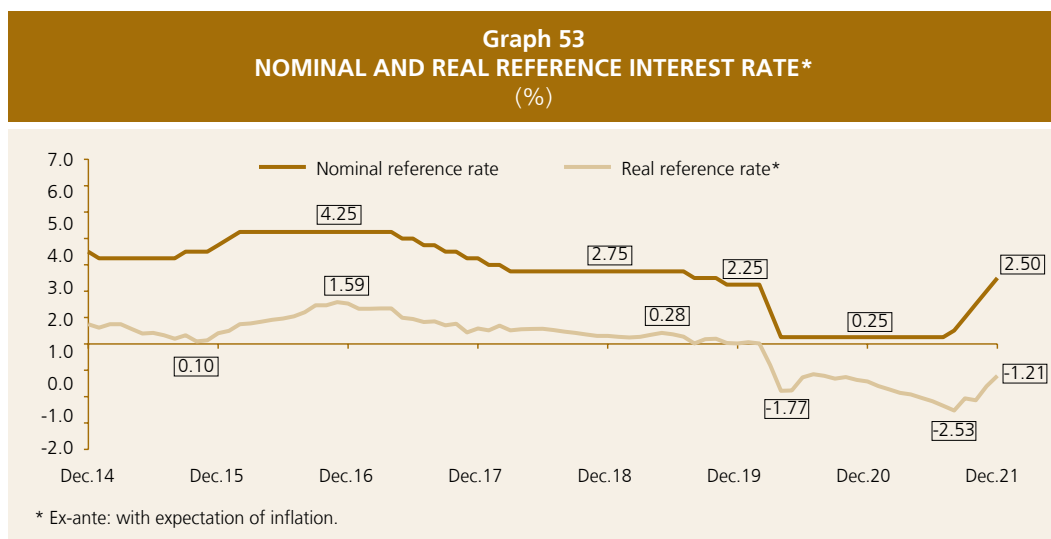


1. Monetary policy

Between April 2020 and July 2021, the BCRP kept the benchmark interest rate at 0.25 percent, the lowest level since the implementation of the Explicit Inflation Targeting regime, along with a portfolio of monetary policy instruments to amplify monetary impulse, in order to avoid the breakdown of the payments and credit chain, given the magnitude of the shock associated with the COVID-19 pandemic.

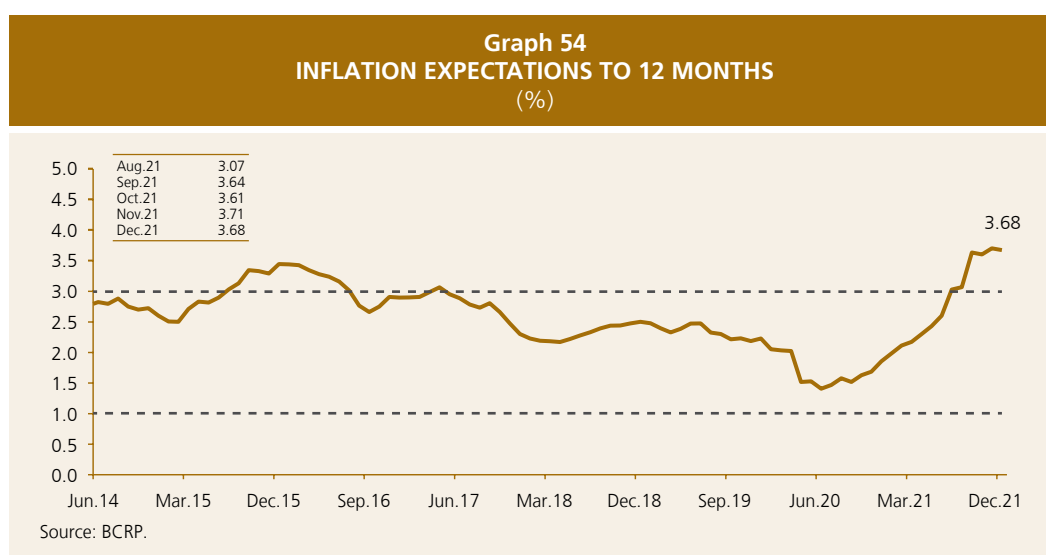
The supply shocks that grew inflation in 2021 also led to an increase in inflation expectations. In this context, in order to avoid a persistent de-anchoring of inflation expectations with respect to the target range, the BCRP Board of Directors initiated, in August 2021, the withdrawal of the monetary stimuli with an increase in the benchmark rate of 25 basis points. Subsequently, during the monetary policy sessions held between September and December 2021, the BCRP Board of Directors decided to raise the monetary policy reference interest rate by 50 basis points each time, accumulating five increases. Thus, the reference interest rate rose from 0.25 percent in July to 2.50 percent in December.

These decisions implied maintaining an expansionary monetary policy stance, given that the benchmark real interest rate remained at negative levels (-1.21 percent in December), after reaching a historical low of -2.53 percent in August. It is worth mentioning that the BCRP Board's decision on the benchmark interest rate was taken in a context in which several central banks in the region raised their policy rates since March 2021.



The decisions to phase out monetary stimuli, adopted between August and December 2021, were based on:

- i. The twelve-month inflation rate increased from 2.38 percent in April to 5.66 percent in November, remaining above the target range since June (3.25 percent).
- ii. The factors that explained the growth in inflation were the increase in international prices of food inputs (grains) and fuels, as well as the exchange rate.
- iii. The twelve-month non-food and energy inflation rate was within the target range through November.
- iv. Inflation was projected to return to the target range in the second half of 2022, due to the reversal of the effect of transitory factors on the inflation rate, and to the fact that economic activity would still be below its potential level.
- v. Twelve-month inflation expectations increased from 2.0 percent in January to 3.7 percent in November, above the inflation target range.
- vi. Most of the indicators of expectations about the economy deteriorated throughout the year, and some were in the pessimistic range in November.
- vii. World economic activity was recovering, although at a slower pace due to the resurgence of COVID-19 infections and the appearance of new variants, as well as bottlenecks in the global supply of goods and services. The recovery process was expected to continue in the following quarters, as vaccination in the world and significant fiscal stimuli programs in developed countries continued to advance.

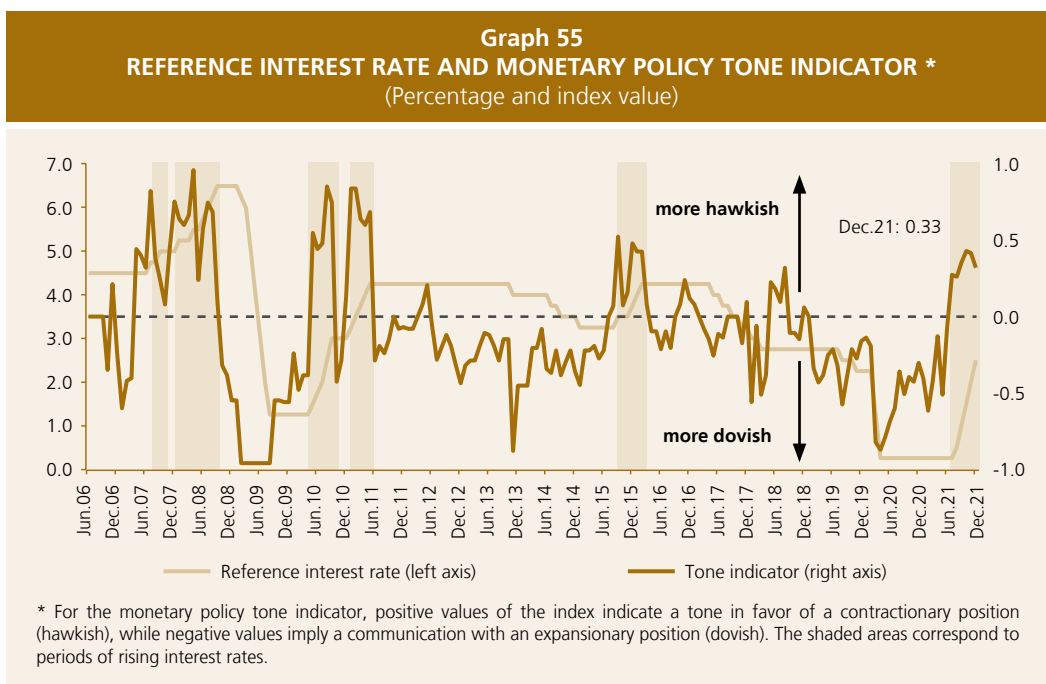


In terms of communication, through the September Monetary Program information note, regarding the increase in the benchmark interest rate, the BCRP Board of Directors mentioned, with the current

information, that “the present decision does not necessarily imply a cycle of successive hikes in the benchmark interest rate”. Likewise, as in previous months, the BCRP Board of Directors emphasized in its informative notes that “it is especially attentive to new information regarding inflation expectations and the evolution of economic activity in order to consider, if necessary, modifications in the monetary policy stance”.

In addition, as of October’s briefing note, the Board of Directors added the following statement: “Based on the information available today, it is deemed convenient to maintain the expansionary monetary policy stance for an extended period of time, through the gradual withdrawal of the monetary stimulus”. Likewise, the Board maintained the commitment that “the Central Bank will continue to take all necessary actions to sustain the payment system and the flow of credit to the economy” and reiterated that “financial markets have continued to show volatility in a context of uncertainty and the BCRP’s actions were aimed at mitigating such volatilities”.

During 2021, the monetary policy tone indicator, used by the BCRP, showed a stance in favor of withdrawing monetary stimulus since July, one month before the August interest rate hike. Likewise, the indicator shows that the monetary policy statement took a more favorable stance to the withdrawal of monetary stimulus in the following months.



The balance of liquidity injection operations in domestic currency decreased from S/ 64.8 billion at the end of 2020 to S/ 56.7 billion at December 31, 2021, mainly due to the repayment of government-guarantee portfolio repos under the Reactiva Perú program (S/ 11.9 billion). This balance of liquidity injection operations, at the end of 2021, is equivalent to 6.5 percent of GDP, S/ 38.8 billion of which corresponds to the amount settled of government-guaranteed loan portfolio repos. In comparative terms, the total balance of liquidity injection operations is 7.2 times higher than the maximum balance of these operations reached during the 2008-2009 international financial crisis (S/ 7.9 billion) and 1.8 times the balance reached during the period of falling commodity prices (2013-2016) and the de-dollarization program (S/ 31.8 billion).

Graph 56
BALANCE OF INJECTION OPERATIONS OF BCRP*
(Million soles)

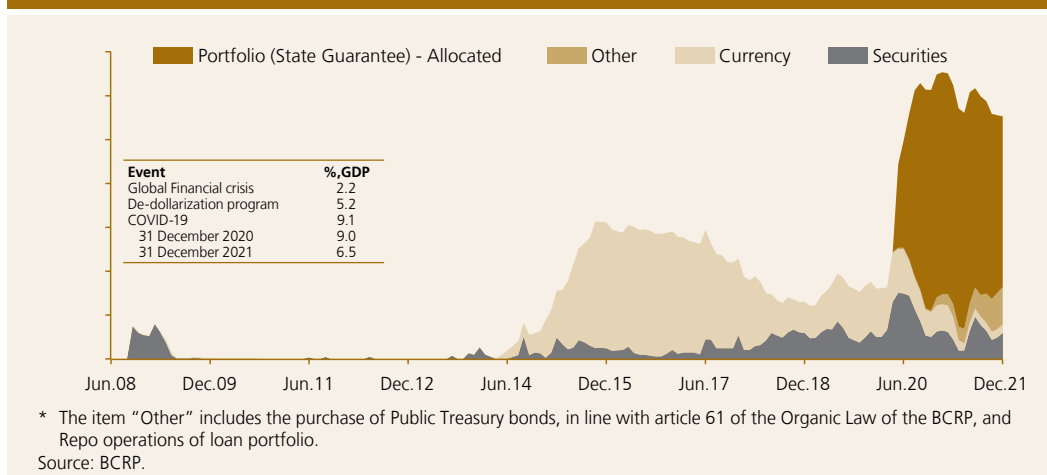


Table 64
BALANCE OF INJECTION OPERATIONS OF BCRP
(Million soles)

Episode	Date	Values	Currency (Regular)	Currency (Expansion)	Currency (Substitution)	Portfolio (State Guarantee), Settlement	Others*	Total
Financial Crisis 2008-2009	Oct.08	7,383	300	0	0	0	0	7,683
	Nov.08	5,959	30	0	0	0	0	5,989
	Dec.08	5,412	0	0	0	0	0	5,412
	Jan.09	5,239	0	0	0	0	0	5,239
	Feb.09	7,877	0	0	0	0	0	7,877
Mar.09	5,989	735	0	0	0	0	6,724	
De-dollarization Program	Dec.14	1,300	8,600	0	0	0	0	9,900
	Mar.15	4,900	8,600	2,200	1,500	0	0	17,200
	Jun.15	2,631	11,500	5,100	4,305	0	0	23,536
	Sep.15	3,034	16,050	7,900	4,805	0	0	31,789
Dec.15	2,500	14,900	7,900	4,805	0	0	30,105	
COVID-19 Crisis	Feb.20	5,100	9,650	0	0	0	0	14,750
	Mar.20	6,675	11,150	0	0	0	0	17,825
	Apr.20	13,015	10,030	0	0	0	250	23,295
	May.20	15,060	10,145	0	0	19,017	260	44,482
	Jun.20	14,947	8,095	0	0	24,338	260	47,640
	Sep.20	8,604	5,895	0	0	47,002	304	61,805
	Dec.20	6,309	5,970	0	0	50,729	1,785	64,793
	Jan.21	6,554	6,030	0	0	50,497	2,258	65,339
	Mar.21	4,454	2,430	0	0	49,907	2,812	59,603
	Jun.21	6,476	1,922	0	0	47,968	4,408	60,774
	Sep.21	6,470	1,842	0	0	43,770	6,590	58,672
	Oct.21	4,383	1,902	0	0	42,283	7,489	56,057
Nov.21	4,913	1,942	0	0	40,475	8,251	55,581	
Dec.21	5,963	3,342	0	0	38,827	8,519	56,651	

* The item "Other" includes the purchase of Public Treasury bonds, in line with article 61 of the Organic Law of the BCRP, and Repo operations of loan portfolio.
Source: BCRP.

The maximum balance of injection operations was registered at the end of January 2021. Since then, it has been decreasing, given that the amortizations of the Reactiva Perú program imply a decrease in the balance of credit repos guaranteed by the Government-secured repos. This dynamic was partially offset by other programs such as credit rescheduling repos and long-term credit expansion repos, in addition to purchases of Treasury bonds. On the other hand, credit rescheduling, within the framework of Reactiva Perú, served to extend the term of the injection operations.

Table 65
LIQUIDITY INJECTION PROGRAMS
(Billion soles)

Program	Dec.19	Dec.20	Jan.21	Jun.21	Sep.21	Dec.21
Government-guaranteed credit repos	0	50.7	50.5	48.0	43.8	38.8
of which: balance of repos for rescheduling	0	0	0	0	9.2	14.3
Credit rescheduling repos	0	0.5	1.1	2.5	4.2	4.8
Long-term credit expansion repos	0	0	0.2	0.2	2.2	5.5
Purchase of Public Treasury Bonds*	0	1.3	1.3	2.1	2.1	2.1
Rest**	17.4	12.2	12.1	8.0	6.3	5.4
Total	17.4	64.8	65.3	60.8	58.7	56.7

* At acquisition value.

** Regular repos such as securities repos and currency repos.

After the initial implementation of the Reactiva Perú program, although the economy recovered significantly, several sectors were particularly affected by the confinement measures, mainly those that had a late reopening of their activities during 2020, and whose operations were again restricted by the sanitary prevention measures, adopted since January 2021. The loan rescheduling program granted under Reactiva Perú (DU N° 026-2021) was aimed at solvent companies that required rescheduling their loans due to liquidity problems resulting from a temporary drop in sales.

Under this legal scheme, the reprogramming of credits with National Government guarantees was allowed, under the Reactiva Perú program, for an initial maximum amount of S/. 16 billion, which was later increased to S/. 19.5 billion (DU N° 039-2021). The requirements and conditions for accessing this facility were associated with the size of the original loan, and the drop in the level of sales registered in the fourth quarter of 2020, compared to the same period of the previous year. The guarantees were given for the same percentage of coverage agreed in the initial conditions for accessing Reactiva Perú. The companies that joined the scheme were granted, on a one-time basis, a new grace period of up to 12 months in addition to the original grace period.

In this scenario, in the exercise of its functions and exercising its constitutional autonomy, the BCRP was able to carry out repo portfolio operations with government guarantee. Initially, the program was intended to be in force until July 15, 2021, but subsequently the deadline for companies to apply was extended to December 31, 2021 (DU N° 091-2021). As of that date, the balance of repo operations under the Reactiva Peru Program rescheduling amounted to S/. 14.3 billion.

Amid a context with high uncertainty in local financial markets, the BCRP announced, on May 27, 2021, that it would purchase Public Treasury Bonds (BTP) maturing between 2031 and 2040 in the secondary market, through the auction mechanism, in order to mitigate upward pressures on long-term interest rates. Likewise, as of the same date, the BCRP automatically accepted requests for securities repo operations, in exchange for domestic currency (securities repos), by direct mode, up to an amount of S/ 100 million for *overnight* terms. Both measures are in response to the need to provide financial institutions with an adequate level of liquidity.

Thus, between May 28 and June 16, auctions were called for the purchase of sovereign bonds maturing between 2031 and 2040, acquiring a total of S/ 757 million; thus, at the end of 2021, the balance of BTPs acquired by the BCRP amounted to S/ 2,078 million. It should be noted that Article 61 of the BCRP's Organic Law establishes that the Bank is empowered to purchase in the secondary market securities issued by the Public Treasury, provided that the annual increase in the holdings of such securities, valued at their acquisition price, does not exceed 5 percent of the balance of the monetary base at the end of the previous year. For the year 2021 the limit for these acquisitions was S/ 4,299 million.



The following is a description of the measures designed and implemented by the BCRP during 2021 and set forth in circulars.

Reserve requirements in foreign currency (Circular No. 005-2021-BCRP of March 22, 2021)

The reserve requirement regime in foreign currency was modified, effective as of May 2021, with respect to the additional reserve requirements based on the evolution of total credit and consumer vehicle and mortgage credit in foreign currency. The purpose of these measures is to continue promoting, in the long term, a gradual process of reduction in the dollarization of credit. Previously, this requirement had been suspended from the reserve requirement period of April 2020 until December 2020, and then postponed until April 2021, within the framework of the measures adopted by the BCRP, due to COVID-19.

The limits in effect as of May 2021 are as follows:

- (i) For the additional reserve requirement based on the evolution of total credit in foreign currency: for the Institutions Subject to Reserve Requirement, which at the end of the period have an average daily balance of total credit in foreign currency, greater than or equal to US\$ 200 million, an additional reserve requirement is established. If during the reserve requirement period, this average balance exceeds the average daily balance of total credit in foreign currency of December 2018 plus 30 percent of the accumulated flow with respect to December 2018 of the average credit in domestic currency, excluding from such flow the flow corresponding to mortgage, consumer, and foreign trade credit. This cumulative flow resulting from average credit in domestic currency is considered as long as it is positive.
- (ii) For the additional reserve requirement based on the evolution of consumer vehicle and mortgage loans in foreign currency: It is established that the Entities Subject to Reserve Requirement, which at the end of the period have an average daily balance of total consumer vehicle and mortgage loans greater than 90 percent of the balance as of December 31, 2018 or 6 percent of their last effective equity published by the SBS (whichever is greater), will be subject to an additional reserve requirement. Subsequently, the limit as of December of each year, based on the balance as of December 31, 2018, will be reduced by 5 percentage points of this balance per year. For its part, the limit based on the amount of effective equity was reduced as of December 2021 to 5 percent of such equity.

Repo operations of National Government Guaranteed Loan Portfolio for Liquidity Support (Circular No. 011-2021-BCRP dated May 13, 2021)

This program arose within the framework of Legislative Decree No. 1508 of May 2020, which created the National Government Guarantee Program for the Loan Portfolio in order to provide financial institutions with the necessary liquidity to maintain the flow of credit to the most affected sectors and, thus, maintain continuity in the payment chain. Financial institutions will be able to use their loan portfolio to obtain a guarantee from the National Government, so that they can carry out repo operations with the BCRP. The amount of the program amounts to S/ 7 billion, which may be extended up to an additional 20 percent. In April 2021, the Ministry of Economy and Finance approved the granting of the guarantees by COFIDE (Supreme Decree No. 063-2021-EF). No operations were carried out under this program in 2021.

FX Swaps-sale of the BCRP (SCV) with fixed interest rate in soles (Circular No. 028-2021-BCRP dated October 6, 2021)

The modality of FX Swaps-sale of the BCRP (FX Swaps-sale) with a fixed interest rate in soles was included, in a context of expectations of increases in the reference interest rate of the monetary

policy. In contrast with the variable rate SCV, in which the BCRP receives from the participating entity a variable interest rate, in soles, calculated as the capitalization of the Interbank Overnight Index (ION), in the case of the SCV of the new modality, the BCRP receives the payment of a fixed rate. In both cases, the BCRP pays the financial entity a fixed interest rate in dollars (allocation criterion in the auctions) plus the variation of the exchange rate.

Reserve Requirement Provisions in Domestic Currency (Circular No. 024-2021-BCRP of August 30, 2021 and Circular No. 031-2021-BCRP of October 26, 2021)

In order to complement the increases in the benchmark rate, as well as to reinforce monetary control, Circular N° 024-2021-BCRP was published at the end of August 2021, which established the gradual increase of reserve requirements in domestic currency as of September 2021. It was established that the reserve requirement in domestic currency would be the greater of: (i) the amount resulting from a marginal reserve requirement rate of 25.0 percent on the increase in the Total Obligations Subject to Reserve Requirement (TOSE) with respect to July 2021, and (ii) the amount resulting from applying the minimum average reserve requirement rate of 4.0 percent in September, 4.25 percent in October and 4.50 percent as of November 2021 (this last minimum average reserve requirement rate was not in force). Likewise, the minimum current account requirement that financial institutions maintain at the BCRP was raised from 0.75 to 1.0 percent as of October 2021.

In October 2021 (Circular 031-2021-BCRP) the minimum legal reserve requirement rate was increased from 4.0 percent to 4.5 percent in November 2021, to 4.75 percent in December 2021 and to 5.0 percent as of January 2022, respectively. Thus, the reserve requirement would be the maximum between (i) that resulting from applying the reserve requirement rate of the base period (July 2021) to the obligations subject to reserve requirements up to the level of the base period, and a marginal reserve requirement rate of 25 percent with respect to the base period and (ii) the minimum legal reserve requirement corresponding to the evaluation period. In addition, as of November 2021, a maximum average reserve requirement equivalent to 6.0 percent of the TOSE flow for the evaluation period will apply, in order to maintain a low dispersion in the average reserve requirement rates among financial institutions.

In view of the impact of COVID-19, and in order to free up resources for financial institutions, by the end of March 2020, the reserve requirement rate in domestic currency had been reduced from 5.0 to 4.0 percent, effective as of April 2020. Likewise, as of that date, the minimum current account requirement was reduced from 1.0 to 0.75 percent.

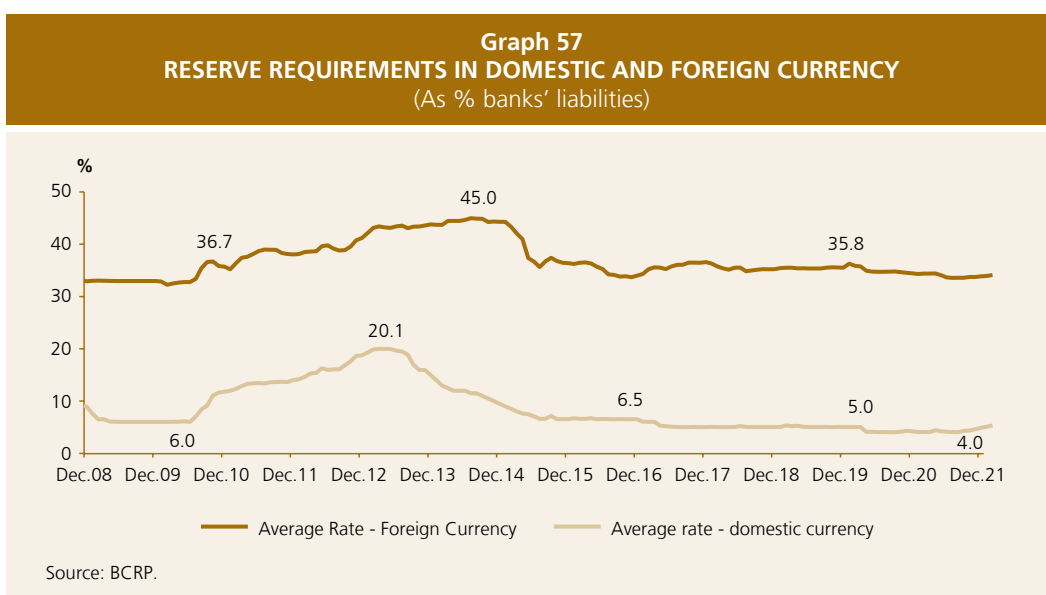


Table 66
RESERVE REQUIREMENTS IN DOMESTIC CURRENCY
(%)

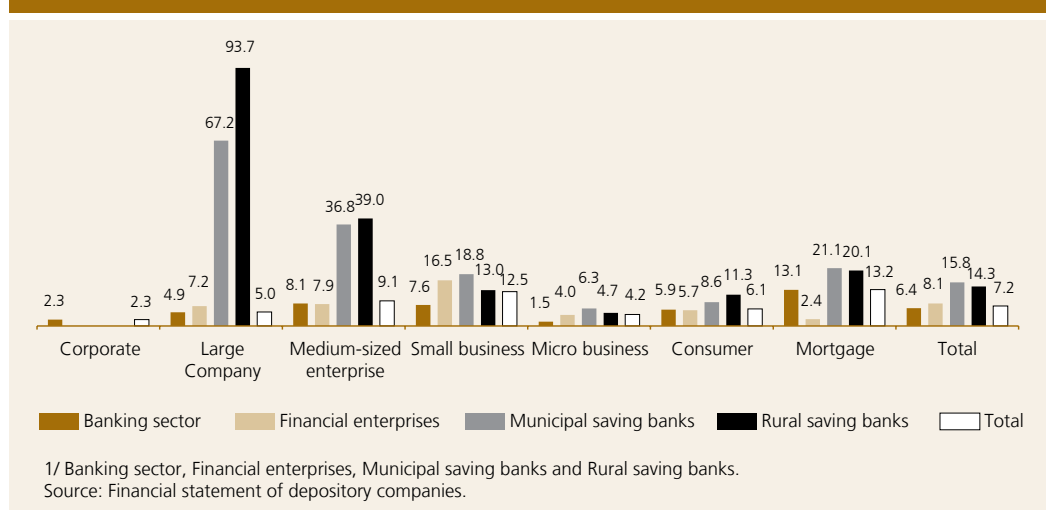
Reserve requirement rate	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21
Minimum reserve requirement rate in soles	4.0	4.0	4.0	4.50	4.75
Minimum reserve requirement rate for the current level in soles	0.75	0.75	1.0	1.0	1.0
Marginal reserve requirement rate in soles	-	25	25	25	25
Minimum average reserve requirement rate in soles	4.0	4.0	4.25	-	-
Maximum average reserve requirement rate of the general regime	-	-	-	6.0	6.0

Source: BCRP.

Apart from the measures adopted by the BCRP, the balance of credit rescheduling by depository corporations (comprising banks, financial companies, municipal savings banks and rural savings banks), authorized by the SBS, maintained a downward trend throughout 2021. Thus, the total balance of rescheduled loans as of December 2021 is S/. 100 billion lower than the maximum observed in June 2020 (S/ 128 billion, equivalent to 35.6 percent of the portfolio), which is explained by the repayment of rescheduled loans, consistent with the reopening of economic activities.

As of December 31, 2021, the depository corporations maintain a balance of rescheduled loans of around S/ 28 billion, equivalent to 7.2 percent of the total portfolio of the depository corporations. Likewise, as of December 2021, 12.5 percent of the small business portfolio, 4.2 percent of the microbusiness portfolio and 6.1 percent of the consumer portfolio had been rescheduled. Entities specializing in microfinance have rescheduled at least 14.0 percent of their portfolios.

Graph 58
RESCHEDULED CREDITS OF DEPOSITORY COMPANIES: 1/ DECEMBER 2021
(As % of total credits)



2. Interest rates

The evolution of the interbank rate closely followed the monetary policy reference rate, and the increase during 2021 was 225 basis points. Consequently, interest rates in soles, in the credit and deposit markets also increased during the year, reflecting the first link in the monetary transmission mechanism and the pass-through effect of the monetary policy rate. Interest rates on deposits increased, on average, between 0.4 and 1.6 percentage points, depending on the agreed term.

Interest rates on loans rose between 0.5 and 3.4 percent, depending on the type of rate. Mortgage rates were relatively more stable, increasing by only 0.5 percentage points. The prime rate, which is granted to corporate clients, grew 2.3 points, slightly above the increase in the reference rate. The rest of the rates rose by more than 2 percentage points due to the greater influence of the debtor's credit risk. The average FTAMN rate registered a growth of 3.4 percentage points over the previous year.

Table 67
INTEREST RATES ON OPERATIONS IN SOLES
(%)

	2019	2020	2021	Change 2021/2020
Interbank rate	2.3	0.2	2.3	2.0
Deposits up to 30 days 1/	1.6	0.2	0.7	0.4
31-day to 60-day term deposits 1/	1.8	0.5	0.8	0.4
61-day to 180-day term deposits 1/	2.3	0.5	0.9	0.5
181-day to 360-day term deposits 1/	3.3	1.3	2.9	1.6
More than 360-day term deposits 1/	3.5	2.0	3.1	1.1
90-day corporate prime rate	3.3	0.6	2.9	2.3
Loans to large companies	5.7	4.6	5.7	1.1
Loans to medium-sized enterprises	10.0	6.1	8.8	2.7
Loan to small businesses	22.6	17.2	19.3	2.1
Loan to microbusinesses	44.3	30.1	32.3	2.3
Consumer loans	45.3	39.5	41.8	2.3
Mortgage loans	7.9	6.4	6.9	0.5
FTAMN 2/	18.7	17.4	20.8	3.4

1/ Interest rates on deposits correspond to individuals.
2/ Average market lending rate of the operations carried out in the last 30 business days.

Interest rates in dollars were more stable, in line with international interest rates, particularly the 3-month Libor rate.

Table 68
INTEREST RATES ON OPERATIONS IN DOLLARS
(%)

	2019	2020	2021	Change 2021/2020
3-month Libor rate	1.9	0.2	0.2	-0.0
Interbank rate	1.8	0.3	0.3	-0.0
Deposits up to 30 days 1/	1.3	0.0	0.1	0.1
31-day to 60-day term deposits 1/	1.0	0.2	0.2	0.1
61-day to 180-day term deposits 1/	1.0	0.2	0.3	0.1
181-day to 360-day term deposits 1/	1.2	0.3	0.4	0.1
More than 360-day term deposits 1/	1.3	0.5	0.8	0.3
90-day corporate prime rate	2.7	1.1	1.0	-0.1
Loans to large companies	5.0	4.5	4.3	-0.1
Loans to medium-sized enterprises	6.9	5.9	5.9	-0.0
Loan to small businesses	8.3	5.3	10.3	5.0
Loan to microbusinesses	11.0	8.5	7.4	-1.1
Consumer loans	36.1	35.1	33.4	-1.7
Mortgage loans	6.9	5.4	5.0	-0.4
FTAMEX 2/	7.5	6.6	8.0	1.4

1/ Interest rates on deposits correspond to individuals.
2/ Average market lending rate of the operations carried out in the last 30 business days.

3. Monetary and credit aggregates

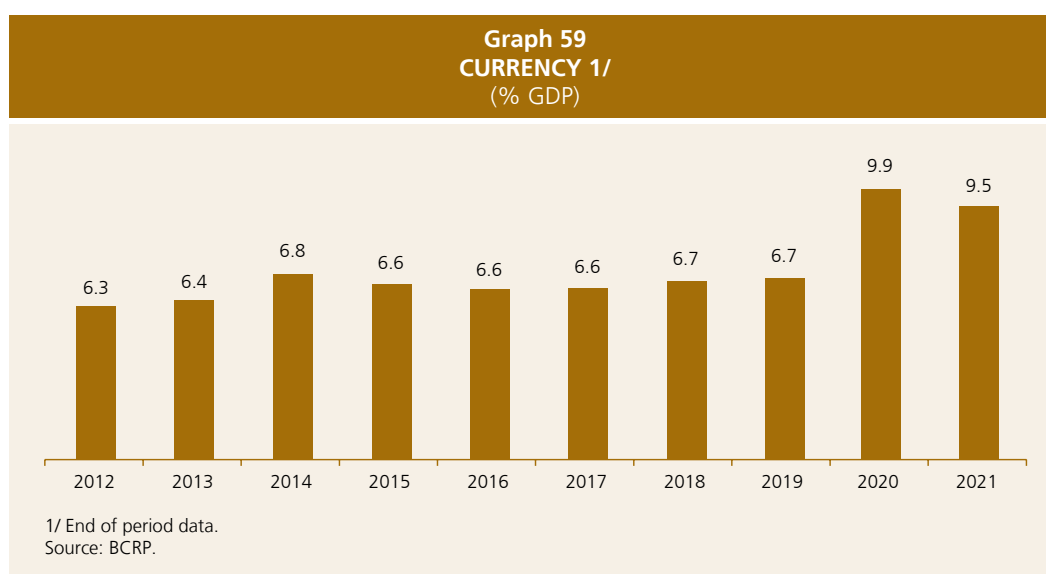
Liquidity and credit to the private sector decreased their growth rates compared to the previous year, which was consistent with the partial amortization of the Reactiva Peru Program.

The annual expansion of private sector liquidity was nil (0.0 percent in 2021 compared to 25.3 percent expansion in 2020), which is explained by the outflow of funds abroad by residents. In domestic currency, the decrease in this aggregate was 0.7 percent, while, in foreign currency, liquidity grew by 1.6 percent. Thus, the ratio of dollarization of liquidity rose from 28.0 percent in 2020 to 28.5 percent at the end of 2021.

For its part, total credit to the private sector grew 4.4 percent during the year (11.0 percent in 2020). Domestic currency credit expanded 5.6 percent and foreign currency credit grew by 0.3 percent. The ratio of dollarization of credit decreased slightly from 22.0 percent in 2020 to 21.1 percent in December 2021.

3.1 Currency in circulation

The balance of currency in circulation held by the public, as of December 2021, was S/ 83 058 million, which represented 9.5 percent of GDP and a growth rate of 16.0 percent with respect to December 2020. This reduction represents a normalization with respect to the previous year's level, which reached a maximum level, associated to a precautionary demand due to the pandemic.



During 2021, currency in circulation in dollars is estimated to have grown by US\$ 1,262 million, associated with a greater demand for foreign currency due to political uncertainty and concerns about the emergence of new COVID-19 variants, which led to a further depreciation of the exchange rate. A negative flow of US\$ 26 million was registered in the first quarter, followed by a positive flow of US\$ 786 million in the second quarter, US\$ 460 million in the third quarter, and US\$ 42 million in the fourth quarter of 2021. Last year registered imports of US dollar bills for US\$ 2,150 million (US\$ 1,170 million in May and US\$ 980 million in June), as well as exports of these for US\$ 643 million (US\$ 225 million in September, US\$ 108 million in October, US\$ 210 million in November, and US\$ 100 million in December). The foreign currency cash balance of the deposit-creating companies as of December amounted to US\$ 1,395 million.

3.2 Liquidity

During 2021, the growth rate of private sector liquidity was nil, which contrasts with the strong growth rate of 25.3 percent registered by this monetary aggregate in the previous year. For its part, private sector liquidity, as a percentage of GDP, declined from 60.6 percent in 2020 to 51.2 percent in 2021.

The contraction of liquidity, observed last year, was clearly seen in the decrease of term deposits (-10.7 percent per year excluding CTS) and demand deposits (-7.0 percent per year). However, an 11.5 percent increase in savings deposits was registered. One of the reasons for these changes was that companies, in general, obtained liquidity by reducing their checking account balances, while individuals did so through their term deposits and CTS accounts, without changing their savings deposits. This is consistent with the fact that demand deposits (which are mostly held by companies) decreased compared to the previous year (these deposits accounted for 27 percent of liquidity in 2020). It is also consistent with the fact that individuals' term deposits declined by 14.9 percent and their CTS accounts by 46.7 percent.

By currency, a decrease in deposits in domestic currency of 5.4 percent was registered, and a slight increase in balances held in foreign currency of 0.7 percent.

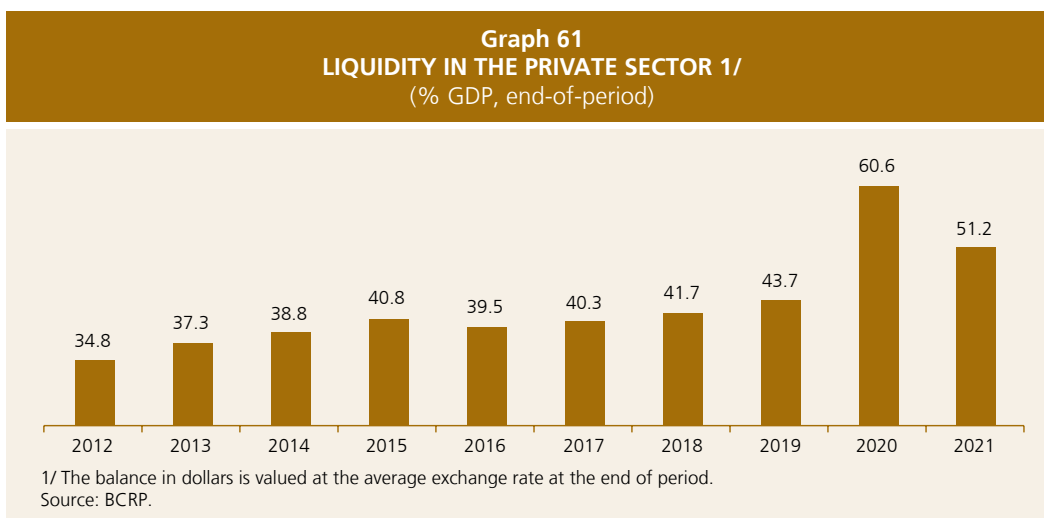
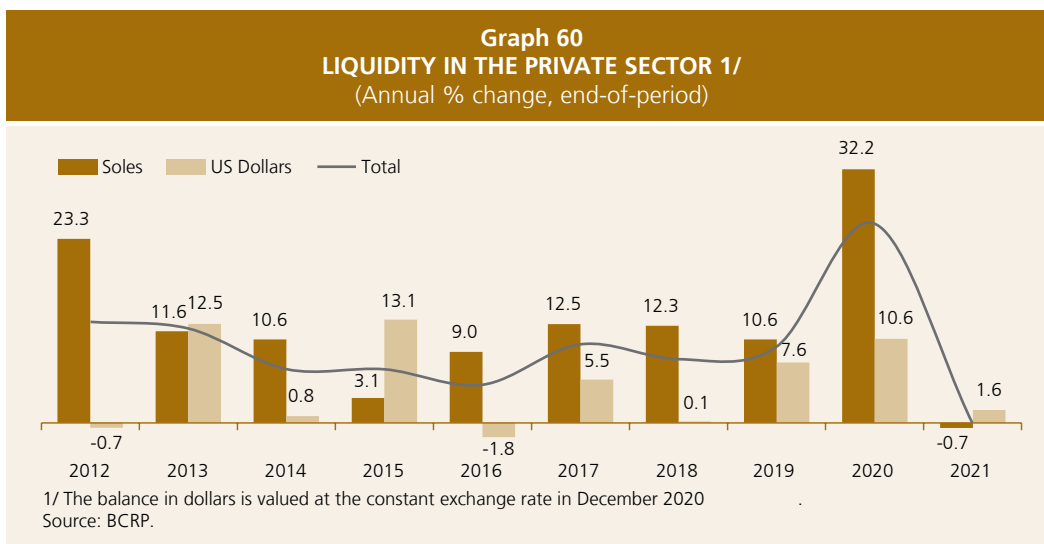


Table 69
MAIN MONETARY AGGREGATES 1/

	Balance in million soles			Growth rates (%)	
	2019	2020	2021	2020	2021
Currency	52,129	71,576	83,058	37.3	16.0
Money	99,427	143,100	144,621	43.9	1.1
Deposits 1/	289,002	358,114	345,944	23.9	-3.4
In Soles	179,813	239,124	226,155	33.0	-5.4
Demand deposits	47,298	71,524	61,563	51.2	-13.9
Savings deposits	59,557	95,721	106,577	60.7	11.3
Terms deposits	72,959	71,879	58,015	-1.5	-19.3
Term deposits without counting					
Compensation for Time of Service (CTS)	55,080	54,405	48,735	-1.2	-10.4
CTS	17,880	17,475	9,280	-2.3	-46.9
In dollars (Million US\$)	30,163	32,870	33,091	9.0	0.7
Demand deposits	11,115	13,078	13,523	17.7	3.4
Savings deposits	9,229	10,799	12,073	17.0	11.8
Terms deposits	9,818	8,994	7,495	-8.4	-16.7
Term deposits without counting					
Compensation for Time of Service (CTS)	8,349	7,620	6,755	-8.7	-11.4
CTS	1,469	1,373	740	-6.5	-46.1
Liquidity 1/	348,182	436,426	436,224	25.3	-0.0
In soles	237,742	314,232	312,076	32.2	-0.7
In dollars (Million US\$)	30,508	33,755	34,295	10.6	1.6

1/ The balance in dollars is valued at the exchange rate of December 2020.
Source: BCRP.

Some important differences were observed by type of depositor. First, the largest decrease in deposits was made by companies, whose balances fell by 5.7 percent during the year, compared to a 1.4 percent reduction in the case of individuals and non-profit organizations. The second is that, in the corporate segment, the reduction in deposits was exclusively in domestic currency (-11.0 percent annual variation), which is why its dollarization ratio rose from 36.8 to 40.3 percent. In the segment of individuals and non-profit organizations, the reduction in deposits was in both currencies, although with greater magnitude in dollar deposits (-2.2 percent), and its dollarization ratio fell from 30.2 to 29.9 percent.

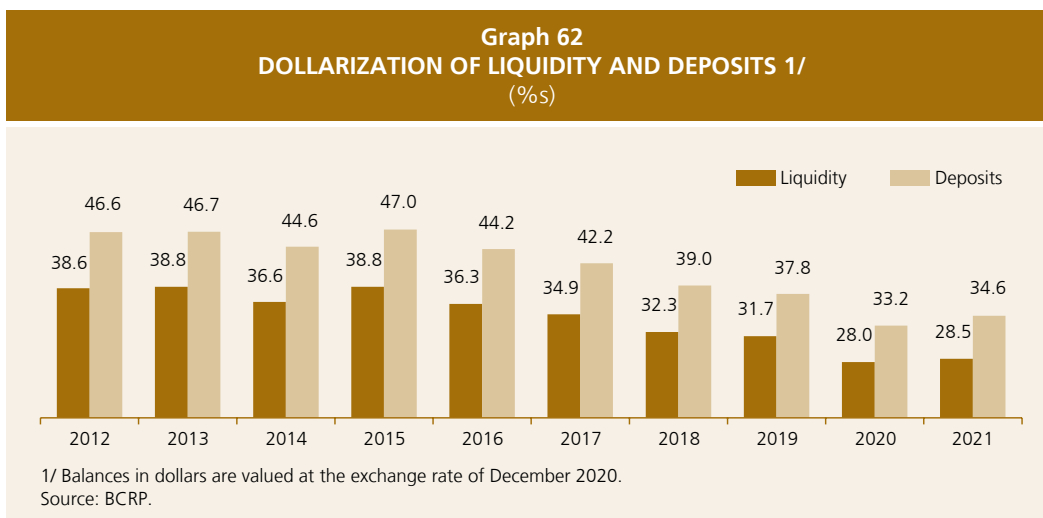
A third difference is that firms preferred to reduce their demand deposits (-8.0 percent) to a greater extent than other deposits. On the other hand, individuals and non-profit organizations preferred to reduce their term deposits (-14.9 percent excluding CTS) and CTS deposits (-46.7 percent), maintaining their savings deposits. The year-on-year decrease in CTS deposits responds to Emergency Decree N°038-2020, which came into effect in May, and which authorized workers to freely dispose of the funds of the intangible amount until December 31, 2021 as a temporary measure. Thus, as of December 2021, the impact of the measure resulted in withdrawals of S/. 12,194 million from CTS deposits as of May 2021.

Table 70
DEPOSITS BY TYPE OF DEPOSITOR 1/

	Balance in million soles			Growth rates (%)	
	2019	2020	2021	2020	2021
Individuals 2/	184,139	192,351	189,615	4.5	-1.4
In soles	125,173	134,313	132,877	7.3	-1.1
In dollars (Million US\$)	16,289	16,032	15,673	-1.6	-2.2
Legal entities	104,863	165,764	156,329	58.1	-5.7
In soles	54,640	104,811	93,277	91.8	-11.0
In dollars (Million US\$)	13,874	16,838	17,418	21.4	3.4
Total	289,002	358,114	345,944	23.9	-3.4
In soles	179,813	239,124	226,155	33.0	-5.4
In dollars (Million US\$)	30,163	32,870	33,091	9.0	0.7,

1/ The balance in dollars is valued at the constant exchange rate of December 2020.
2/ Includes non-profit legal persons.
Source: BCRP.

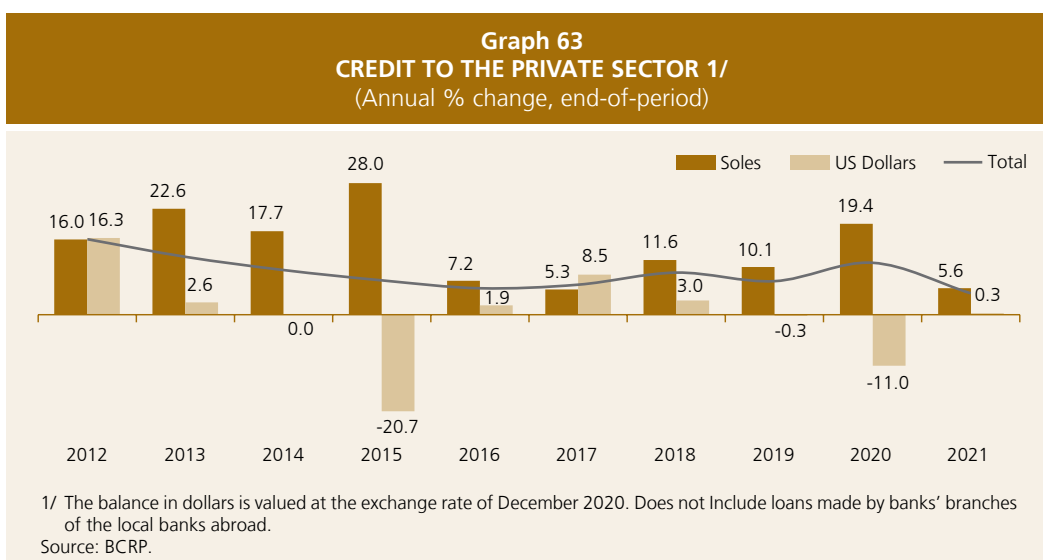
In the bottom line, the ratio of dollarization of liquidity rose by 0.5 percentage points year-on-year: from 28.0 percent in December 2020 to 28.5 percent in December 2021. Likewise, deposit dollarization rose from 33.2 percent to 34.6 percent in the same period.



3.3 Credit to the private sector

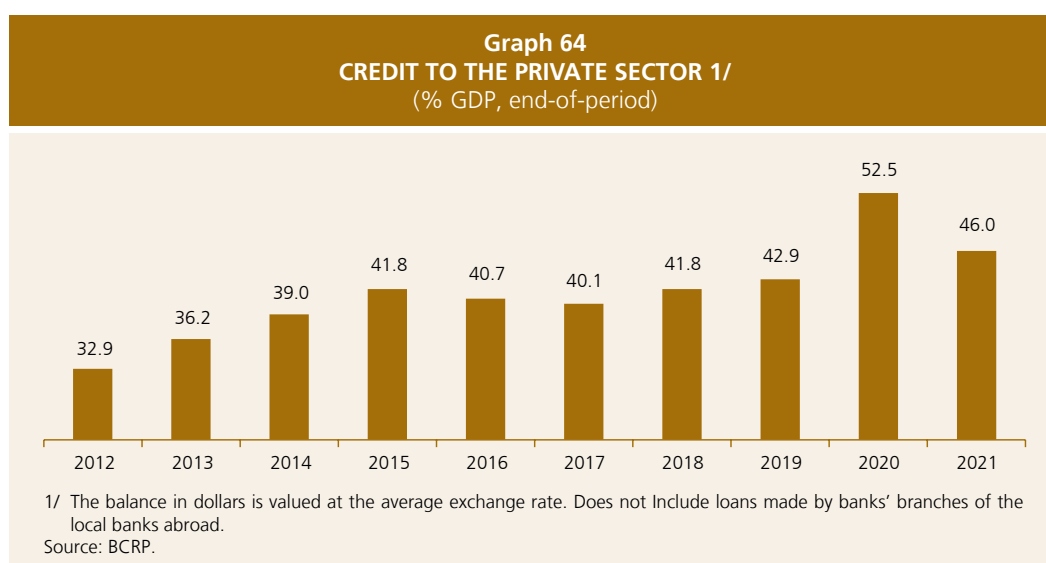
The year 2021 was marked by economic recovery, following the paralysis of most economic activities during 2020, due to the pandemic. Despite this, the credit growth rate fell from 11.0 percent in 2020 to 4.4 percent in 2021, which is explained by repayments and write-offs of business support loans, which were granted to mitigate the effects of the COVID-19 pandemic. As a percentage of GDP, the balance of credit to the private sector declined to 46.0 percent from 52.5 percent the previous year.

The lower credit dynamism was mainly in domestic currency because the business support loans granted in 2020 were also in domestic currency. Thus, the growth rate of credit in domestic currency moderated from 19.4 percent in 2020 to 5.6 percent in 2021, while in foreign currency it went from a fall of -11.0 percent in 2020 to an expansion of 0.3 percent in 2021 linked to the economic recovery during the latter year. As a result, the ratio of dollarization of credit fell from 22.0 to 21.1 percent.



It is worth mentioning that credit excluding the Reactiva Peru Program would register a growth rate of 9.4 percent in 2021 (-5.4 percent in 2020), which is explained by the amortizations and cancellations of loans under this program during the period. Likewise, credit to companies excluding the Reactiva Peru Program would register an expansion of 12.1 percent in 2021 (-7.0 percent in 2020).

By segment type, the growth of credit destined to companies from 20.3 percent in 2020 moderated to 3.9 percent in 2021. This was the result of credit support programs focused on this segment. Thus, credit growth to corporate and large companies increased from 6.8 percent in 2020 to 8.1 percent in 2021. Meanwhile, the growth rates of medium-sized and small and micro companies were 0.1 and 0.0 percent, respectively. In this regard, it is important to mention that the largest credit expansion during 2020 was registered in the latter two business segments.



In the case of household credit, the annual variation rate went from -3.1 percent in 2020 to an expansion of 5.4 percent in 2021, associated with the recovery of consumer credit and the greater expansion of mortgage credit. Thus, consumer credit went from falling 7.1 percent in 2020 to growing by 3.9 percent during 2021. Mortgage credit accelerated its growth rate from a 3.0 percent increase in 2020 to 7.4 percent in 2021.

Table 71
TOTAL CREDIT TO THE PRIVATE SECTOR 1/

	Balance in million soles			Growth rates (%)			
	2019	2020	2021	2020 (without Reactiva)	2020	2021 (without Reactiva)	2021
Businesses	205,904	247,674	257,388	-7.0	20.3	12.1	3.9
Corporate and large companies	111,702	119,338	128,993	-8.5	6.8	15.3	8.1
Medium-sized enterprises	46,726	69,398	69,475	-6.3	48.5	6.9	0.1
Small businesses and microbusinesses	47,475	58,938	58,920	-4.1	24.1	9.8	-
Individuals	134,348	130,143	137,107	-3.1	-3.1	5.4	5.4
Consumer	81,390	75,591	78,524	-7.1	-7.1	3.9	3.9
Car loans	2,389	2,334	2,511	-2.3	-2.3	7.6	7.6
Credit cards	27,158	21,648	12,726	-20.3	-20.3	-41.2	-41.2
Rest	51,843	51,609	63,287	-0.5	-0.5	22.6	22.6
Mortgage	52,958	54,552	58,584	3.0	3.0	7.4	7.4
TOTAL	340,251	377,817	394,496	-5.4	11.0	9.4	4.4

1/ The balance in dollars is valued at the exchange rate of December 2020. Does not include loans made by banks' branches of the local banks abroad.
Source: BCRP.

By currency, credit to the private sector in soles grew 5.6 percent during 2021. Credit in soles to the corporate sector grew 4.9 percent, with credit to the corporate and large and medium-sized companies being the most dynamic, expanding by 10.5 and 2.2 percent, respectively. Credit to smaller companies increased by 0.7 percent.

Household credit in domestic currency grew 6.7 percent, mainly associated with the recovery of consumer credit (from -6.5 to 4.0 percent), and the greater expansion of the mortgage segment, which registered an increase of 10.7 percent.

Table 72 CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY							
	Balance in million soles			Growth rates (%)			
	2019	2020	2021	2020 (without Reactiva)	2020	2021 (without Reactiva)	2021
Businesses	125,443	175,758	184,285	-4.6	40.1	18.3	4.9
Corporate and large companies	53,138	66,221	73,186	-7.5	24.6	26.3	10.5
Medium-sized enterprises	27,734	53,120	54,310	-0.8	91.5	15.1	2.2
Small businesses and microbusinesses	44,571	56,416	56,789	-3.5	26.6	11.3	0.7
Individuals	121,440	118,917	126,843	-2.1	-2.1	6.7	6.7
Consumer	76,101	71,180	74,016	-6.5	-6.5	4.0	4.0
Car loans	2,008	1,913	2,164	-4.7	-4.7	13.1	13.1
Credit cards	25,073	20,297	11,162	-19.1	-19.1	-45.0	-45.0
Rest	49,020	48,970	60,691	-0.1	-0.1	23.9	23.9
Mortgage	45,339	47,737	52,827	5.3	5.3	10.7	10.7
TOTAL	246,884	294,675	311,128	-3.4	19.4	12.5	5.6

Source: BCRP.

For its part, credit to the private sector in foreign currency grew 0.3 percent during 2021. By component, credit to companies grew 1.7 percent. Credit to the corporate and large company segment expanded 5.1 percent, while that to medium-sized companies and small and microenterprises decreased by 6.8 percent and 15.5 percent, respectively. Loans to individuals decreased 8.6 percent, which is explained by the greater contraction in mortgage loans (-15.5 percent).

Table 73 CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY 1/					
	Balances in million US dollars			Growth rates (%)	
	2019	2020	2021	2020	2021
Businesses	22,227	19,867	20,194	-10.6	1.7
Corporate and large companies	16,178	14,673	15,416	-9.3	5.1
Medium-sized enterprises	5,246	4,497	4,189	-14.3	-6.8
Small businesses and microbusinesses	802	697	589	-13.2	-15.5
Individuals	3,566	3,101	2,835	-13.0	-8.6
Consumer	1,461	1,219	1,245	-16.6	2.2
Car loans	105	116	96	10.5	-17.7
Credit cards	576	373	432	-35.2	15.7
Rest	780	729	717	-6.5	-1.6
Mortgage	2,104	1,882	1,590	-10.6	-15.5
TOTAL	25,792	22,968	23,030	-11.0	0.3

1/ Does not include loans made by banks' branches of the local banks abroad.
Source: BCRP.

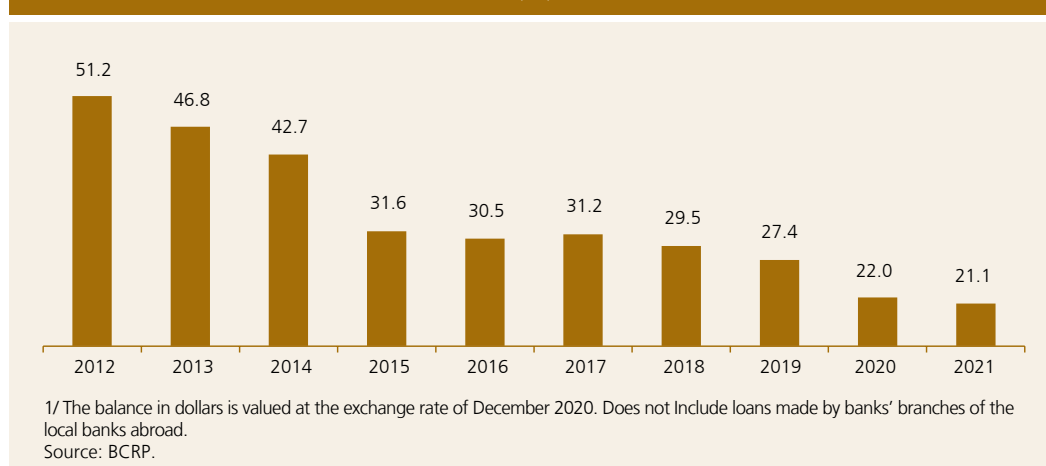
The ratio of dollarization of credit to companies, measured at constant exchange rates, stood at 28.4 percent in 2021, lower than the level observed in 2020 (29.0 percent). This reduction reflects the lower dollarization of credit to large companies and corporations, which fell from 44.5 to 43.3 percent, to medium-sized companies from 23.5 to 21.8 percent, and to small and micro companies from 4.3 to 3.6 percent. Likewise, the dollarization of credit to individuals fell from 8.6 to 7.5 percent. Within this group, dollarization remained relatively constant in the consumer loan segment, and continued to decline in the mortgage loan segment, whose percentage fell during the year from 12.5 to 9.8 percent.

Table 74
DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR 1/
(%)

	2019	2020	2021
Businesses	39.1	29.0	28.4
Corporate and large companies	52.4	44.5	43.3
Medium-sized enterprises	40.6	23.5	21.8
Small businesses and microbusinesses	6.1	4.3	3.6
Individuals	9.6	8.6	7.5
Consumer	6.5	5.8	5.7
Car loans	15.9	18.0	13.8
Credit cards	7.7	6.2	12.3
Rest	5.4	5.1	4.1
Mortgage	14.4	12.5	9.8
TOTAL	27.4	22.0	21.1

1/ The balance in dollars is valued at the exchange rate of December 2020. Does not include loans made by banks' branches of the local banks abroad.
Source: BCRP.

Graph 65
DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR 1/
(%)



3.4 Reprogrammed loans

One of the measures to mitigate the effect of the COVID-19 pandemic during 2020 was the rescheduling of loans. In this regard, the balance of rescheduled credits as of December

2021 continued to decrease relative to the close of 2020, and even relative to November 2021.

By segments, it is observed that the largest drop, with respect to 2020, was in consumer, MSE and mortgage loans. Meanwhile, with respect to November 2021, the largest declines were in consumer and medium-size company loans.

Table 75 BALANCE OF RESCHEDULED CREDITS 1/ (Million soles)										
	Balance in million soles								Flow	
	Dec.20	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Dec.21/ Dec.20	Dec.21/ Nov.21
Corporate and large companies	11,181	6,788	5,941	5,812	5,808	5,141	5,038	4,693	-6,489	-345
Medium-sized enterprise	16,178	9,569	9,129	8,752	8,303	8,228	7,791	6,470	-9,708	-1,321
Small businesses and microbusinesses	17,708	9,683	8,518	7,794	7,327	6,688	5,918	5,506	-12,202	-412
Consumer	23,573	11,009	8,778	7,704	6,830	6,336	5,277	4,167	-19,406	-1,110
Mortgage	17,555	11,084	9,418	9,043	8,673	8,206	8,071	7,638	-9,917	-433
Total	86,196	48,134	41,785	39,104	36,942	34,599	32,094	28,474	-57,722	-3,621

1/ Banking sector, Financial enterprises, Municipal saving banks and Rural saving banks are taken into consideration.
Note: Balances are valued at the current exchange rate.
Source: Financial statement.

Meanwhile, by type of financial institution, the largest declines were for banks and municipal savings banks, compared to 2020, and for banks and finance companies, compared to November 2021.

Table 76 BALANCE OF RESCHEDULED CREDITS (Million soles)										
	Million soles								Flow	
	Dec.20	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Dec.21/ Dec.20	Dec.21/ Nov.21
Banking sector	68,623	38,329	33,317	31,274	29,610	27,709	25,713	22,493	-46,130	-3,219
Municipal saving banks	10,426	6,389	5,807	5,501	5,252	5,021	4,715	4,574	-5,852	-141
Rural saving banks	1,184	480	472	393	362	342	325	310	-874	-15
Financial enterprises	5,963	2,936	2,188	1,936	1,718	1,528	1,342	1,097	-4,866	-245
Total	86,196	48,134	41,785	39,104	36,942	34,599	32,094	28,474	-57,722	-3,621

Note: Balances are valued at the current exchange rate.
Source: Financial statement.

4. Overall financing to the private sector

Overall financing to the private sector grew 3.4 percent in 2021, a lower rate than that registered in 2020 (8.1 percent). This concept includes, in addition to credit from deposit-creating companies, financing through other financial institutions such as mutual funds, insurance companies and private pension funds, as well as direct foreign loans to companies.

Table 77
FINANCING TO THE PRIVATE SECTOR 1/

	Balance in million soles			Growth rates (%)	
	2019	2020	2021	2020	2021
I. CREDIT OF DEPOSITORY CORPORATIONS	340,251	377,817	394,496	11.0	4.4
Domestic currency	246,884	294,675	311,128	19.4	5.6
Foreign currency (Million US\$)	25,792	22,968	23,030	-11.0	0.3
<i>Dolarization (%)</i>	<i>27.4</i>	<i>22.0</i>	<i>21.1</i>		
II. CREDIT OF OTHER FINANCIAL CORPORATIONS 2/	44,697	44,500	42,136	-0.4	-5.3
Domestic currency	27,218	27,000	26,594	-0.8	-1.5
Foreign currency (Million US\$)	4,829	4,834	4,294	0.1	-11.2
<i>Dolarization (%)</i>	<i>39.1</i>	<i>39.3</i>	<i>36.9</i>		
<i>Of which:</i>			-	-	
AFP's loans	20,922	18,458	17,230	-11.8	-6.7
Loans of mutual funds	2,526	3,710	2,434	46.9	-34.4
Loans of insurances	14,116	14,967	15,395	6.0	2.9
III. EXTERNAL PRIVATE INDEBTNESS (Million US\$)	94,897	96,459	99,758	1.6	3.4
Short-term (Million US\$)	3,661	4,591	4,510	25.4	-1.8
Medium- and long-term (Million US\$)	22,553	22,055	23,048	-2.2	4.5
IV. TOTAL	479,845	518,777	536,390	8.1	3.4
Domestic currency	274,101	321,675	337,721	17.4	5.0
Foreign currency (Million US\$)	56,835	54,448	54,881	-4.2	0.8
<i>Dolarization (%)</i>	<i>42.9</i>	<i>38.0</i>	<i>37.0</i>		

1/ The balance in dollars is valued at the exchange rate of December 2020.
2/ Includes loans and investment in fixed income from institutional investors.
Source: BCRP.

The largest component of this global financing was credit granted by deposit-creating corporations, whose balance was S/ 394,496 million in December 2021. The second largest component was direct financing obtained by non-financial companies from abroad, whose balance in December was US\$ 27 557 million (S/ 99 758 million at the 2020 exchange rate), equivalent to 18.6 percent of total extended financing.

The third component was the direct financing of companies through the domestic capital market (bond issues), which were mostly acquired by institutional investors such as AFP's, mutual funds and local insurance companies.

As can be seen, the first component showed positive growth, as did the second. However, financing through the capital markets declined with respect to the previous year.

5. Financial indicators

During 2021, the financial system recovered its profitability levels as a result of the sustained deceleration of provision expenses and the recovery of net interest income. Interest income increased as a result of the growth of all types of loans (corporate and household), as well as the higher percentage of clients who have been honoring their rescheduled debts.

The recovery in profitability was widespread. Banks reported higher profits in 2021, although at lower levels than those generated in the 2012-2019 period. Consumer and micro and small business

loans resumed their growth process in the second half of 2021, driven by a better evolution of economic activity in general and of the most labor-intensive sectors (including trade and services).

Table 78
FINANCIAL INDICATORS ON COMMERCIAL BANKS 1/
(%)

	2019	2020	2021	Average 2012-2021
Ratio global capital	14.6	15.5	14.9	14.6
Overdue loans / gross placements 2/	3.0	3.8	3.8	2.8
High risk portfolio / gross placements 3/	4.5	5.5	5.6	4.1
Allowance for loans / high-risk portfolio	103.0	122.3	103.8	115.6
Return on equity (ROE)	18.3	4.0	13.3	17.8
Return on assets (ROA)	2.2	0.4	1.4	1.9

1/ As of 2020, includes Bank of China

2/ Credits due and in judicial collection processes.

3/ The high-risk portfolio is equal to the non performing loans plus the refinanced and restructured portfolio.

Source: Superintendency of Banking, Insurance and AFPs (SBS).

Bank solvency, as measured by the overall capital ratio, remained at a higher level than registered in the pre-pandemic years. Banks continued to pursue capital strengthening measures, through profit capitalization, cash contributions, and subordinated bond issuance, to provide a solid foundation for sustaining loan growth in the coming years.

In 2021, non-performing loans indicators remained relatively stable, given that the decrease in non-performing loans to households was offset by the increase in non-performing loans to companies. During the year, a greater increase in non-performing loans to medium-sized companies was registered (the overdue portfolio ratio rose from 6.1 to 9.5 percent), especially those companies belonging to the rescheduled portfolio.

It should be noted that the bank reduced its exposure to clients with rescheduled loans. These loans went from representing 21.1 percent of placements in December 2020 to 6.5 percent in December 2021. This reduction occurred in all types of loans, due to the recovery of the payment capacity of clients who requested payment facilities during the social confinement.

Table 79
BANKS: DELINQUENCY RATES BY TYPE AND SIZE OF DEBTOR 1/
(%)

	2019	2020	2021	Average 2012-2021
Corporate loans	0.0	0.7	0.6	0.1
Loans to large companies	1.3	1.2	1.4	1.0
Loans to medium-sized companies	8.0	6.1	9.5	6.1
Loans to small companies	8.2	7.8	9.4	8.2
Loans to microbusinesses	3.4	3.6	4.4	3.4
Consumer loans	3.0	6.4	2.5	3.5
Mortgage loans	3.0	3.6	3.1	2.3
TOTAL	3.0	3.8	3.8	2.8

1/ As of 2020, includes Bank of China

Source: Superintendency of Banking, Insurance and AFPs (SBS).

The recovery in the profitability of non-banks has been more gradual than that of banks, due to the fact that their loan portfolios have greater exposure to debtors who are more vulnerable to the health crisis. Financial companies, municipal savings banks and EDPYMEs generated profits during the year, due to the recovery of their loans and lower provisioning expenses. On the other hand, rural savings banks reported higher losses, as a result of the grew operating expenses and provisioning expenses due to higher loan refinancing operations. While the rural savings banks' past-due portfolio ratio remained stable at 8 percent during 2021, the refinanced portfolio increased from 2.8 to 4.8 percent of loans.

Nonetheless, non-bank entities continued to take equity-strengthening measures, including the capitalization of profits, subordinated loans, and capital contributions made by their main shareholders.

Table 80				
FINANCIAL INDICATORS OF NON-BANK COMPANIES				
(%)				
	2019	2020	2021	Average 2012-2021
Overdue loans / gross placements 1/				
Financial Firms	4.6	10.8	5.4	5.8
Municipal savings banks	6.9	5.1	5.0	5.7
Rural savings banks 2/	7.5	8.0	8.0	7.4
Edpymes 3/	4.0	4.0	6.2	4.2
Provision for loans / high-risk portfolio 4/				
Financial Firms	116.4	125.8	112.3	119.6
Municipal savings banks	98.6	128.5	123.6	107.4
Rural savings banks 2/	100.3	157.8	78.7	91.8
Edpymes 3/	102.1	108.4	89.0	119.9
Ratio on equity (ROE)				
Financial Firms	19.4	-8.2	5.2	12.2
Municipal savings banks	12.2	2.1	3.1	11.1
Rural savings banks 2/	1.1	-9.7	-16.5	-3.4
Edpymes 3/	14.5	6.1	6.1	7.1
1/ Overdue loans and loans in judicial collection processes.				
2/ As of 2019, it includes CRAC Cencosud Scotia that previously operated as Banco Cencosud. CRAC Sipán is excluded in every year. The SBS authorized its voluntary dissolution in September 2021.				
3/ GMG and Progreso are excluded in every year. In May 2021, the SBS authorized the voluntary dissolution of GMG. Likewise, Edpyme Progreso ceased to be a supervised company as of August 2021. In 2021, Edpyme Total Financial Services is included.				
4/ The high-risk portfolio is equal to the non performing loans plus the refinanced and restructured portfolio.				
Source: Superintendency of Banking, Insurance and AFPs (SBS).				

6. Exchange rate

In 2021, the sol depreciated 10.3 percent in nominal terms (from S/ 3.62 to S/ 3.99 per dollar), which was associated with the increase in political uncertainty that affected economic agents' expectations, added to the effects of global factors. Emerging currencies were affected by the increase in inflation expectations at a global level; anticipation of an anticipated normalization of the Federal Reserve's monetary policy; and concerns regarding the advance of new variants of

COVID-19. The US dollar and the euro strengthened by 6.7 and 6.9 percent, respectively; while the yen weakened by 11.5 percent. The Peruvian PEN exchange rate reached a new maximum level on October 6 (S/ 4.138) since 2002, associated with higher local political risk. In terms of volatility, the sol registered since April 2021 one of the highest levels since the 2008 international financial crisis, which was mainly motivated by the uncertainty related to the electoral period. The increase in the price of the main commodities has mitigated, to a certain extent, the negative impact of the higher political risk in the region, and this has affected the region's currencies differently.

Table 81
EXCHANGE RATE* AND PRICE OF COMMODITIES 1/

		Dec.18	Dec.19	Dec.20	Dec.21	% change Dec.21 respect to:		
						Dec.20	Dec.19	Dec.18
Dollar Index	C.U. per US\$	96	96	90	96	6.7	-0.4	-0.2
Eurozone	Euro*	1.144	1.121	1.221	1.137	-6.9	1.4	-0.6
Japan	Yen	109.9	108.6	103.2	115.1	11.5	6.0	4.7
Brazil	Real	3.88	4.02	5.19	5.57	7.3	38.6	43.5
Chile	Peso	693	752	710	851	19.9	13.3	22.8
Colombia	Peso	3,245	3,285	3,415	4,065	19.1	23.7	25.3
Mexico	Peso	19.65	18.93	19.87	20.49	3.1	8.3	4.2
Peru	Sol	3.38	3.32	3.62	3.99	10.2	20.4	18.2
Copper	cUS\$/pound	263	280	352	446	26.8	59.6	69.7
Gold	US\$/troy ounce	1,282	1,517	1,898	1,829	-3.6	20.6	42.6
Oil	US\$/barrel	45.4	61.1	48.5	75.2	55.0	23.2	65.6

1/ End of period.

* In all cases, a positive percentage change implies appreciation of the dollar, except for the euro.

Source: Reuters.

Flows in the foreign exchange market in 2021 were a net demand for dollars of US\$ 17,168 million, while the BCRP presented a net supply of dollars of US\$ 17,506 million, mainly through sales at the trading desk (US\$ 11,626 million). This net demand for dollars is broken down into: (i) net demand in the derivatives market for US\$ 10,276 million, coming from AFP's and non-resident investors, and (ii) net demand for dollars in the *spot market* for US\$ 6,892 million, mainly from retail companies and the non-financial sector. The AFP's net settled foreign securities for a total of US\$ 9,536 million to pay members for the new exceptional withdrawals associated with Law No. 31192.

Non-resident investors in 2021 reacted to the amid a context with increased risk in the country by reducing their investments in local government bonds (US\$ 1,808 million) and demanding dollars in the *spot market* for US\$ 1,665 million. On the other hand, in the derivatives market, foreign investors were net demanders for a total of US\$ 2,102 million.

The BCRP's total intervention in 2021 is broken down as follows: (i) net dollar sales for US\$ 11,626 million, mainly in the third quarter of the year and (ii) placement of derivative instruments

for a total amount of US\$ 24,015 million, US\$ 18,072 million of foreign exchange *swaps* and US\$ 5,493 million of CDR BCRP. During the year, US\$ 10,760 million of FX swaps-sale and US\$ 7,375 million of CDR BCRP matured. As of December 31, the balance of FX swaps-sale and CDR BCRP stood at S/ 39 127 million (4.5 percent of GDP). The number of intervention days in 2021 was the highest since 2015. In the case of *spot market* intervention, 56 percent per year represents the highest percentage since 2012, while 73 percent through derivative instruments is the highest since 2015.

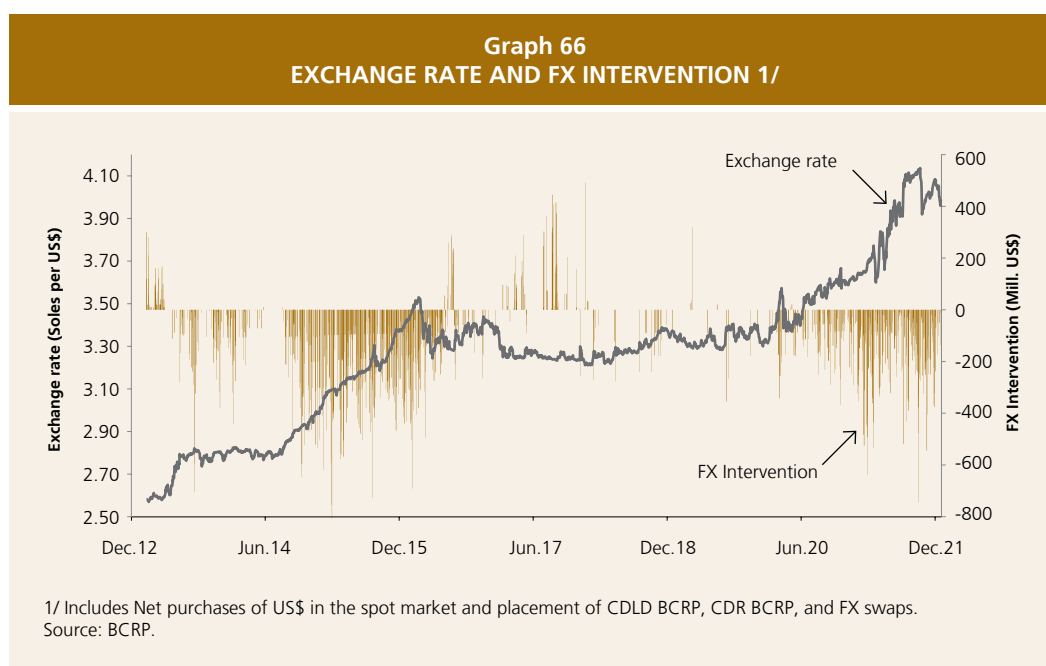


Table 82
FOREIGN EXCHANGE INTERVENTION

	Trading days	Number of intervention days				% of days with intervention		SD of the Exchange rate (Annual % chg.)
		Spot Market	Placements of derivatives and indexed instruments	Total (spot and/or placement)		Spot	Instruments	
2018	245	4	27	30	2%	11%	3.4%	
2019	249	4	6	10	2%	2%	4.4%	
2020	254	13	97	100	5%	38%	7.4%	
2021	251	141	183	206	56%	73%	9.4%	

Source: BCRP.

7. Financial savings and capital markets

Financial savings include the total assets of firms and households in the financial system, in the form of savings deposits, term deposits, securities, mutual fund shares, life insurance and contributions to private pension funds. During 2021, the balance of this aggregate declined 10.4 percent (there was a growth rate of 8.7 percent in 2020).

Table 83
FINANCIAL SAVINGS COMPONENTS 1/

	Balance in million soles			Growth rates (%)	
	2019	2020	2021	2020	2021
Saving Deposits	92,967	134,813	150,279	45.0	11.5
Term Deposits	108,501	104,436	85,147	-3.7	-18.5
Mutual Fund Fees	35,764	43,740	28,251	22.3	-35.4
Direct Securities holdings	4,918	4,452	4,999	-9.5	12.3
Participation in Insurance Life Reserves	8,805	10,538	12,254	19.7	16.3
Participation in Private Pension Funds	173,328	163,329	131,918	-5.8	-19.2
Rest 1/	2,965	2,903	3,094	-2.1	6.6
TOTAL	427,248	464,211	415,943	8.7	-10.4

1/ Includes technical reserves for insurance, securities and other obligations with the private sector.

By currency, it is clear that the largest reduction occurred in financial savings held in soles (-11.5 percent). The components that decreased the most were holdings in private pension funds (19.2 percent), mutual funds (35.4 percent) and term deposits (18.5 percent). Savings deposits, on the other hand, grew 11.5 percent.

Table 84
FINANCIAL SAVINGS
(Balances at the end of period)

	Domestic currency (Mill. S/)	Foreign currency (Mill. US\$)	Total 1/ (Mill. S/)
2012	171,331	17,631	235,154
2013	184,630	18,849	252,864
2014	206,279	18,962	274,922
2015	217,189	22,255	297,753
2016	242,734	22,114	322,785
2017	278,771	24,556	367,663
2018	289,978	24,278	377,865
2019	328,703	27,222	427,248
2020	357,983	29,345	464,211
2021	316,705	27,414	415,943
Growth rates			
2020	8.9	7.8	8.7
2021	-11.5	-6.6	-10.4

1/ Balances in dollars are valued at the exchange rate of December 2020.
Source: BCRP.

7.1 Primary fixed-income market

At the end of 2021, the outstanding balance of fixed-income securities issued through public offerings in the local market was S/ 24,754 million, which represents a 5.6 percent decrease compared to the balance at the end of 2020 (S/ 26,228 million). These figures include both bonds and short-term instruments placed by non-government issuers through public offerings and exclude Sovereign Bonds regularly issued by the Public Treasury.

The flow of this type of securities placed during the year was S/ 2,074 million, which is higher than the figure registered the previous year (S/ 1,745 million in 2020) but well below the amounts registered in years prior to the COVID-19 pandemic (S/ 5,971 million per year average between 2016 and 2019). Additionally, placements by Peruvian companies were registered in the international market for a total amount equivalent to S/ 11,878 million (US\$ 3,104 million). This amount is, however, lower than that observed in 2020 (US\$ 3,757 million). Among the placements made abroad by Peruvian companies, we include Petroperu (US\$ 1 billion), Volcan (US\$ 475 million), Buenaventura (US\$ 550 million), Minsur (US\$ 500 million) and Banco de Credito (US\$ 500 million). These figures do not include issues made by the Peruvian government in the international market.

Table 85
FIXED-INCOME SECURITIES ISSUED BY PRIVATE COMPANIES 1

	Amounts			Growth rates (%)	
	2019	2020	2021	2020	2021
Balances at the end of period (Million soles)	29,157	26,228	24,754	-10.0	-5.6
Non-financial sector	16,264	15,476	14,537	-4.8	-6.1
Financial sector 2/	12,892	10,752	10,217	-16.6	-5.0
Composition by currency (%)	100.0	100.0	100.0		
Soles	85.7	85.0	85.4		
Fixed rate	81.2	79.6	81.2		
VAC	4.4	5.4	4.2		
US Dollars	14.3	15.0	14.6		
Balance as % GDP	3.8	3.6	2.8		

1/ Balances in dollars are valued at the exchange rate of December 2020.
2/ Securities issued or originated by a financial organization, including Banco de la Nación, COFIDE, and MiVivienda.
Source: BCRP and Superintendency of the Securities Market (SMV).

By type of issuer, non-financial private companies placed public offerings for the equivalent of S/ 386 million (S/ 454 million in 2020). With this, the balance of securities of these companies decreased 6.1 percent compared to the previous year, ending at S/ 14,537 million. For its part, financial system companies placed securities for an amount of S/. 1,688 million (in 2020 securities were placed for S/. 1,292 million) ending with a balance of outstanding securities of S/. 10,217 million. In the month of March, the largest individual issuance was made by the financial institution Mibanco for S/ 155 million, followed closely by COFIDE with an issuance of S/ 143.9 million in January.

By currency, bonds in soles accounted for 85.4 percent of the outstanding balance (85.0 percent at the end of 2020) and those issued in dollars 14.6 percent (15.0 percent in 2020). Fixed-rate soles bonds accounted for 81.2 percent of the balance (79.6 percent in 2020), while inflation-indexed bonds (VAC bonds) accounted for 4.2 percent (5.4 percent in 2020).

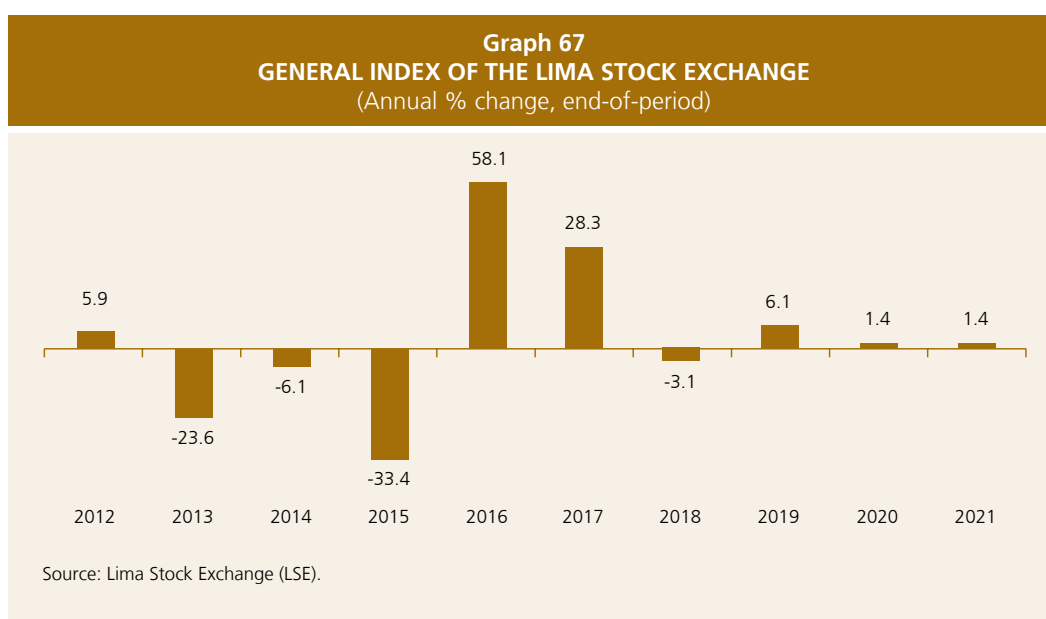
The average term of the flow of placements, weighted by the amount placed, was 2.8 years for soles and 2.2 years for dollars. The longest placement term during the year was 16 years, which corresponded to an issuance of S/ 61 million. In the case of dollars, the longest placement was 8 years for US\$ 2 million.

7.2 Stock market

During the year, the Lima Stock Exchange (BVL) had positive results. The market's main index, the SP/ BVL PERU GENERAL or general index, had an annual return of 1.4 percent, the same as in the previous

year. The selective SP/BVL LIMA 25 index registered a 20.1 percent annual gain after suffering a 2.2 percent loss in 2020. Finally, the SP/BVL PERU SELECT index had an annual gain of 2.2 percent (3.8 percent in 2020). At the same time, the BVL saw an increase in equity trading volumes compared to the previous year, but a decrease in bond trading volumes.

The stock market began the year in a recovery process after the stagnation registered in 2020 due to the effects of COVID-19. However, from March onwards, the stock market suffered the consequences of political uncertainty, derived from the general elections that were to take place in April. This environment of political noise, which took place between March and July, produced accumulated losses in the general index of 21.6 percent. From September onwards, the market began to recover confidence, and in October registered an extraordinary gain of 13.5 percent. In the end, the annual balance measured through the general index was slightly positive.



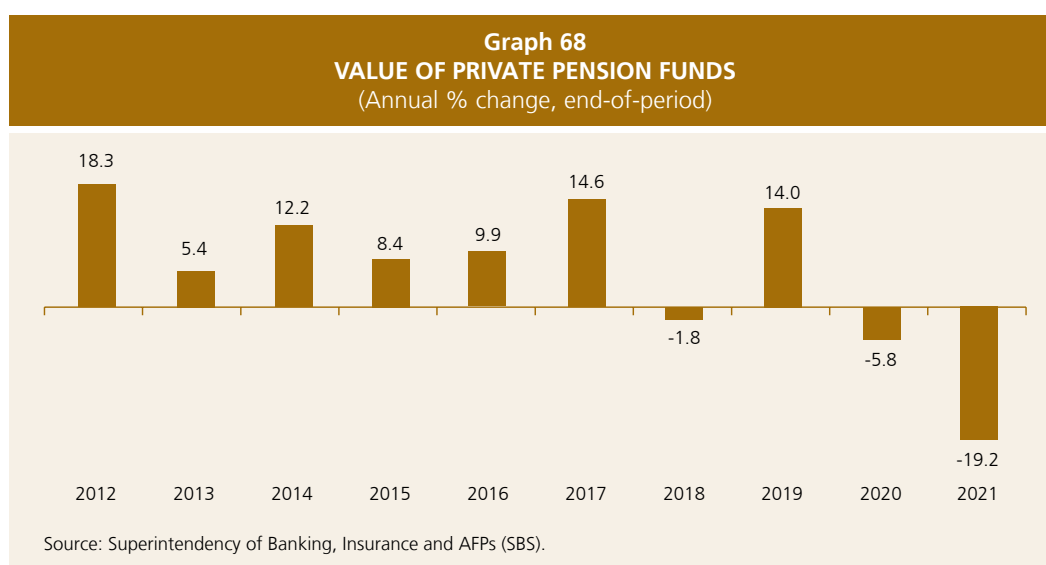
At the sector level, there were significant differences among the various indexes. The industrial and construction stock indexes had positive annual returns of 35.4 and 35.5 percent, respectively. In contrast, the financial, services and electricity sector stock indexes registered negative returns. The largest loss was posted by the banking and financial sector index with an annual change of -12.4 percent. The services index had a loss of 10.7 percent, as did the electricity sector index. The mining index, on the other hand, had an annual gain of 5.6 percent.

The total volume traded in shares grew 26.9 percent compared to 2020, totaling S/. 16,561 million over the year. Bond trading, on the other hand, fell by 25.6 percent to S/ 4,035 million per year. Market capitalization at the end of the year was S/. 591,734 million, 1.2 percent lower than the amount registered at the end of 2020 (S/. 599,007 million).

The amount of dematerialized shares (those registered electronically in CAVALI) totaled S/ 192,215 million at the end of 2021, equivalent to 32.5 percent of the market capitalization value (34.3 percent in 2020). The share of non-resident investors in total dematerialized shares increased from 33.2 percent in June 2020 (the latest available data for that year) to 35.0 percent in December 2021.

7.3 Private pension system

The value of private pension fund assets decreased 19.2 percent during 2021 and reached a value equal to S/ 131,918 million in December, which represented 15.1 percent of GDP. The number of members of the system increased 6.1 percent and reached 8.3 million people. However, the percentage of contributors, in relation to the total number of affiliates, recovered from 39.1 percent in December 2020 to 42.0 percent in December 2021 (latest available data); which represents a return to the pre-pandemic situation (the ratio of contributing affiliates was 44 percent in December 2019).



The real return of the private pension funds was positive at 0.1 percent per year (for the type 2 fund), after registering a much higher figure in 2020 (8.4 percent).

During the pandemic, five extraordinary withdrawal programs from the Individual Capitalization Accounts (IRAs) were approved for a total of S/ 65.9 billion (7.5 percent of the 2021 GDP), which added to the S/ 40.6 billion withdrawn before the pandemic, accumulate S/106.5 billion (12.2 percent of the 2021 GDP) of withdrawals. Likewise, to finance the withdrawals, net dollar sales were made (in the periods April - July 2020, and between December 2020 and April 2021) in the *spot market* for S/ 18.8 billion for the first and second withdrawals (May and December 2020), and S/ 16.0 billion for the third withdrawal (in the period June-August 2021); Securities settlement for S/ 19.3 billion for the first and second drawdown, and S/ 12.9 billion for the third drawdown; and repo transactions were carried out with pension funds for S/ 6.1 billion for the first and second drawdown and S/ 6.2 billion for the third drawdown.

In terms of authorized withdrawal amounts, Emergency Decrees N° 34-2020 and N° 38-2020 allowed withdrawals of up to S/ 2,000 from the Individual Capitalization Account (CIC); Law N° 31017 authorized withdrawals of up to 25% of the CIC with a minimum withdrawal of one UIT and a maximum of 3 UIT; Law No. 31068 established access to up to 4 UIT from the CIC; and Law No. 31192 up to 4 UIT from the CIC so that members may withdraw resources from their pension funds by complying with the requirements established in the aforementioned regulations.

It should be noted that the financial impact of these withdrawals is significant and persistent. In the first place, pension funds should be conceived as a long-term savings fund and not to face liquidity

problems, since this would distort their purpose. The purposes of the Pension System are to protect the older population from the risk of poverty and to allow citizens to save for their retirement, taking into account that individuals tend to underestimate the risk of old age, which is why they do not save enough throughout their lives to be able to finance their retirement.

In addition to this, Peru is undergoing an aging demographic process, since between 2020 and 2050 the percentage of the population of retirement age will double (from 9 percent to 18 percent), from 2.9 million to 7.2 million Peruvians of retirement age. Therefore, the dependency ratio will rise in the coming decades, which implies the need to generate savings to transition to this new reality, while withdrawals are detrimental to this premise. Furthermore, given that pension funds are an important participant in local financial markets, mainly bond and foreign exchange markets, in which they play a stabilizing role under normal conditions, the approval of withdrawals has also generated greater volatility in the short term, mainly in the yield of sovereign bonds, given the greater uncertainty.

The percentage of investments made abroad decreased from 49.7 percent to 43.4 percent during the year 2021, widening the gap that separates it from the maximum authorized limit of 50 percent. Among domestic investments, there was a recomposition of the portfolio of instruments, with deposits and fixed-income securities losing relative participation and equity securities increasing their relative participation. The percentage represented by deposits fell from 4.6 to 3.7 percent of the total while, simultaneously, the percentage represented by equities rose from 17.9 to 24.4 percent. The deposits that actually lost share were deposits denominated in soles, which went from representing 4.4 percent of the portfolio in 2020 to 3.3 percent in 2021. Dollar deposits increased their share from 0.2 to 0.5 percent.

Table 86
COMPOSITION OF THE PRIVATE PENSION SYSTEM PORTFOLIO
(% structural)

	2019	2020	2021
I. DOMESTIC INVESTMENTS	54.5	50.6	56.1
Deposits	2.2	4.6	3.7
In soles	1.6	4.4	3.3
In dollars	0.6	0.2	0.5
Bonds and fixed income	35.4	28.1	27.9
Central Bank securities	-	0.1	-
Sovereign bonds	23.1	16.9	15.6
Values issued by the private sector	12.3	11.1	12.3
Stocks and variable income	16.9	17.9	24.4
Shares	11.5	12.5	17.8
Investment funds	5.4	5.3	6.6
II. FOREIGN INVESTMENTS	44.9	49.7	43.4
III. OPERATIONS IN TRANSIT	0.6	-0.2	0.6
IV. TOTAL	100.0	100.0	100.0
Million soles	173,328	163,329	131,918
As % GDP	22.4	22.7	15.1

Note: Balances are valued at the current exchange rate.
Source: Superintendency of Banking, Insurance and AFPs (SBS).

By fund type, the type 2 or mixed fund (which has a maximum of 45 percent in equities) accounted for 69.5 percent of the total value of the funds and had a real return of 0.1 percent per year. Fund type 3 (capital appreciation fund, which has a maximum of 80 percent in equities) accounted for 12.6 percent and had a real return of 12.8 percent per year. Fund type 1 (capital preservation fund with a maximum of 10 percent in equities) accounted for 14.3 percent and had a negative real return of 9.2 percent. For its part, the type 0 fund, which invests only in fixed income, had a 3.6 percent share and its real return was negative 5.3 percent.

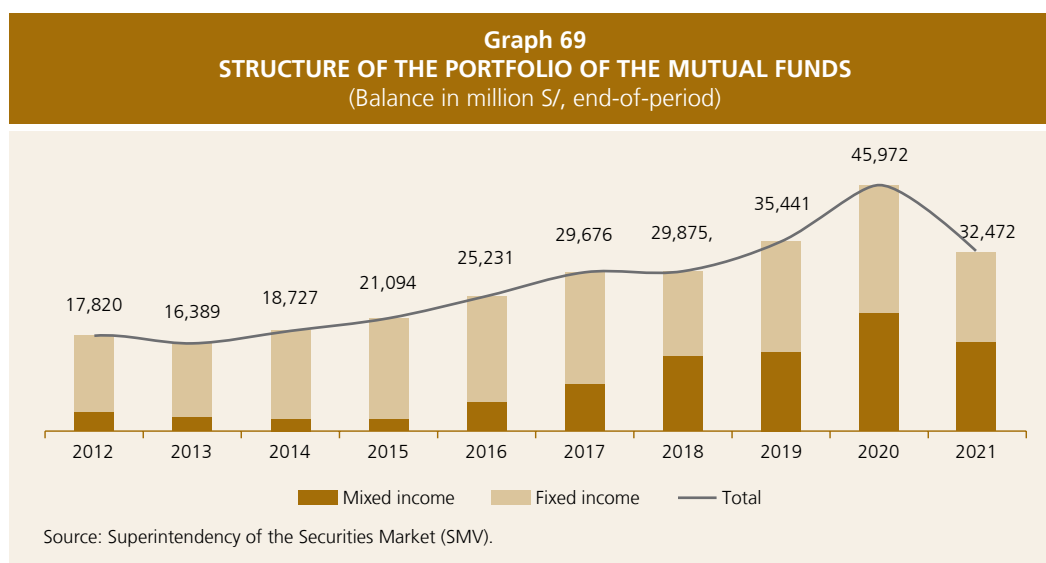
It should be noted that the uncertainty and increased demand for liquidity due to the pandemic caused many affiliates to transfer their funds to the type 0 fund. As a result, balances held in Fund 1 decreased by S/ 5,194 million, balances in Fund 2 decreased by S/ 26,286 million, and balances in Fund 3 decreased by S/ 617 million. In contrast, the funds held in fund type 0 increased by S/ 687 million.

The balance of voluntary contributions amounted to S/ 2,721 million (S/ 2,670 million in 2020), which represents 2.1 percent of the total accumulated funds (1.6 percent in 2020). Most of these contributions were for non-pension purposes (S/ 2,509 million). It should be noted that contrary to what has happened with the mandatory funds, the balances of voluntary contributions have increased in 2021.

7.4 Mutual investment funds

The combined assets of mutual funds decreased by 29.4 percent with respect to the previous year, ending with a balance of S/ 32,472 million (3.7 percent of GDP) at the end of 2021. The number of unitholders decreased 16.0 percent to close at 367 thousand people at the end of the year (437 thousand in 2020). The number of operating mutual funds rose from 162 to a final number of 184 in December 2021, of which 132 were foreign currency mutual funds and 52 domestic currency mutual funds.

In terms of assets under management, by currency, the share of mutual funds in soles decreased from 40.9 percent to 34.6 percent, while the percentage share of mutual funds in dollars grew from 59.1 percent to 65.4 percent.



In contrast with pension funds, the share of foreign investments of mutual funds rose from 42.2 percent to 48.4 percent over 2021. Among domestic investments, the share of deposits decreased (from 36.3 to 33.8 percent), and of bonds and fixed income instruments (from 13.9 to 11.1 percent), which includes both bonds of private issuers and BCRP securities. Investment in domestic equities decreased from 3.6 to 3.3 percent.

Table 87
COMPOSITION OF MUTUAL FUNDS' INVESTMENT
(% structural)

	2019	2020	2021
I. DOMESTIC INVESTMENTS	56.2	57.8	51.6
<u>Deposits</u>	<u>40.8</u>	<u>36.3</u>	<u>33.8</u>
In soles	24.1	20.9	18.0
In dollars	16.7	15.4	15.8
<u>Bonds and fixed income</u>	<u>8.7</u>	<u>13.9</u>	<u>11.1</u>
Central Bank securities	0.1	2.6	0.4
Sovereign bonds	0.7	0.8	0.3
Values issued by the private sector	8.0	10.4	10.4
<u>Stocks and variable income</u>	<u>3.4</u>	<u>3.6</u>	<u>3.3</u>
<u>Others</u>	<u>3.3</u>	<u>4.1</u>	<u>3.4</u>
II. FOREIGN INVESTMENTS	43.8	42.2	48.4
III. TOTAL	100	100	100
Million soles	35,441	45,972	32,472
As % GDP	4.6	6.4	3.7

Source: Superintendency of the Securities Market (SMV).

7.5 Payment Systems

High and Low Value Payments

During 2021, the trend of greater use of digital payments and channels by the population was consolidated. The growth of digital payments accelerated, driven by innovations in the retail payments market, in a context of recovery of economic activity (less mobility restrictions); as well as by the greater security and efficiency with which the Payment Systems operate, promoted by the regulation and supervision of the BCRP.

The dynamism of retail payments was associated with the greater acceptance and use of digital wallets (mainly intrabank transfers) and the 24x7 Immediate Transfers of the Electronic Clearing House (Cámara de Compensación Electrónica-CCE) (interbank transfers). These innovations offer a better service to the end user in terms of efficiency (speed of payment), customer service (non-face-to-face channel), as well as greater service availability (24 hours a day, 7 days a week). These developments are observed in a context of increased penetration of mobile telephony (*smartphones*) and internet in the country¹⁰.

¹⁰ According to INEI, Internet access of the population aged 6 and over increased from 70.4 to 76.0 percent between 3Q 2020 and 3Q 2021. According to Osiptel, the amount of mobile data used in 2021 is 37.4 percent higher than that registered in 2020.



Table 88
HIGH AND LOW VALUE PAYMENTS
 (Monthly average, value in millions of soles and number in thousands)

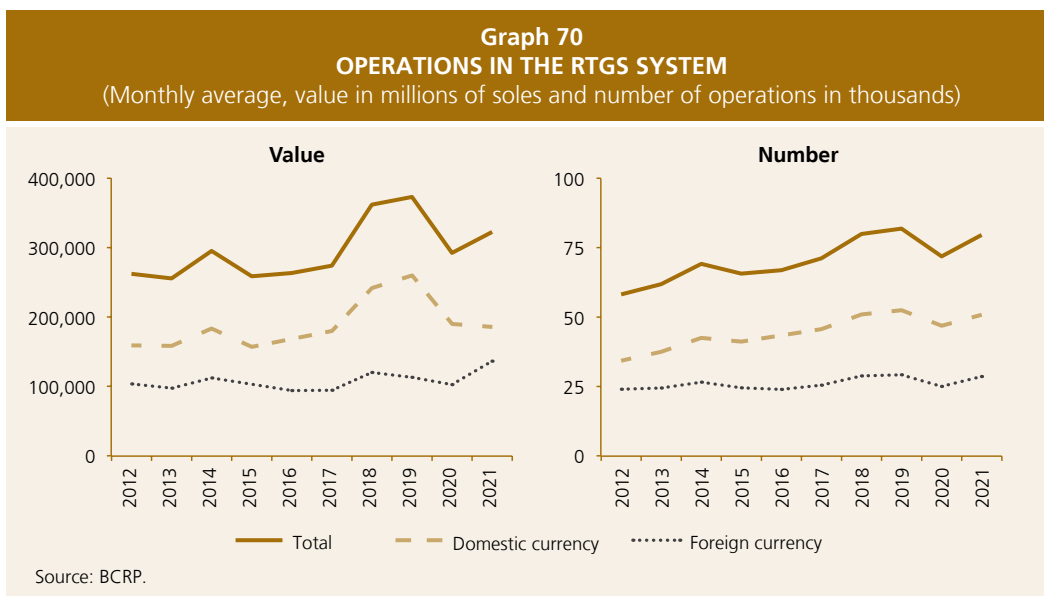
	2019		2020		2021		% chg.,2021-2020	
	Value	Number	Value	Number	Value	Number	Value	Number
High value	373,434	82	292,051	72	322,376	80	10%	11%
A. RTGS System	373,434	82	292,051	72	322,376	80	10%	11%
- Customers	159,086	56	143,613	52	189,939	61	32%	18%
- Proprietary	214,348	26	148,438	20	132,437	18	-11%	-8%
Low value	183,021	85,215	211,026	102,776	275,907	181,335	31%	76%
A. Intrabank transfers	149,957	31,986	181,557	53,195	234,211	94,865	29%	78%
- Via digital wallets	75	1,402	616	8,828	2,190	33,033	255%	274%
- Via other channels	149,883	30,584	180,941	44,367	232,021	61,831	28%	39%
B. Interbank transfers	-	-	151	1,707	900	12,218	498%	616%
- Via digital wallets	-	-	151	1,707	900	12,218	498%	616%
C. Payment cards	7,345	45,046	6,046	37,842	9,148	60,618	51%	60%
- Debit cards	2,181	26,360	2,491	25,624	4,363	43,845	75%	71%
- Credit cards	5,164	18,685	3,555	12,217	4,786	16,773	35%	37%
D. CCE system	25,059	3,220	22,652	5,192	30,893	8,788	36%	69%
- Transfers of credit	14,400	2,489	15,654	3,963	19,843	3,565	27%	-10%
- Immediate transfers	773	421	1,446	1,080	5,157	5,097	257%	372%
- Checks	9,886	310	5,552	150	5,894	127	6%	-15%
E. Automatic debits	584	4,386	547	4,191	643	4,102	18%	-2%
F. Bim (Payments and transfers)	75	577	74	649	111	743	51%	15%

Source: BCRP.

The increased use of digital payments, in particular retail or low-value payments, reflects the consolidation of innovations that have been accompanied by the BCRP; as well as the entry of new players such as *Fintech*, which have introduced innovative models to the market (virtual card wallets, QR payments, contactless payments, payment *links*, etc.) in association, in many cases, with Financial System entities at relatively lower costs than those existing in the market (zero commissions for merchants, for example). This has been generating competition in the payment market. It is worth mentioning that retail transactions are mainly carried out in domestic currency.

It should be mentioned that the RTGS system is the main payment system in Peru, since it channels the transfer of high value funds between the Financial System Companies (FSCs), either for their own operations or those of their clients and represents 89 percent of the total value transferred in the payment systems. In addition, this system settles the operations of the CCE and the Multibank Securities Settlement System, as well as those of the Electronic Money Payment Agreement (APDE). Finally, the RTGS system settles monetary policy operations carried out by the Central Bank with the SFTs.

During 2021, the value of funds transfers in the RTGS System grew by 10.4 percent, due to the increase in operations by SFT customers (32.3 percent). It should be noted that this evolution is mainly associated with the growth in the value of transfers in foreign currency (33.7 percent), given that the value of transfers in domestic currency fell by 2.2 percent. As a result, the share of domestic currency fell from 65 to 58 percent between 2020 and 2021.



Among the main low-value digital payments are Intrabank Transfers (between clients of the same ESF), payments made with cards, Transfers via the Electronic Clearing House (ECC), payments with electronic money (Electronic Money Payment Agreement Bim), etc. The increased use of wallets for intrabank and interbank transfers (between different ESFs) should be highlighted.

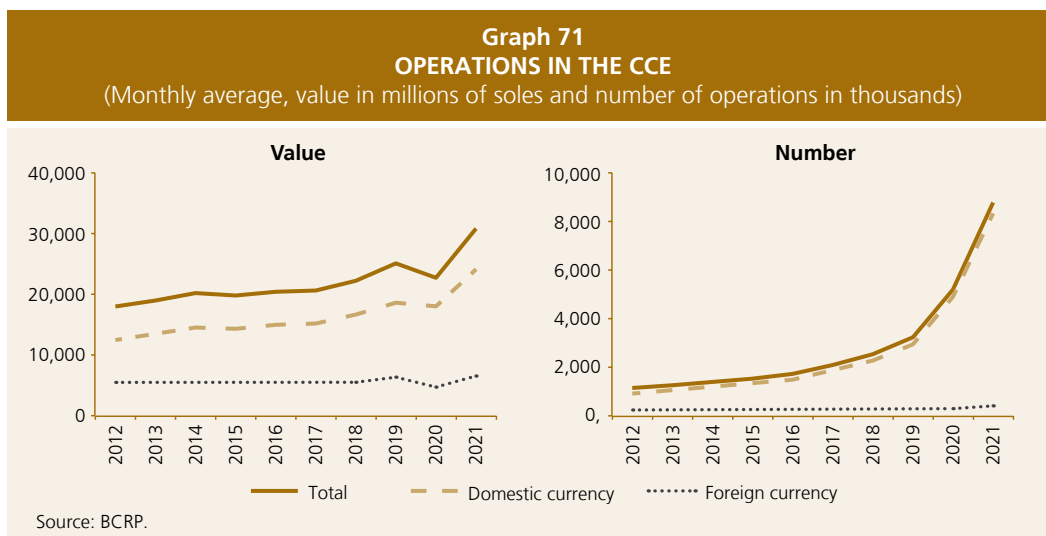
During 2021, following the resumption of activities and the relaxation of mobility restrictions, people made more intensive use of transfers and card payments (especially debit cards), registering a high growth rate of growth. In this regard, electronic wallets have continued to gain acceptance and are increasingly used by the public due to their convenience and availability.

Another aspect to highlight is the high growth of the non-face-to-face channel for making payments across all retail digital payment instruments. On average, during 2021, the non-face-to-face channel grew 30 percent in value and 86 percent in number of payments, reflecting a shift in consumer behavior toward making payments using Internet banking or mobile banking.

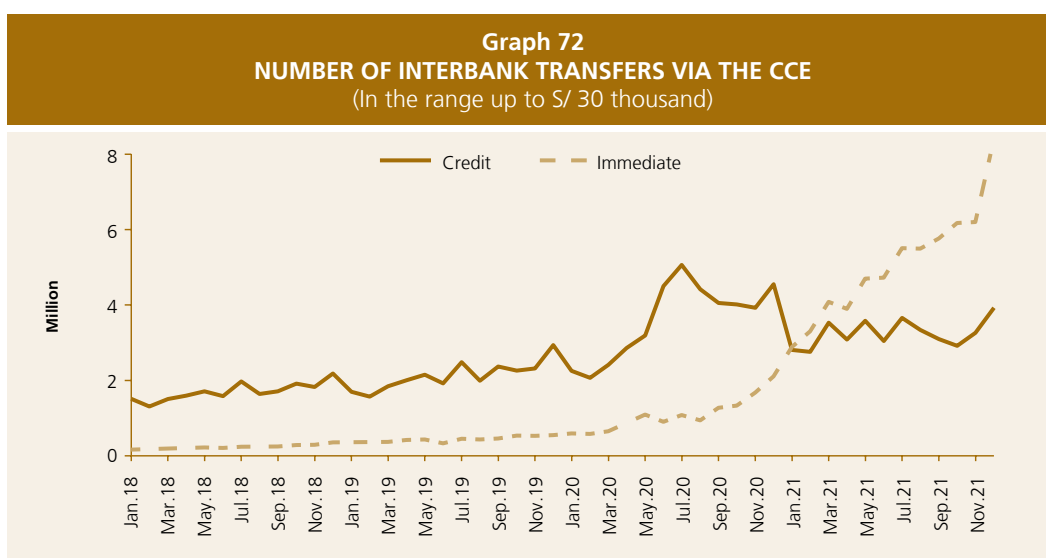
During 2021, the evolution of payment cards became more dynamic, after the drop in transactions in 2020, surpassing the number of transactions carried out prior to the pandemic. The recovery of credit card transactions was slower, as the impact of credit line cancellations still persists, following the high non-performing loans observed during 2020.

In the case of Bim, although the number of operations grew, its levels are still low. Barriers to its development are the lack of access points for cash-in, cash-out and payments, the cost of the trust, the limits on the amount of operations, among others.

For its part, the CCE manages the clearing services for Checks, Credit Transfers and Immediate Transfers between the clients of the different ESFs. During the year 2021, the exponential growth in the number of Immediate Transfers stands out, due to the increasing acceptance and use by the public, which has valued the availability of the service 24 hours a day, 7 days a week and, in some cases, its free availability through digital channels (internet banking). Thus, Immediate Transfers have come to represent 58 percent of the number of transactions in the ECC (20.8 percent in 2020).



It should be noted that, after the launch of 24x7 Immediate Transfers in December 2020, there has been a partial substitution in the use of Credit Transfers for Immediate Transfers in the range up to S/ 30 thousand; thus between December 2020 and December 2021, Credit Transfers in the indicated range dropped 14 percent, higher than the drop in the average of this type of transfers. The following graph shows the comparative evolution of Credit Transfers (up to the range of S/. 30 thousand) and Immediate Transfers. A lower dynamism is observed in the former after the launching of Immediate Transfers in December 2020.



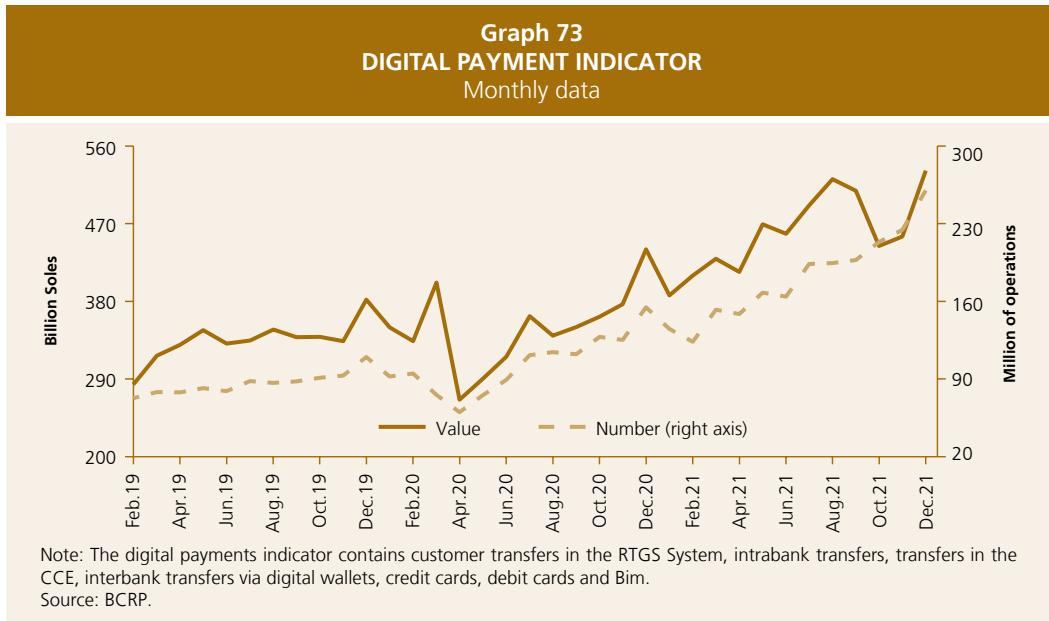
In the case of Check, the downward trend in its operations was accentuated, falling by 26.4 percent, representing only 1.4 percent of total ECC operations (2.9 percent in 2020).

It is worth noting that low value payments in soles increased from 61.1% in 2019 to 62.2% in 2021. In 2021, Intrabank Transfers in soles rose to 59.2% (57.8% in 2019). Regarding card payments, in 2019, 90.5% of the value of debit card payments corresponded to transactions in soles; by 2021, this figure was 89.8%. Credit card payments in soles lost share, from 80% in 2019 to 76.5% in 2021.

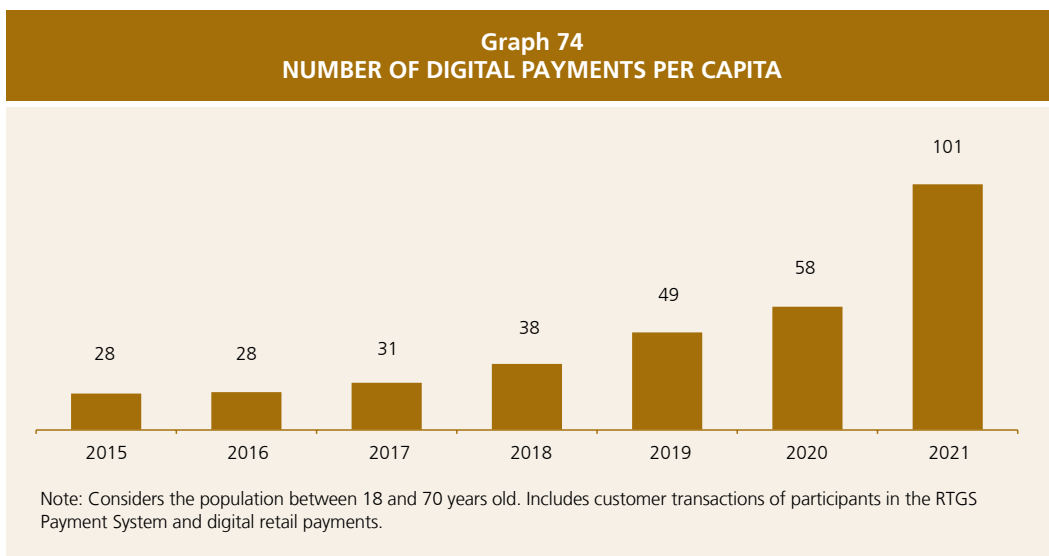
Operations in the PPA are mainly in soles, gaining greater participation compared to operations in dollars. Thus, Credit Transfers in soles increased from 92.6% in 2019 to 94.2% in 2021. The

share of immediate transfers in soles increased from 89.9% of total transfers in 2019 to 95.7% in 2021. Finally, the share of check payments in soles increased from 79% in 2019 to 84.9% in 2021.

In 2021, the progress in the digitalization of payments can be seen in the graph below, which shows the evolution of the Digital Payments Indicator, which considers customer transfers in the RTGS System, Intrabank Transfers, transfers in the ECC, payment cards, automatic debits and Bim.



Likewise, in recent years there has been a steady growth in digital payments per person, more than doubling between 2019 and 2021.



However, the progress of digitization is restricted by a set of barriers, including low financial inclusion, limited interoperability, and competition issues.

Box 4
PROBLEMS OF DIGITAL PAYMENTS IN PERU

Despite the advances seen in the digitization of payments over the last few years, Peru still has an economy that moves primarily in cash (86 percent of transactions).

This situation is due to different reasons, which can be summarized as demand factors (high informality, low income level, lack of confidence in the financial system, low financial inclusion, etc.) and supply factors (high concentration of the financial system, lack of interoperability in retail payments, low competition, limited access points, etc.).

Peru has a low financial inclusion that according to data from the National Household Survey (ENAHO) in the third quarter of 2021 is around 52 percent of the population, so a large sector of Peruvians do not have access to digital payments.

Regarding the lack of interoperability in retail payments, there are closed payment schemes that do not favor the development of digital payments. In particular, the emergence of schemes other than bank wallets. In addition to this, there is a lack of interoperability between deposit accounts and electronic money accounts, which limits the development of the latter.

Additionally, some microfinance institutions, which do have access to the RTGS system, do not participate in retail payment infrastructures, which negatively affects the development of digital payments in the segment of the population they serve.

In order to promote the development of the digitalization of payments in the country, the BCRP has been carrying out a series of activities aimed at promoting financial inclusion, strengthening Payment Systems, competition in the Financial System, among others:

- i) Evaluation of the issuance of a Digital Currency (CBDC) in an interoperable digital payment platform.
- ii) Analysis of the benefits of implementing Open Banking in the country.
- iii) Promote interoperability.

Regulation and Supervision

The BCRP issued in 2021 the new regulations for the Exchange and Clearing of Checks and Credit Transfers services of the ECC (Circulars N° 020-2021-BCRP and 021-2021-BCRP) and the new RTGS System Regulations (Circular N° 029-2021-BCRP).

- a. The new regulation issued for the Check Exchange and Clearing and Credit Transfer Clearing Services introduced changes to make these instruments more efficient and secure. Likewise, the maximum limit for Credit Transfers was increased from S/. 310 thousand and US\$ 60 thousand to S/ 420 thousand and US\$ 75 thousand.
- b. With respect to the new RTGS System Regulations, it was specified that intraday financing is included in the framework of the repo operations carried out by the Central Bank, under Law No. 30052, and access was extended to non-bank participants operating in the CCE for the constitution of an intraday financing pre-reserve. Likewise, the System's fees were simplified and reduced, deadlines were established for the implementation of the connection to the RTGS system by new participants and security measures were reinforced.

The Central Bank has carried out its supervision activities in 2021, including the follow-up of system statistics, coordination and monitoring meetings, the inspection visit, the annual self-assessment

questionnaire and the satisfaction survey on the services provided by the Payment Systems. These activities have made it possible to verify that the Payment Systems comply, in general terms, with the regulations and standards in force regarding security and efficiency. This is complemented by the efforts made by the Payment Systems administrators to strengthen their risk management and improve the efficiency of their services.

Innovations

The main innovations in payments that have been consolidated during 2021 are related to retail (low-value) payments; they are the ECC's 24x7 Immediate Transfers and digital wallets for making payments. The use and acceptance of these innovations were boosted in the context of the pandemic, which favored non-face-to-face payments. It should be noted that, with the lifting of mobility restrictions, the use of these innovations has intensified, continuing to grow.

It is worth mentioning that during 2021 the Registry of the Payment Service with Quick Response Codes (QR Codes) was published in the BCRP Web Portal, as established in Circular No. 003-2020-BCRP, having the following entities registered:

Table 89 BCRP REGISTRATION OF THE PAYMENT SERVICE WITH QR CODES	
Provider of QR codes	Niubiz Vendemás YellowPepper Izipay
Digital Wallet Provider	Ligo (EED E Peruvian Prepaid Cards)
QR Code and Digital Wallet Provider	FPay (Falabella S.A.) Mercado Pago Yape (Banco de Crédito del Perú) Tunki (Interbank)

For its part, the *Fintech* industry, which comprises companies that use new technologies to offer financial services, giving rise to new business models, reached 132 companies¹¹, of which more than 30 *Fintechs* offer services such as fund transfers and remittances in a more efficient way (faster or at a lower cost) than traditional providers. They also offer payment solutions to merchants through the installation of payment buttons and interfaces on their web pages. In this group we can observe: Payment Gateways, payment facilitators, digital wallets, etc. These entities provide payment card acceptance services to merchants, as well as other value-added services.

Regarding digital wallets, there is a growing use and acceptance that would have exceeded one million transactions per day during 2021. Currently in the market, there are wallets backed by banks and others offered by electronic money issuers (EED E) with an associated prepaid card, virtual or physical. The market is led by wallets associated with banks, for example, Yape (BCP) has more than seven million users and Plin (BBVA) has exceeded four million.

Other *Fintechs* that have started to grow during 2021 offer an electronic wallet with a prepaid card focused on the youth segment (in particular *gamers*) and others that offer a withdrawal solution for both individuals and SMEs. Another *Fintech* offers a service that allows merchants using *PayPal* to receive payments from anywhere in the world and withdraw money to any bank account in Peru using the Ligo platform.

¹¹ According to the financial innovation map (Fintech & Incumbents Radar 2021) published in December 2021 by Finnovista.

Box 5
EVOLUTION OF THE REACTIVA PERU PROGRAM

The Reactiva Peru program began to be implemented in May 2020 with the objective of avoiding a greater impact of the pandemic on the economy. This program provided companies with access to guaranteed credit at low interest rates. A little more than a year and a half after its implementation, this box presents an estimate of the current situation of the Reactiva Peru program, based on the RCC report, emphasizing the estimated amounts of cancellations and amortizations, by company size, economic sector and type of financial entity, and reviewing the level of rescheduling under the same program.

The estimated amount of Reactiva loans granted to companies is S/ 61,840 million. As of June 2020, loans totaling S/ 9,584 million were cancelled, of which S/ 8,043 million were cancelled in 2021. Likewise, a total of S/ 9,586 million was repaid (S/ 514 and S/ 9,072 million in 2020 and 2021, respectively). As can be seen, these cancellations correspond mainly to large companies (S/ 3,685 million), medium-sized companies (S/ 3,769 million), and corporations (S/ 1,085 million). For its part, the ratio of total loans written off and amortized over total Reactiva Peru loans was 15.5 percent in both cases.

LOANS GRANTED BY REACTIVA PERU
(Million S/)

	Loans granted 1/		Balance		Cancelled 2/			Amortized 3/			Ratios 4/ (%)			Balance
	May.20	Dec.20	May.20	Dec.20	Jun.20/ Dec.20	Jan.21/ Dec.21	Total	Jun.20/ Dec.20	Jan.21/ Dec.21	Total	Cancel.	Amort.	Total	Dec.21
Total	61,840	23,649	56,207		1,541	8,043	9,584	514	9,072	9,586	15.5	15.5	31.0	42,669
By segment														
Corporate	2,192	1,984	1,653		526	559	1,085	5	311	315	49.5	14.4	63.9	791
Large companies	18,048	11,311	16,865		828	2,858	3,685	220	3,204	3,425	20.4	19.0	39.4	10,938
Medium-sized enterprises	30,833	9,285	27,809		126	3,644	3,769	256	4,532	4,789	12.2	15.5	27.8	22,275
Small enterprise	9,323	1,060	8,464		50	933	982	31	847	879	10.5	9.4	20.0	7,462
Microbusinesses	1,444	10	1,415		12	50	62	1	177	179	4.3	12.4	16.7	1,203
By entity														
Banks	58,795	23,485	53,191		1,527	7,978	9,505	509	8,773	9,283	16.2	15.8	32.0	40,007
CMAC	2,507	161	2,483		12	41	54	3	237	241	2.1	9.6	11.7	2,212
CRAC	320	1	317		1	4	5	0	26	26	1.6	8.0	9.6	289
Financial companies	218	3	216		1	20	21	1	36	37	9.6	16.9	26.5	161

1/ Estimated from the RCC.

2/ Companies whose Reactiva credit balance is reduced to zero after obtaining it.

3/ Companies whose Reactiva credit balance is reduced after obtaining it.

4/ The ratio means the amount of credits amortized and/or canceled over the total credits granted.

Source: RCC.

The amounts written off and amortized stand out for the larger corporate segments and in banking institutions. In this regard, loans written off and partially written off represent 63.9 percent of loans granted to companies in the corporate sector and 39.4 percent to large companies. These calculations also include the effect of the reclassification of categories by company size, which biases the result especially in the case of medium-sized companies and MSEs. By entity group, cancellations and/or partial write-offs represent 32.0 percent of loans granted by banks, and 26.5 percent of loans granted by financial institutions.

At the sectoral level, most of the write-offs correspond to the trade (S/ 2,664 million), services (S/ 2,032 million) and manufacturing (S/ 1,640 million) sectors. Likewise, write-offs are also concentrated in these sectors for S/. 3,740 million, S/. 2,385 million and S/. 1,366 million, respectively. However, it is important to mention that these sectors were also the ones that benefited the most from the program.

LOANS GRANTED BY REACTIVA PERU (Million S/)

	Loans granted 1/	Cancelled 2/	Amortized 3/	Ratios 4/ (%)			Balance Dec.21
				Cancel.	Amort.	Total	
Total	61,840	9,584	9,586	15.5	15.5	31.0	42,669
By economic sector							
Agricultural	1,895	414	331	21.8	17.5	39.3	1,151
Fishing	470	118	75	25.0	15.9	40.9	278
Mining	792	199	120	25.2	15.1	40.3	473
Manufacture	8,237	1,640	1,366	19.9	16.6	36.5	5,230
Energy	189	74	26	39.2	13.7	52.8	89
Construction	2,913	247	383	8.5	13.2	21.6	2,283
Commerce	20,568	2,664	3,740	13.0	18.2	31.1	14,163
Services	15,955	2,032	2,385	12.7	15.0	27.7	11,538
Tourism	1,507	190	124	12.6	8.2	20.8	1,193
Transportation	5,646	610	917	10.8	16.2	27.0	4,119
Real estate	1,390	236	214	17.0	15.4	32.4	940
Business Activity	5,820	652	894	11.2	15.4	26.6	4,273
Teaching	690	116	81	16.8	11.8	28.6	493
Social services	902	227	155	25.2	17.2	42.4	520
Others 5/	10,820	2,196	1,160	20.3	10.7	31.0	7,464

1/ Estimated from the RCC.

2/ Companies whose Reactiva credit balance is reduced to zero after obtaining it.

3/ Companies whose Reactiva credit balance is reduced after obtaining it.

4/ The ratio means the amount of credits amortized and/or canceled over the total credits granted.

5/ Considers public sector, other sectors and not sectorized.

Source: RCC.

On the other hand, as of June 2021, the government made it possible to reschedule Reactiva Peru loans. As shown in the following table, Reactiva Peru loans rescheduled as of December 2021 total S/. 16,706 million and are concentrated in large (S/. 3,500 million), medium (S/. 9,009 million) and small (S/. 3,746 million) companies. Likewise, by type of entity, they are concentrated in banks (S/. 15,418 million) and municipal savings banks (S/ 1,092 million). Similarly, rescheduled loans during the last semester were concentrated in these same sectors and types of institutions. Finally, during November and December 2021, a lower flow of rescheduled loans has been observed.

RESCHEDULED REACTIVA PERU LOANS

Loans granted 1/	Million S/								Ratio 2/ Dec.21	Change	
	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Dec.21/ Jun.21		Dec.21/ Nov.21	
Total	61,840	1,427	10,867	12,940	15,435	16,196	16,596	16,706	27.0	15,280	110
By segment											
Corporate	2,192	20	185	149	196	187	186	186	8.5	166	0
Large companies	18,048	268	2,636	3,046	3,474	3,519	3,519	3,500	19.4	3,232	-19
Medium-sized enterprises	30,833	882	6,376	7,500	8,534	8,792	8,975	9,009	29.2	8,127	34
Small enterprise	9,323	255	1,649	2,203	3,087	3,485	3,663	3,746	40.2	3,491	84
Microbusinesses	1,444	1	22	43	142	213	253	265	18.3	264	12
By entity											
Banks	58,795	1,425	10,708	12,500	14,437	15,065	15,367	15,418	26.2	13,992	50
CMAC	2,507	1	148	382	859	978	1,047	1,092	43.6	1,091	45
CRAC	320	0	3	41	118	127	152	163	50.9	163	11
Financial companies	218	0	8	17	21	26	29	34	15.5	34	5

1/ Estimated from the RCC.

2/ The ratio means the amount of credits amortized and/or canceled over the total credits granted.

Source: RCC.



Likewise, as can be seen, most of the amounts reprogrammed correspond to the service sector (S/. 5,491 million and 18,937 companies), commerce (S/. 4,405 million and 14,679 companies) and manufacturing (S/. 1,882 million and 6,077 companies). It is worth mentioning that these are concentrated in the segments of large and medium-sized companies, in the case of larger balances; and medium-sized and micro companies in the case of number of companies.

RESCHEDULED REACTIVA PERU LOANS																			
	Million S/							Number of companies							Change				
															Balance		Companies		
	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Dec.21/ Jun.21	Dec.21/ Nov.21			
Total	1,427	10,867	12,940	15,435	16,196	16,596	16,706	11,759	40,237	55,148	92,609	116,336	128,471	132,684	15,280	110	120,925	4,213	
By economic sector																			
Agricultural	33	219	259	304	311	318	319	101	359	357	517	546	562	572	286	1	471	10	
Large companies	8	67	83	86	86	86	86	1	16	18	18	18	18	18	77	0	17	0	
Medium-sized enterprises	22	138	163	197	203	209	210	53	173	175	233	245	249	252	188	1	199	3	
Small enterprise	3	14	12	21	23	24	24	47	162	156	254	270	282	289	21	0	242	7	
Microbusinesses	0	0	0	0	0	0	0	0	8	8	12	13	13	13	0	0	13	0	
Fishing	9	57	50	68	68	70	64	18	62	58	84	88	90	88	55	-5	70	-2	
Corporate	0	0	0	5	5	5	5	0	0	0	1	1	1	1	5	0	1	0	
Large companies	3	25	19	25	25	25	22	1	5	3	5	5	5	4	19	-3	3	-1	
Medium-sized enterprises	6	28	29	33	34	35	33	11	29	27	36	36	37	35	27	-2	24	-2	
Small enterprise	0	3	3	4	5	5	5	6	27	26	40	44	45	46	4	0	40	1	
Microbusinesses	0	0	0	0	0	0	0	0	1	2	2	2	2	2	0	0	2	0	
Mining	19	169	165	189	190	189	195	39	119	120	150	151	152	156	176	5	117	4	
Corporate	0	30	30	30	30	30	30	0	3	3	3	3	3	3	30	0	3	0	
Large companies	5	78	73	83	83	83	88	1	13	13	14	14	14	14	15	83	5	14	1
Medium-sized enterprises	13	56	58	71	71	71	71	20	55	53	66	68	67	69	59	0	49	2	
Small enterprise	1	4	4	6	6	6	6	18	45	47	64	63	65	66	5	0	48	1	
Microbusinesses	0	0	0	0	0	0	0	0	3	4	3	3	3	3	0	0	3	0	
Manufacturing	174	1,388	1,560	1,820	1,861	1,883	1,882	1,217	4,027	4,371	5,624	5,846	6,023	6,077	1,708	-1	4,860	54	
Corporate	10	50	40	50	51	50	50	1	6	5	6	6	6	6	40	0	5	0	
Large companies	30	417	492	550	559	556	549	8	77	83	88	88	89	88	519	-7	80	-1	
Medium-sized enterprises	108	754	838	970	989	1,003	1,004	540	1,429	1,526	1,762	1,797	1,827	1,832	897	1	1,292	5	
Small enterprise	26	165	187	246	258	269	274	659	2,347	2,568	3,460	3,631	3,771	3,815	247	5	3,156	44	
Microbusinesses	0	2	3	4	5	5	5	9	168	189	308	324	330	336	5	0	327	6	
Energy	5	25	25	28	29	30	30	14	52	54	70	74	78	78	25	0	64	0	
Large companies	0	10	10	10	10	10	10	0	1	1	1	1	1	1	10	0	1	0	
Medium-sized enterprises	5	13	13	15	16	17	17	4	15	14	19	21	23	23	12	0	19	0	
Small enterprise	0	2	3	3	4	4	4	10	34	37	46	47	49	49	3	0	39	0	
Microbusinesses	0	0	0	0	0	0	0	0	2	2	4	5	5	5	0	0	5	0	
Construction	107	794	920	1,110	1,150	1,171	1,181	479	1,615	1,837	2,608	2,774	2,869	2,928	1,074	10	2,449	59	
Corporate	0	10	10	10	10	10	10	0	1	1	1	1	1	1	10	0	1	0	
Large companies	31	240	287	300	299	299	304	6	48	55	56	56	56	58	273	6	52	2	
Medium-sized enterprises	64	477	544	680	710	726	727	227	666	705	911	954	975	987	664	2	760	12	
Small enterprise	12	66	78	119	129	134	137	240	850	1,003	1,517	1,629	1,699	1,738	125	3	1,498	39	
Microbusinesses	0	1	1	2	2	2	2	6	50	73	123	134	138	144	2	0	138	6	
Commerce	395	3,175	3,455	4,174	4,294	4,380	4,405	2,865	9,757	10,278	13,527	14,118	14,475	14,679	4,010	25	11,814	204	
Corporate	0	40	30	40	40	40	40	0	4	3	4	4	4	4	40	0	4	0	
Large companies	61	749	830	952	966	976	970	14	165	169	184	186	187	187	910	-6	173	0	
Medium-sized enterprises	267	1,964	2,131	2,557	2,628	2,688	2,707	1,278	3,711	3,831	4,590	4,719	4,823	4,865	2,439	19	3,587	42	
Small enterprise	67	418	458	617	651	668	679	1,551	5,599	5,936	8,196	8,622	8,853	9,002	612	11	7,451	149	
Microbusinesses	0	4	5	8	8	9	9	22	278	339	553	587	608	621	9	0	599	13	
Services	512	3,864	4,328	5,265	5,404	5,493	5,491	3,321	12,268	13,189	17,519	18,247	18,724	18,937	4,979	-2	15,616	213	
Corporate	10	34	27	41	41	41	41	1	7	5	8	8	8	8	31	0	7	0	
Large companies	126	971	1,127	1,294	1,312	1,310	1,291	28	192	207	224	226	226	224	1,166	-19	196	-2	
Medium-sized enterprises	293	2,289	2,542	3,076	3,155	3,219	3,224	1,402	4,299	4,445	5,363	5,496	5,600	5,638	2,930	5	4,236	38	
Small enterprise	83	564	624	841	882	909	920	1,844	7,285	7,936	10,961	11,505	11,846	11,996	837	11	10,152	150	
Microbusinesses	0	6	8	13	14	14	15	46	485	596	963	1,012	1,044	1,071	14	0	1,025	27	
Others 1/	172	1,177	2,179	2,477	2,889	3,062	3,138	3,705	11,978	24,884	52,510	74,492	85,498	89,169	2,966	76	85,464	3,671	
Corporate	0	20	10	20	10	10	10	0	4	2	5	4	4	4	10	0	4	0	
Large companies	5	80	127	176	181	176	181	2	22	25	30	31	31	31	176	4	29	0	
Medium-sized enterprises	105	656	1,183	935	985	1,008	1,016	1,243	2,629	3,986	3,460	3,726	3,801	3,816	911	7	2,573	15	
Small enterprise	63	412	833	1,230	1,528	1,644	1,698	2,414	8,561	18,488	38,142	51,529	56,849	59,121	1,635	53	56,707	2,272	
Microbusinesses	0	8	26	115	184	223	234	46	762	2,383	10,873	19,202	24,813	26,197	234	11	26,151	1,384	

1/ Considers public sector, other sectors and not sectored.
Source: RCC.

In conclusion, it is estimated that 15.5 percent of total Reactiva Peru loans have been written off and partially amortized in each case, for a total of 31.0 percent. Likewise, the medium-sized, large companies and corporate segments account for the largest balance of cancellations and amortizations. Sectors such as manufacturing, trade, and services stand out from the rest. Finally, rescheduling as of December 2021 amounted to S/. 16,706 million (27.0 percent of total loans granted through the Reactiva Peru program).