATIONAL EXPENSES**

This caption comprises the following:

	<b>Note</b>	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
Personnel expenses and social benefits	23	152,983	154,422
Administrative expenses		68,679	56,254
Health expenses of active personnel	16	41,146	42,996
Expenses for actuarial provision	16	13,350	10,555
Depreciation	9	11,202	1,161
Amortization		1,422	-
Others		4,823	5,445
<b>Total</b>		<b>293,605</b>	<b>270,833</b>

In 2022 and 2021, administrative expenses mainly correspond to expenses for surveillance, data supplies, maintenance, public utilities, training, professional advice, insurance, among others.

**22. ISSUANCE EXPENSES AND COSTS**

This caption comprises the following:

	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
Cost of minting issued coins	58,413	48,832
Expenses for printing issued banknotes	36,274	24,250
Expenses for transporting currency	4,392	4,028
	<b>99,079</b>	<b>77,110</b>

**23. PERSONNEL EXPENSES AND SOCIAL BENEFITS**

This caption comprises the following:

	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
Basic remuneration	83,511	83,534
Legal bonuses and holidays	27,501	26,333
Bonuses and allowances	18,320	21,689
Retirement compensation arrangement	9,273	8,983
EsSalud	8,584	8,595
Training	3,323	3,566
Others	2,471	1,722
	<b>152,983</b>	<b>154,422</b>

## 24. FINANCIAL INSTRUMENTS

### A. Accounting classification and fair value

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

Note	As of December 31, 2022				Measure to fair value			
	At amortized cost	At FVOCI	Financial liabilities measured at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
<b>Financial assets</b>								
Cash in foreign currency	372,457	-	-	372,457	-	-	-	-
Deposits at foreign banks	50,274,815	-	-	50,274,815	-	-	-	-
Deposits at foreign organizations	9,075,389	-	-	9,075,389	-	-	-	-
Securities from international entities	9,298,179	193,668,234	-	202,966,413	193,668,234	-	-	193,668,234
Contributions to international organizations	4,467,251	-	-	4,467,251	-	-	-	-
Other available assets	3,092	223,660	-	226,752	-	223,660	-	223,660
Other foreign assets	76,160	-	-	76,160	-	-	-	-
Domestic credit	33,950,687	6,616,050	-	40,566,737	6,616,050	-	-	6,616,050
Other financial assets	-	1,427	-	1,427	-	1,427	-	1,427
	<b>107,518,030</b>	<b>200,509,371</b>	-	<b>308,027,401</b>	<b>200,284,284</b>	<b>225,087</b>	-	<b>200,509,371</b>
<b>Financial liabilities</b>								
Reserve liabilities	-	1,285,659	96,614	1,382,273	-	1,285,659	-	1,285,659
Other foreign liabilities	-	-	14,454,785	14,454,785	-	-	-	-
Sterilized stock	-	-	111,117,972	111,117,972	-	-	-	-
Monetary base	-	-	92,991,224	92,991,224	-	-	-	-
Deposits in foreign currency	-	-	65,443,973	65,443,973	-	-	-	-
Other financial liabilities	-	-	3,037,284	3,037,284	-	-	-	-
	-	<b>1,285,659</b>	<b>287,141,852</b>	<b>288,427,511</b>	-	<b>1,285,659</b>	-	<b>1,285,659</b>



Note	As of December 31, 2021		Measure to fair value					
	At amortized cost	At FVOCI	Financial liabilities measured at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)
<b>Financial assets</b>								
Cash in foreign currency	388,775	-	-	388,775	-	-	-	-
Deposits at foreign banks	70,455,058	-	-	70,455,058	-	-	-	-
Deposits at foreign organizations	9,954,474	-	-	9,954,474	-	-	-	-
Securities from international entities	1,985,513	215,675,631	-	217,661,144	215,675,631	-	-	215,675,631
Contributions to international organizations	4,676,002	-	-	4,676,002	-	-	-	-
Other available assets	2,263	962,432	-	964,695	-	962,432	-	962,432
Other foreign assets	79,500	-	-	79,500	-	-	-	-
Domestic credit	55,104,086	4,083,922	-	59,188,008	4,083,922	-	-	4,083,922
Other financial assets	2,798	603,232	-	606,030	-	603,232	-	603,232
	<b>142,648,469</b>	<b>221,325,217</b>	<b>-</b>	<b>363,973,686</b>	<b>219,759,553</b>	<b>1,565,664</b>	<b>-</b>	<b>221,325,217</b>
<b>Financial liabilities</b>								
Reserva liabilities	-	156,010	18,887	174,897	-	156,010	-	156,010
Other foreign liabilities	-	-	15,971,903	15,971,903	-	-	-	-
Sterilized stock	-	-	136,727,532	136,727,532	-	-	-	-
Monetary base	-	-	97,279,477	97,279,477	-	-	-	-
Deposits in foreign currency	-	-	71,981,687	71,981,687	-	-	-	-
Other financial liabilities	-	-	5,430,763	5,430,763	-	-	-	-
	<b>-</b>	<b>156,010</b>	<b>327,410,249</b>	<b>327,566,259</b>	<b>-</b>	<b>156,010</b>	<b>-</b>	<b>156,010</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, 2022 and 2021, they represent 85.32% and 82.61%, respectively). Reserve management complies with the principles of security, liquidity and profitability indicated in Article 71 of the Organic Act. International reserves contribute to the country's economic and financial stability, to the extent that they guarantee availability of currency in extraordinary situations, such as in the case of an eventual significant withdrawal of foreign currency deposits from the domestic financial system or temporary external shocks, which may cause imbalances in the real economy and feed expectations. Likewise, a suitable availability of currency helps to reduce 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 growth of foreign investment in the country.

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

Risk management is carried out considering the following criteria:

- The Central Bank's reserve management policy considers it a priority to preserve capital and guarantee the liquidity of reserves. Once these conditions are met, the Central Bank seeks to maximize the return on 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.

Management is aware of the current market conditions and, based on its knowledge and experience, it manages 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 markets where said instruments are heavily traded, 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 such risk by dividing the investment portfolio into tranches that reflect the required liquidity to manage withdrawals associated with the different nature of reserve sources. This portfolio is divided into:

- 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, 2022, the distribution of the investments into tranches is reflected in the percentage composition per term to maturity of the investment portfolio as shown below:

	<u>2022</u> (%)	<u>2021</u> (%)
<b>Term to Maturity</b>		
0 -3 months	39	46
3 -12 months	22	15
More than 1 year	39	39
	<u><b>100</b></u>	<u><b>100</b></u>

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

## As of December 31, 2022

	Less than 1 month (\$/ 000)	1 – 3 days (\$/ 000)	3–12 months (\$/ 000)	1–5 years (\$/ 000)	More than 5 years (\$/ 000)	No maturity (\$/ 000)	Total (\$/ 000)
<b>Financial liabilities per type (i)</b>							
Sterilized stock							
Certificates of deposit	4,117,830	18,062,518	3,190,778	-	-	-	25,371,126
Deposits in domestic currency	82,034,085	-	1,183,000	1,000,000	-	1,529,761	85,746,846
Monetary base	-	-	-	-	-	92,991,224	92,991,224
Deposits in foreign currency	14,426,259	7,175,607	-	-	-	43,842,107	65,443,973
Other financial liabilities	-	115,890	3,037,284	11,152	14,443,633	-	17,607,959
<b>Total non-derivative liabilities (ii)</b>	<b>100,578,174</b>	<b>25,354,015</b>	<b>7,411,062</b>	<b>1,011,152</b>	<b>14,443,633</b>	<b>138,363,092</b>	<b>287,161,128</b>
Accounts payable for derivatives	1,197,624	68,759	-	-	-	-	1,266,383
	<b>101,775,798</b>	<b>25,422,774</b>	<b>7,411,062</b>	<b>1,011,152</b>	<b>14,443,633</b>	<b>138,363,092</b>	<b>288,427,511</b>

## As of December 31, 2021

	Less than 1 month (\$/ 000)	1 – 3 days (\$/ 000)	3–12 months (\$/ 000)	1–5 years (\$/ 000)	More than 5 years (\$/ 000)	No maturity (\$/ 000)	Total (\$/ 000)
<b>Financial liabilities per type (i)</b>							
Sterilized stock							
Certificates of deposit	9,950,226	17,104,401	835,508	476,278	-	-	28,366,413
Deposits in domestic currency	89,638,420	9,697,100	7,112,300	1,000,000	-	913,299	108,361,119
Monetary base	-	-	-	-	-	97,279,476	97,279,476
Deposits in foreign currency	23,085,732	2,710,950	-	-	-	46,185,005	71,981,687
Other financial liabilities	-	39,429	5,430,763	8,831	15,963,072	-	21,442,095
<b>Total non-derivative liabilities (ii)</b>	<b>122,674,378</b>	<b>29,551,880</b>	<b>13,378,571</b>	<b>1,485,109</b>	<b>15,963,072</b>	<b>144,377,781</b>	<b>327,430,791</b>
Accounts payable for derivatives	127,359	8,108	-	-	-	-	135,467
	<b>122,801,737</b>	<b>29,559,988</b>	<b>13,378,571</b>	<b>1,485,109</b>	<b>15,963,072</b>	<b>144,377,781</b>	<b>327,566,258</b>

(i) As of December 31, 2022 and 2021, the financial liabilities do not include non-accrued interest.

(ii) As of December 31, 2022 and 2021, it corresponds to the valuation of held-for-trading derivatives.

**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 into:

- 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, 2022 and 2021, these securities shall have a long-term rating assigned in 1 of the 5 highest ratings from the more than 20 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, 2022, the risk rating of the investment portfolio is summarized as follows:

	<u>2022</u> (%)	<u>2021</u> (%)
<b>Long-term rating</b>		
AAA	63	56
AA+/AA/AA-	24	25
A+/A/A-	13	19
	<u>100</u>	<u>100</u>

Based on the obtained risk ratings and management's analysis as of December 31, 2022 and 2021, 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, and
- 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 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 free-market exchange rates.

As of December 31, 2022, the free market buying rate, published by the SBS for transactions in U.S. dollars, is S/3.808 (S/3.975 as of December 31, 2021). 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 currencies are as follows:

	2022			2021		
	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	97,809	-	97,809	97,805	-	97,805
Deposits at foreign banks	7,284,770	5,917,650	13,202,420	15,601,587	2,122,956	17,724,543
Deposits at foreign organizations		2,383,243	2,383,243	-	2,504,270	2,504,270
Securities from international entities	44,012,147	9,287,856	53,300,003	41,136,128	13,621,392	54,757,520
Gold		2,030,213	2,030,213	-	2,036,307	2,036,307
Contributions to international organizations	568,738	604,385	1,173,123	568,739	607,614	1,176,353
Other available assets	56,186	3,360	59,546	231,179	11,512	242,691
Other external assets		20,000	20,000	-	20,000	20,000
Domestic credit	483,287	-	483,287	731,212	-	731,212
Other assets worked	2,677	-	2,677	1,514	403	1,917
	<b>52,505,614</b>	<b>20,246,707</b>	<b>72,752,321</b>	<b>58,368,164</b>	<b>20,924,454</b>	<b>79,292,618</b>
<b>Monetary liabilities</b>						
Reserve liabilities	350,429	12,563	362,992	42,309	1,690	43,999
Other foreign liabilities	-	2,533,892	2,533,892	-	2,663,757	2,663,757
Deposits in foreign currency	17,185,917	-	17,185,917	18,108,600	-	18,108,600
Other liabilities	629,041	-	629,041	1,123,482	7,724	1,131,206
	<b>18,165,387</b>	<b>2,546,455</b>	<b>20,711,842</b>	<b>19,274,391</b>	<b>2,673,171</b>	<b>21,947,562</b>
<b>Subtotal</b>	<b>34,340,227</b>	<b>17,700,252</b>	<b>52,040,479</b>	<b>39,093,773</b>	<b>18,251,283</b>	<b>57,345,056</b>
<b>Derivatives</b>						
Net forward contract position	11,813,197	(11,771,924)	41,273	12,273,284	(11,780,814)	492,470
<b>Net monetary position</b>	<b>46,153,424</b>	<b>5,928,328</b>	<b>52,081,752</b>	<b>51,367,057</b>	<b>6,470,469</b>	<b>57,837,526</b>

- (b) As of December 31, the balances in foreign currency, SDR and in precious metals, without including financial derivatives, expressed in their equivalent in thousands of U.S. dollars, are summarized as follows:

	<u>2022</u> (US\$ 000)	<u>2021</u> (US\$ 000)
<b>Assets</b>		
U. S. dollar	52,599,262	58,367,489
Japanese yen (i)	259,156	8,614,090
Euro	5,525,130	323,898
Gold	2,030,922	2,036,990
SDR (ii)	3,249,983	3,208,642
British pound sterling	1,706,287	784,308
Other currencies	7,738,736	6,033,968
	<u><b>73,109,476</b></u>	<u><b>79,369,385</b></u>
<b>Liabilities</b>		
U.S. dollar	18,260,150	19,274,399
SDR (ii)	2,787,789	2,643,999
Other currencies	21,058	29,172
	<u>21,068,997</u>	<u>21,947,570</u>
<b>Net assets</b>	<u><b>52,040,479</b></u>	<u><b>57,421,815</b></u>

- (i) As of December 31, 2022 and 2021 there is no exposure to this currency, since it is fully hedged forward operations (note 20(b)).
- (ii) The SDR is an international reserve asset created by the IMF and allocated to its member countries in proportion to their participation quota as such. The value of the SDR is calculated on a daily basis, adding the values in U.S. dollars (midday London quotation) of basket of five currencies (U.S. dollar, euro, Chinese renminbi, Japanese yen and sterling pound). The amounts of each of the currencies of the SDR basket are calculated according to agreed percentages.
- (c) As of December 31, the quotations of the main currencies used by the Central Bank in relation to the U.S. dollar are as follows:

	<u>2022</u> (S/ 000)	<u>2021</u> (S/ 000)
Gold troy ounce	1,821.880000	1,827.310000
Pound sterling	1.206300	1.353300
SDR	1.330840	1.399590
Euro	1.069700	1.138400
Japanese yen	0.007634	0.008688

As established in Article 89 of the Organic Act, in 2022, the Central Bank recorded a net negative adjustment for valuation of foreign currency of S/8,883 million (net positive adjustment of S/17,495 million as of December 31, 2021) in "Adjustment for Valuation Article 89 – Organic Act" in equity, see note 17(e).

The following table shows the sensitivity analysis to changes in the quotations of the main currencies to which the Central Bank has exposure as of December 31, 2022 and 2021. The analysis determines the effect of devaluation or revaluation of a reasonably possible variation of the exchange rate of the sol against foreign currencies, considering that all other variables remain constant in the statement of profit or loss and other comprehensive income. A negative amount reflects a potential net reduction 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</b>	<b>Change in exchange rates</b>	<b>2022</b> (S/ 000)	<b>2021</b> (S/ 000)
<b>Devaluation</b>			
U.S. dollars	5%	9,908,432	11,412,585
U.S. dollars	10%	19,816,865	22,825,171
Pound sterling	5%	324,782	155,877
Pound sterling	10%	649,565	311,755
Japanese yen	5%	49,343	1,712,047
Japanese yen	10%	98,686	3,424,094
Euro	5%	1,051,985	62,806
Euro	10%	2,103,970	125,612
<b>Revaluation</b>			
U.S. dollars	5%	(9,908,432)	(11,412,585)
U.S. dollars	10%	(19,816,865)	(22,825,171)
Pound sterling	5%	(324,782)	(155,877)
Pound sterling	10%	(649,565)	(311,755)
Japanese yen	5%	(49,343)	(1,712,047)
Japanese yen	10%	(98,686)	(3,424,094)
Euro	5%	(1,051,985)	(62,806)
Euro	10%	(2,103,970)	(125,612)

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

It is associated with unexpected changes in the market return rates of the portfolio's fixed income assets. Such changes 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. Such terms are consistent with the market risk profile intended for each portfolio instrument.

As of December 31, 2022 and 2021, the average duration of the investment portfolio (including internally managed foreign assets, deposits with foreign banks, investments in securities and gold holdings) was 0.87 and 0.94 years.



**v. Operational risk**

It refers to the effect of the uncertainty that the Bank faces on its ability to meet its strategic objectives and functions, safeguard its equity and protect its reputation, image and credibility. The latter as a result of internal process and control failures, human errors, information systems and supporting technology failures, breach of legal provisions and internal regulations, or occurrence of 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. Such model 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. Said entity is the supervisory body in charge of approving policies and recommending actions regarding risk management and continuity of activities. 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 THE FINANCIAL STATEMENTS**

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

The fair value of an asset or liability is measured using the assumptions that market participants would use to price the asset or liability, assuming that the market participants act in their best economic interest.

When a financial instrument is traded in an active and liquid market, its quoted market price in a real transaction provides the best evidence of its fair value. When a quoted market price is not available or it cannot be indicative of the fair value of the instrument, the fair value may be determined using the market value of another similar instrument, discounted cash flow analysis or other applicable techniques, which are significantly affected by the assumptions made. Management has used its best judgment in the measurement of the fair values of its financial instruments, Fair value may not be indicative of the net realizable value or settlement value of said instruments.

The methodologies and assumptions applied to determine the estimated market values at December 31, 2022 and 2021, 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 in banks at terms of up to 90 days, respectively, which do not represent significant credit risks or interest rate risks.
- The carrying amount of the securities of international entities classified as FVOCI corresponds to their estimated market value.
- The carrying amount of gold corresponds to its market value.
- The values of the contributions to and deposits with international organizations are considered to correspond to their fair values, since they represent the amount the Central Bank would receive if the Central Bank ceased to be a member of said organizations. Additionally, contributions to international organizations cannot be traded with third parties and generate interest at 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, which are fixed at terms of less than a year by the Central Bank.
- The carrying amount of the currency held by the Central Bank in "Monetary base" corresponds to its market value, since it represents the currency in circulation in the Peruvian economy.

Consequently, as of December 31, 2022 and 2021, Management considers that the estimated fair values of its financial instruments do not significantly differ from their carrying amounts.

## 26. SUBSEQUENT EVENTS

### ***State of National Emergency due to social conflicts -***

Due to the social conflicts which have been occurring on a national level, since December 7, 2022, on December 15, 2022, the Peruvian Government, through Supreme Decree No.144-2022-PCM declared a State of Emergency on a national level and in specific locations, as well as measures of mandatory social immobilization due to the conflict-driven situation.

At the date of issue of the financial statements, the situations described above have had no impact on the Banco Central's financial statements as of December 31, 2022.

Since January 1, 2023, and up to the date of this report, no other significant event has occurred which could affect the financial statements as of December 31, 2022.