



# Scotiabank Perú S.A.A. and Subsidiaries

Unaudited Consolidated Interim Financial Statements

**September 30, 2021**

**(with the Independent Auditors' Report on Review of Consolidated  
Interim Financial Statements)**



# INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## **To the Shareholders and Directors of Scotiabank Perú S.A.A.**

### **Introduction**

We have reviewed the accompanying consolidated statement of financial position of Scotiabank Perú S.A.A. (a subsidiary of The Bank of Nova Scotia – BNS, an entity established in Canada) and Subsidiaries as at September 30, 2021 the consolidated statement of profit of loss, consolidated statements of profit of loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and notes, comprising significant accounting policies and other explanatory information (“the consolidated interim financial statements”). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with accounting standards established by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Banking, Insurance and Pension Plan Agency) for financial institutions in Peru. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2021 consolidated interim financial statements do not present fairly, in all material respects, the financial position, financial performance and cash flows of Scotiabank Perú S.A.A. and Subsidiaries in accordance with accounting standards established by the SBS for financial institutions in Peru.

Lima, Peru

January 24, 2021

Countersigned by:

*Caipso y Asociados*

A handwritten signature in black ink, appearing to read 'G. Gennell O.', written over a horizontal line.

Gloria Gennell O. (Partner)  
Peruvian Certified Public Accountant  
Registration No. 01-27725

**Scotiabank Perú S.A.A. and Subsidiaries**

Unaudited Consolidated Interim Financial Statements

**September 30, 2021**

<b>Contents</b>	<b>Page</b>
Consolidated Interim Statement of Financial Position	1
Consolidated Interim Statement of Profit or Loss	2
Consolidated Interim Statement of Profit or Loss and Other Comprehensive	3
Consolidated Interim Statement of Changes in Equity	4
Consolidated Interim Statement of Cash Flows	5
Notes to the Consolidated Interim Financial Statements	6 - 89

**Scotiabank Perú S.A.A. and Subsidiaries**  
Consolidated Statement of Financial Position  
As of September 30, 2021 and December 31, 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b> <b>(Unaudited)</b>	<b>12.31.2020</b> <b>(Audited)</b>
<b>Assets</b>			
Cash and due from banks	6		
Cash		1,916,847	1,398,734
Deposits with Central Bank		9,285,766	14,026,036
Deposits with local and foreign banks		746,044	383,932
Clearing		29,773	18,230
Restricted cash and due from banks and others		509,887	1,674,333
		<b>12,488,317</b>	<b>17,501,265</b>
Interbank funds		80,002	90,526
Investments at fair value through profit or loss and available-for-sale	7	6,643,789	8,789,726
Loan portfolio, net	8	55,599,242	49,804,017
Derivative instruments receivable	9	850,397	189,557
Accounts receivable, net	10	1,290,468	1,125,471
Investments in associates		105,182	85,636
Goodwill	11	570,664	570,664
Property, furniture and equipment, net	12	321,359	339,095
Deferred tax, net	28	400,549	585,873
Intangible assets, net	13	368,448	386,954
Other assets, net	14	795,620	535,328
<b>Total assets</b>		<b>79,514,037</b>	<b>80,004,112</b>
Contingent risks and commitments	20	77,190,066	73,904,128

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b> <b>(Unaudited)</b>	<b>12.31.2020</b> <b>(Audited)</b>
<b>Liabilities</b>			
Deposits and obligations with financial institutions:	15		
Demand deposits		18,363,565	17,436,241
Savings accounts		16,878,615	15,175,103
Time deposits		11,395,347	15,333,086
Other obligations		808,234	630,779
		<b>47,445,761</b>	<b>48,575,209</b>
Interbank funds		-	108,670
Borrowings and debts	16	14,659,520	12,924,516
Derivative instruments payable	9	678,679	181,640
Provisions and other liabilities	17	6,283,335	8,192,617
<b>Total liabilities</b>		<b>69,067,295</b>	<b>69,982,652</b>
<b>Equity</b>	18		
Share capital		8,026,777	7,840,352
Additional paid-in capital		394,463	394,463
Legal reserve		1,383,913	1,357,281
Equity-related adjustments		(386,629)	(105,488)
Retained earnings		954,034	452,680
<b>Equity attributable to shareholders of Scotiabank Perú S.A.A.</b>		<b>10,372,558</b>	<b>9,939,288</b>
Non-controlling interests	2	74,184	82,172
<b>Total equity</b>		<b>10,446,742</b>	<b>10,021,460</b>
<b>Total liabilities and equity</b>		<b>79,514,037</b>	<b>80,004,112</b>
Contingent risks and commitments	20	77,190,066	73,904,128

The accompanying notes on pages 6 to 89 are part of these consolidated interim financial statements.

**Scotiabank Perú S.A.A. and Subsidiaries**

Consolidated Statement of Profit or Loss

For the nine-month periods ended September 30, 2021 and 2020

<i>In thousands of soles</i>	<b>Note</b>	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
Interest income	21	2,751,459	4,169,898
Interest expenses	22	(413,624)	(820,277)
<b>Gross profit margin</b>		<b>2,337,835</b>	<b>3,349,621</b>
Provision for loan losses, net of recoveries	8(c)	(790,801)	(2,146,829)
<b>Net profit margin</b>		<b>1,547,034</b>	<b>1,202,792</b>
Financial service income, net	23	419,478	377,511
<b>Net profit margin of financial service income and expenses</b>		<b>1,966,512</b>	<b>1,580,303</b>
Income from financial transactions	24	352,181	368,709
<b>Operating margin</b>		<b>2,318,693</b>	<b>1,949,012</b>
Administrative expenses	25	(1,274,216)	(1,376,068)
Depreciation of property, furniture and equipment	12	(34,772)	(37,433)
Amortization of intangible assets	13	(49,119)	(40,424)
<b>Net operating margin</b>		<b>960,586</b>	<b>485,087</b>
Provisions for realizable, received as payment, recovered and obsolete assets		(22,304)	(20,346)
Net provisions for indirect loan losses, impairment loss on other accounts receivable and other assets		(39,918)	(28,390)
<b>Operating income</b>		<b>898,364</b>	<b>436,351</b>
Other income, net	26	5,456	9,909
<b>Net profit before tax</b>		<b>903,820</b>	<b>446,260</b>
Deferred tax	28	(175,020)	442,980
Current tax	27.D	(17,616)	(512,749)
<b>Net profit</b>		<b>711,184</b>	<b>376,491</b>
<b>Profit or loss attributable to:</b>			
Shareholders of Scotiabank Perú S.A.A.		719,104	381,992
Non-controlling interests	2	(7,920)	(5,501)
		<b>711,184</b>	<b>376,491</b>

The accompanying notes on pages 6 to 89 are part of these consolidated interim financial statements.

**Scotiabank Perú S.A.A. and Subsidiaries**

Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the nine-month periods ended September 30, 2021 and 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
Net profit		711,184	376,491
Other comprehensive income			
Net gain on available-for-sale investments	18.F	(302,310)	87,241
Cash flow hedge	9.(b)	21,417	(32,795)
Adjustments to other comprehensive income of associates	18.F	(248)	(12)
<b>Other comprehensive income for the year</b>		<b>(281,141)</b>	<b>54,434</b>
<b>Total comprehensive income for the year</b>		<b>430,043</b>	<b>430,925</b>
<b>Other comprehensive income attributable to:</b>			
Shareholders of Scotiabank Perú S.A.A.		438,031	436,437
Non-controlling interests	2	(7,988)	(5,512)
		<b>430,043</b>	<b>430,925</b>

The accompanying notes on pages 6 to 89 are part of these consolidated interim financial statements.

**Scotiabank Perú S.A.A. and Subsidiaries**

## Consolidated Statement of Changes in Equity

For the nine-month periods ended September 30, 2021 and 2020

	Number of shares (note 18.B)	Share capital (note 18.B)	Additional paid-in capital (note 18.C)	Legal reserve (note 18.D)	Retained earnings (note 18.E)	Equity-related adjustments		Total	Non- controlling interests	Total equity
						Unrealized gains and losses (note 18.F)	Other adjustments (note 18.G)			
<i>In thousands of soles</i>										
Balance as of December 31, 2019	676,327,282	6,763,271	394,463	1,210,807	1,413,709	13,105	-	9,795,355	102,825	9,898,180
Net profit	-	-	-	-	381,992	-	-	381,992	(5,501)	376,491
Other comprehensive income:										
Net unrealized gain (loss) on available-for-sale investments	-	-	-	-	-	87,252	-	87,252	(11)	87,241
Cash flow hedge	-	-	-	-	-	(32,795)	-	(32,795)	-	(32,795)
Adjustments to other comprehensive income of associates	-	-	-	-	-	(12)	-	(12)	-	(12)
<b>Total comprehensive income</b>	-	-	-	-	<b>381,992</b>	<b>54,445</b>	-	<b>436,437</b>	<b>(5,512)</b>	<b>430,925</b>
Allocation to legal reserve	-	-	-	146,474	(146,474)	-	-	-	-	-
Capitalization of retained earnings	107,708,108	1,077,081	-	-	(1,077,081)	-	-	-	-	-
Other adjustments	-	-	-	-	(276)	-	-	(276)	-	(276)
<b>Balance as of September 30, 2020</b>	<b>784,035,390</b>	<b>7,840,352</b>	<b>394,463</b>	<b>1,357,281</b>	<b>571,870</b>	<b>67,550</b>	-	<b>10,231,516</b>	<b>97,313</b>	<b>10,328,829</b>
Balance as of December 31, 2020	784,035,390	7,840,352	394,463	1,357,281	452,680	67,372	(172,860)	9,939,288	82,172	10,021,460
Net gain (loss)	-	-	-	-	719,104	-	-	719,104	(7,920)	711,184
Other comprehensive income:										
Net unrealized gain (loss) on available-for-sale investments	-	-	-	-	-	(302,310)	-	(302,310)	(68)	(302,378)
Cash flow hedge	-	-	-	-	-	21,417	-	21,417	-	21,417
Adjustments to other comprehensive income of associates	-	-	-	-	-	(248)	-	(248)	-	(248)
<b>Total comprehensive income</b>	-	-	-	-	<b>719,104</b>	<b>(281,141)</b>	-	<b>437,963</b>	<b>(7,988)</b>	<b>429,975</b>
Allocation to legal reserve	-	-	-	26,632	(26,632)	-	-	-	-	-
Capitalization of retained earnings	18,642,463	186,425	-	-	(186,425)	-	-	-	-	-
Other adjustments	-	-	-	-	(4,693)	-	-	(4,693)	-	(4,693)
<b>Balance as of September 30, 2021</b>	<b>802,677,853</b>	<b>8,026,777</b>	<b>394,463</b>	<b>1,383,913</b>	<b>954,034</b>	<b>(213,769)</b>	<b>(172,860)</b>	<b>10,372,558</b>	<b>74,184</b>	<b>10,446,742</b>

The accompanying notes on pages 6 to 89 are part of these consolidated interim financial statements.



**Scotiabank Perú S.A.A. and Subsidiaries**

## Consolidated Statement of Cash Flows

For the nine-month periods ended September 30, 2021 and 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
<b>Cash flows from operating activities</b>			
Net profit		711,184	376,491
<b>Adjustments to reconcile net profit to net cash from operating activities</b>			
Provision for loan losses, net of recoveries	<i>8(c)</i>	790,801	2,146,829
Provision for realizable, repossessed and other assets, net		22,304	20,346
Provision for accounts receivable, net		20,305	28,099
Depreciation and amortization	<i>12, 13</i>	83,891	77,857
Provision for fringe benefits		38,987	40,988
Provision for current and deferred tax	<i>27.D, 28</i>	(192,635)	69,769
Provision for indirect loan losses and country risk, net of recoveries		17,476	(2,679)
Other provisions		(107,680)	(280,517)
Loss (gain) on sale of property, furniture and equipment		2,538	(1,011)
Gain on sale of realizable and repossessed assets		(4,004)	(1,370)
<b>Net changes in assets and liabilities:</b>			
Loan portfolio		(6,606,252)	(2,238,200)
Investments at fair value through profit or loss		753,527	(1,004,979)
Available-for-sale investments		1,088,081	(484,624)
Accounts receivable		(820,985)	(176,498)
Other assets		75,187	(130,572)
Non-subordinated financial liabilities		291,740	4,873,129
Accounts payable		(263,590)	2,740,928
Provisions and other liabilities		273,295	136,883
<b>Net profit (loss) after net changes in assets, liabilities and adjustments</b>		<b>(3,825,830)</b>	<b>6,190,869</b>
Income tax paid		(125,617)	(216,388)
<b>Net cash flows used in (applied to) operating activities</b>		<b>(3,951,447)</b>	<b>5,974,481</b>
<b>Cash flows from investing activities</b>			
Dividends received		1,003	2,686
Acquisition of property, furniture and equipment	<i>12</i>	(19,593)	(35,523)
Acquisition of intangible assets	<i>13</i>	(30,618)	(36,386)
Sale of property, furniture and equipment		25	5,889
<b>Net cash flows used in investing activities</b>		<b>(49,183)</b>	<b>(63,334)</b>
Net (decrease) increase in cash and cash equivalents before effects of exchange rate fluctuations		(4,000,630)	5,911,147
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>		<b>109,809</b>	<b>283,363</b>
Net (decrease) increase in cash and cash equivalents		(3,890,821)	6,194,510
<b>Cash and cash equivalents at the beginning of period</b>		<b>15,984,073</b>	<b>11,302,522</b>
<b>Cash and cash equivalents at the end of period</b>		<b>12,093,252</b>	<b>17,497,032</b>
<b>Non-cash transactions</b>			
Capitalization of retained earnings		186,425	1,077,081
Net unrealized loss on available-for-sale investments		(302,310)	87,241
BCRP repurchase agreements		4,810,840	7,617,566

The accompanying notes on pages 6 to 89 are part of these consolidated financial statements.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **1. Reporting Entity**

#### **A. Background**

Scotiabank Perú S.A.A. (hereinafter the Bank) is a subsidiary of the Bank of Nova Scotia – BNS (a financial institution incorporated in Canada), which directly and indirectly owns 98.05% of the Bank's share capital as of September 30, 2021 and December 31, 2020.

#### **B. Economic activity**

The Bank is a publicly traded corporation incorporated on February 2, 1943 and is authorized to operate as a banking institution by the SBS. The Bank's business mainly comprises financial intermediation by commercial banks, which are governed by the SBS through Law 26702 "General Law of the Financial and Insurance Systems and the SBS Organic Law" (hereinafter the Banking Law). This law establishes the requirements, rights, obligations, collaterals, restrictions, and other operating conditions to which every legal entity operating in the financial and insurance system is subject.

The Bank's registered office is Av. Dionisio Derteano N° 102, San Isidro, Lima, Peru. As of September 30, 2021 and December 31, 2020, the Scotiabank Group operates through a national network of 481 and 517 branches, respectively.

As of September 30, 2021 and December 31, 2020, the accompanying consolidated interim financial statements include the financial statements of the Bank and other entities of the consolidated group (hereinafter the Scotiabank Group), such as: CrediScotia Financiera S.A. (hereinafter the CrediScotia), which is engaged in intermediation transactions for the micro-business and consumer goods sectors; Servicios, Cobranzas e Inversiones S.A.C. (hereinafter the SCI), which is engaged in collections and address verification, among other activities; Scotia Sociedad Agente de Bolsa S.A. (hereinafter the SAB), which is engaged in intermediation activities in the Peruvian securities market; Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A. (hereinafter the SAF), which is engaged in mutual funds management; Scotia Sociedad Titulizadora S.A. (hereinafter the Titulizadora), which is engaged in trusts management; Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A. (hereinafter the CRAC), is engaged in credit and debit card issuance and management; and special purpose entities called the Fideicomiso CrediScotia-Dinero Electrónico and the Patrimonio en Fideicomiso sobre Bienes Inmuebles – Depsa.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Below are the main balances of the Bank and other entities referred to in the previous paragraph as of September 30, 2021 and December 31, 2020 indicating the Bank's shareholding percentages, as well as relevant information in this regard:

<i>In thousands of soles</i>		<b>Shareholding</b>			
	<b>Activity</b>	<b>percentage</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
<b>09.30.2021</b>					
Scotiabank Perú S.A.A.	Banking	-	77,554,520	67,120,493	10,434,027
CrediScotia Financiera S.A.	Financing	100.00	2,661,327	2,091,866	569,461
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	Financing	51.00	563,011	411,615	151,396
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	128,570	62,252	66,318
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	Administration of mutual funds	100.00	103,959	7,462	96,197
Scotia Sociedad Agente de Bolsa S.A.	Intermediation in stock market	100.00	37,904	2,124	35,780
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	6,695	1,569	5,126
<b>12.31.2020</b>					
Scotiabank Perú S.A.A.	Banking	-	77,227,505	67,233,557	9,993,948
CrediScotia Financiera S.A.	Financing	100.00	3,444,806	2,851,928	592,878
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	Financing	51.00	743,322	575,624	167,697
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	141,100	60,480	80,620
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	Administration of mutual funds	100.00	115,936	4,980	110,956
Scotia Sociedad Agente de Bolsa S.A.	Intermediation in stock market	100.00	43,914	1,007	42,907
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	5,268	484	4,784

**C. Business activities during the national state of emergency**

On March 15, 2020, through Supreme Decree 044-2020-PCM, the Peruvian government declared a national state of emergency and compulsory social isolation, due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. At the reporting date, the national state of emergency was extended until March 1, 2022. Consequently, the SBS and the Central Reserve Bank of Peru (hereinafter Central Bank or BCRP), in coordination with the Ministry of Economy and Finance (MEF), activated a package of preventive measures focused on mitigating the impact of non-compliance with debtor obligations due to limiting their movement within and outside the national territory and, the shutdown of certain economic sectors; as well as measures focused on ensuring the continuity of the payment chain in the country.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

During the state of emergency, the Scotiabank Group's business activities were not suspended. Agencies operations were adapted to the safety protocol required to safeguard the health of employees and customers. The Scotiabank Group implemented measures to ensure said business activities during the state of emergency, even before the Peruvian government decreed them. They include the identification of employees considered at high-risk from exposure to COVID-19, implementation of a remote work policy applicable to employees, and provision of mental health support, employee assistance program and work equipment for working remotely and for leaders. The measures for employees working on-site include the introduction of a daily allowance in favor of those employees, permanent supply of personal protective equipment, provision of buses for the transportation of employees and clients, reduction of the capacity limits of agencies of the Bank, CrediScotia and CRAC to 50%, and introduction of special working hours for clients aged 60 years and over. As of September 30, 2021 an average of 199 agencies of the Bank, 75 agencies of CrediScotia and 59 agencies of the CRAC carried out their business activities (an average of 195 agencies of the Bank, 95 agencies of CrediScotia and 58 agencies of the CRAC as of December 31, 2020 carried out their business activities). Likewise, as of September 30, 2021 and December 31, 2020 56% of the Bank's employees, 24% of CrediScotia's employees, 100% of the CRAC's employees and 95% of other subsidiaries' employees worked remotely (52% of the Bank's employees, 21% of CrediScotia's employees, 100% of the CRAC's employees and 95% of other subsidiaries' employees worked remotely).

The consolidated interim financial statements as of September 30, 2021 and December 31, 2020 include the impacts resulting from the implementation of such measures that were in force as of that date, as detailed in the corresponding notes to the consolidated financial statements below.

### D. Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2020 were approved by the Bank's management on February 12, 2021, by Board of Directors and General Shareholders' Meeting held on March 24, 2021. The consolidated interim financial statements as of September 30, 2021 were approved by the Bank's management on November 15, 2021.

## 2. Non-controlling Interests

The following table summarizes the financial reporting as of September 30, 2021 and 2020 of the CRAC (non-controlling shareholder) before the eliminations required in preparing the consolidated financial statements:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Total assets	563,011	865,284
Total liabilities	(411,615)	(666,686)
<b>Total assets, net</b>	<b>151,396</b>	<b>198,598</b>
<b>Net assets attributable to non-controlling interests 49%</b>	<b>74,184</b>	<b>97,313</b>
Net (loss) gain	(16,164)	(11,227)
Other comprehensive income	(138)	(8)
<b>Total comprehensive income</b>	<b>(16,302)</b>	<b>(11,235)</b>
<b>Loss allocated to non-controlling interests 49%</b>	<b>(7,920)</b>	<b>(5,501)</b>
<b>Other comprehensive income allocated to non-controlling interests 49%</b>	<b>(68)</b>	<b>(11)</b>

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **3. Basis for the Preparation of the Consolidated Interim Financial Statements**

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

The accompanying consolidated interim financial statements have been prepared based on the Scotiabank Group's accounting records and are presented in accordance with current regulations and accounting principles authorized by the SBS. In the absence of such applicable SBS regulations, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym) are applied. Such standards comprise the Standards and Interpretations issued or adopted by the International Accounting Standards Board (IASB), which include IFRSs, International Accounting Standards (IAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or the former Standing Interpretations Committee (SIC), adopted by the IASB and made official by the CNC for their application in Peru.

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

The consolidated interim financial statements have been prepared in accordance with the historical cost principle, except for the following:

- Derivative instruments are measured at fair value;
- Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

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

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

#### **D. Significant accounting estimates and criteria**

In preparing these consolidated interim financial statements, management has used accounting estimates and criteria. The accounting estimates and criteria are reviewed on an ongoing basis and are based on historical experience, including the reasonable assumption of occurrence of future events depending on the circumstances. Actual results may differ from these estimates. In management's opinion, the estimates and assumptions used do not have significant risk as to produce a material adjustment to the balances of assets and liabilities in the short term.

Significant estimates related to the consolidated interim financial statements correspond to provision for loan losses, measurement of investments, estimated useful life and recoverable amount of property, furniture and equipment and intangible assets, impairment of goodwill, provision for realizable, received as payment and repossessed assets, estimated deferred tax recovery, provision for income tax, and fair value of derivative instruments. Accounting criteria are described in note 4.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **4. Accounting Principles and Practices**

Main accounting principles and practices used to prepare the Scotiabank Group's consolidated interim financial statements have been consistently applied in the prior period, unless otherwise indicated, and are the following:

#### **A. Consolidation policies**

The consolidated interim financial statements include the financial statements of entities that are part of the Scotiabank Group, described in note 1, after eliminating significant balances and transactions among the consolidated entities, and the gains and losses resulting from those transactions. All subsidiaries have been consolidated from their date of incorporation or acquisition.

Subsidiaries are all entities over which the Bank has control and is able to manage their financial and operating policies.

The accounting records of entities of the Scotiabank Group comply with the information requirements established by the SBS.

Financial statements of the subsidiaries and special purpose entities have been included for consolidation purposes and represent 4.52% and 5.82%, respectively, of the total Bank's assets before eliminations as of September 30, 2021 and December 31, 2020.

#### **B. Financial instruments**

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

Financial instruments are recognized on the date when they are originated and are classified as assets, liabilities, or equity instruments according to the contract that gave rise to the financial instrument. Interest, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as income or expense in the consolidated interim statement of profit or loss. The payment to holders of financial instruments classified as equity is recorded directly in equity.

The Scotiabank Group classifies its financial instruments into one of the following categories established by IAS 39, which were determined in SBS Resolution 7033-2012 and their amendments: (i) financial assets and financial liabilities at FVTPL; (ii) loans and accounts receivable; (iii) available-for-sale investments; (iv) held-to-maturity investments; and (v) other financial liabilities. The Scotiabank Group determines the classification of financial instruments on initial recognition and on instrument-by-instrument basis.

The classification of financial instruments on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognized at their fair value plus incremental costs related to the transaction that are directly attributable to the acquisition or issuance of the instrument, except for financial assets or financial liabilities measured at FVTPL.

Acquisitions or sales of financial assets that require assets' delivery within a period established by regulations or conventions in the market concerned are recognized at trade date.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

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

#### ***i. Financial assets***

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

#### ***ii. Financial liabilities***

A financial liability is derecognized when the obligation to pay is discharged, canceled or expires. When an existing financial liability is replaced by other of the same borrower in terms significantly different, or terms are significantly modified, such replacement or modification is treated as derecognition of the original liability and a new liability is recognized. The Scotiabank Group recognizes the difference between both of them in the profit or loss for the year.

### ***Impairment of financial assets***

The Scotiabank Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and if such loss event had an impact on the expected future cash flows of the financial asset or the group of financial assets that can be estimated reliably. Evidence of impairment includes an indication that a borrower or group of borrowers is experiencing significant financial difficulties, default or delay in payments of principal and interest, probability that the entity will enter bankruptcy or other financial reorganization indicating that there is a significant decrease in expected future cash flows, such as changes in circumstances or economic conditions related to payment defaults.

### ***Offsetting financial instruments***

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

Financial assets and financial liabilities presented in the consolidated statement of financial position correspond to cash and due from banks, interbank funds, investments at FVTPL, available-for-sale investments, held-for-trading instruments, hedging instruments, loan portfolio, accounts receivable, other assets and liabilities, unless otherwise indicated in the note corresponding to assets or liabilities. Accounting policies on recognition and measurement of these items are disclosed in the corresponding accounting policies described in this note.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **C. Derivative instruments**

The SBS provides authorizations per type of derivative instrument and underlying asset and may comprise more than one type of derivative instrument and underlying asset. Authorization schemes, measurement guidelines and accounting treatment for derivative instruments that financial institutions shall apply are established in SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Instruments in Financial Institutions" and amendments, which include accounting criteria for held-for-trading and hedging instruments and embedded derivatives, which are consistent with IAS 39 *Financial Instruments: Recognition and Measurement*.

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

Held-for-trading instruments are initially recognized in the consolidated interim statement of financial position at fair value. Subsequently, any change in fair value of such derivative generates an asset or liability in the consolidated interim statement of financial position, as applicable, and affects the profit or loss for the year. In addition to their recording in the consolidated interim statement of financial position, the aforementioned derivative instruments are recorded in contingent accounts at par value translated to initial spot price.

#### ***Hedging instruments***

A derivative instrument for hedging a specific risk is designated as hedging instrument if, at trade date, it is foreseen that changes in fair value or cash flows will be highly effective in offsetting changes in fair value or cash flows of the hedged item directly attributable to the risk hedged from the beginning. The latter shall be documented on the trade date of the derivative instrument and during the term of the hedging relationship. A hedge is considered to be highly effective if changes in fair value or cash flows of the hedged item and the hedging instrument are within a range from 80% to 125%.

For cash flow hedges, the effective portion of changes in fair value is recognized directly in equity in 'unrealized gains and losses' as a cash flow hedge reserve, net of tax effect. The ineffective portion of any gain or loss on the hedging instrument is recognized in the consolidated interim statement of profit or loss. The amounts recorded in equity are transferred to the consolidated interim statement of profit or loss in the periods in which the hedged item is recorded in the consolidated interim statement of profit or loss or when a forecast transaction occurs.

If the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer meets the hedge accounting criteria, the hedging relationship ceases prospectively and the balances recorded in equity are transferred to the consolidated interim statement of profit or loss within the effective term of the hedged item.

As indicated in note 9(b), as of September 30, 2021 and December 31, 2020, the Scotiabank Group maintains interest rate swaps designated as cash flows hedges.



## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### D. Investments

The Scotiabank Group applies the recording and valuation criteria of investments in equity instruments established in SBS Resolution 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions" and amendments, which is consistent with the classification and valuation criteria of IAS 39 *Financial Instruments: Recognition and Measurement*, except for investments in associates, which are not included in IAS 39, as detailed below:

#### i. **Investments at fair value through profit or loss (FVTPL)**

Equity and debt instruments are classified as investments at FVTPL if they have been acquired principally to sell in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. These investments are initially recognized on trade date, which is when the Scotiabank Group enters into contractual arrangements with counterparties to purchase investments and are normally derecognized when sold.

They are initially measured at fair value, excluding transaction costs, which are recognized in the consolidated interim statement of profit or loss. Subsequently, fair values are remeasured, and fluctuations arising from changes in fair value are recognized in the consolidated interim statement of profit or loss.

Interest income is recognized using the effective interest method. Dividends are recognized in the consolidated interim statement of profit or loss when the right to receive the payment has been established.

Investments at FVTPL that are pledged as collaterals or transferred through a repurchase agreement shall be reclassified as available-for-sale investments. Once these transactions are concluded, instruments shall be reclassified at their initial category, transferring the unrealized gains and losses from equity to the consolidated interim statement of profit or loss.

#### ii. **Available-for-sale investments**

Available-for-sale investments are all other instruments that are not classified as investments at FVTPL, held-to-maturity investments or investments in associates. Likewise, all instruments will be included in this category as required by the SBS.

Available-for-sale investments are initially recognized on trade date and measured at fair value plus costs that are directly attributable to the instrument's acquisition. They are subsequently remeasured at fair value, and resulting gains and losses are recognized in equity in 'unrealized gains and losses' until investments are either sold or realized, which is when gains or losses are recognized in the consolidated interim statement of profit or loss.

Amortized cost of debt instruments at fair value shall be remeasured using the effective interest method, and based on the resulting amortized cost, gains or losses from the changes in fair value shall be recognized.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

SBS Resolution 2610 -2018 establishes amendments to the "Regulation on Classification and Measurement of Investments of Financial Institutions," which mainly focuses on the standard methodology to identify impairment of available-for-sale and held-to-maturity investments.

### ***Assessment of debt instruments***

- Weakening of financial position of the issuer and its economic group.
- Lower credit risk rating of the instrument or the issuer.
- Disappearance of an active market for the financial asset because of financial difficulties of the issuer.
- Observable data indicating that there has been a measurable decrease in the expected future cash flows from a group of financial assets with characteristics similar to the assessed instrument since initial recognition.
- Decline in fair value due to changes in laws.
- Significant decline in fair value below 40% of its amortized cost.
- Prolonged decline in fair value over the last 12 months, and cumulative decline in fair value in that period of more than 20%.

### ***Assessment of equity instruments***

- Lower credit risk rating of the issuer's debt instrument.
- Significant changes in the technological, market, economic or legal environment in which the issuer operates, which may have a negative impact on the investment recovery.
- Weakening in financial position or financial ratios of the issuer and its economic group.
- Disappearance of an active market for the financial asset because of financial difficulties of the issuer.
- Observable data indicating that there has been a measurable decrease in the expected future cash flows from a group of financial assets with characteristics similar to the assessed instrument since initial recognition.
- Decline in fair value due to changes in laws.

If at least two of the aforementioned situations are met, management shall consider impairment in each case.

If an available-for-sale investment is impaired, the accumulated loss (difference between the acquisition cost, net of payback and amortization, and the current fair value, less any impairment loss previously recognized in the consolidated interim statement of profit or loss and other comprehensive income) is reclassified from equity to the consolidated interim statement of profit or loss.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The impairment loss on equity instruments was measured as the difference between the acquisition cost and the fair value, less any impairment loss previously recognized in profit or loss for the period or prior periods. Impairment of unlisted securities shall be the difference between the carrying amount and the present value of net expected future cash flows, discounted using current market rates for similar instruments. As of September 30, 2021 and December 31, 2020, CrediScotia recorded impairment losses on an available-for-sale investment (note 7).

Exchange gains or losses related to equity instruments are recognized in equity in 'unrealized gains and losses,' and those related to debt instruments are recognized in profit or loss for the year.

Interest income on available-for-sale investments is recognized using the effective interest method, calculated over the instrument's useful life. Premiums and discounts originated on the acquisition date are included in the calculation of effective interest rate. Dividends are recognized in the consolidated interim statement of profit or loss when the right to receive the payment has been established.

### **iii. Investments in associates**

This caption comprises equity instruments acquired to have shareholder's interests and significant influence over the entities or institutions. It shall include the goodwill originated from the acquisition of such investments. Investments in subsidiaries and associates are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition. They are subsequently measured using the equity method; this means, investment increases or decreases according to the recognition of the investor's proportionate interests in the investee at the measurement date.

When changes in associate's equity are due to items other than profit or loss for the year, these changes shall be recorded directly in equity. Dividends are recorded reducing the investment's carrying amount.

When management identifies that one or more investments in associates are impaired, said impairment shall correspond to the difference between the carrying amount and the recoverable amount of the investment, in accordance with IAS 36 *Impairment of Assets*.

The carrying amount of the investment shall be reduced to its recoverable amount. Impairment loss shall be recognized in profit or loss for the year.

Investments held by entities can be reclassified. Investments at FVTPL cannot be reclassified except for: (1) unlisted securities, which lack reliable estimated fair value, or (2) investments transferred through a repurchase agreement or pledged as collaterals, as indicated in paragraph (i) of this section. As of September 30, 2021 and December 31, 2020, the Bank did not reclassify investments and did not recognize impairment losses on investments.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **E. Loans, classification and provisions for loan losses**

Direct loans are recorded when fund expenditures are made in favor of clients. Indirect (contingent) loans are recorded when supporting documents are issued and may become direct loans in the event of making a payment to third parties. Likewise, any direct loans behind changes in payment terms due to financial difficulties of the debtor are considered as refinancing or restructuring.

Finance leases are recognized using the effective interest method, recording the amount of the outstanding lease payments as a loan. Corresponding financial income is recorded on an accrual basis in accordance with the lease terms. Initial direct costs are recognized immediately as expenses.

The Portfolio Risk Management's Debtor Rating and Assessment units are responsible for performing the loan portfolio assessment and rating on a permanent basis. Each debtor is rated in a credit risk rating according to the guidelines established by SBS Resolution 11356-2008 and amendments.

#### ***Preventive mandates due to COVID-19***

The government mandates implemented to cope with the economic crisis due to the national state of emergency declared and the mandatory social isolation decreed as a result of the COVID-19 outbreak (note 1.C) are the following:

##### **(a) *Rescheduling due to COVID-19***

The Scotiabank Group, after evaluation, may modify the contractual conditions of the several credit modalities, without those constituting a refinancing, insofar as the total term of these credits shouldn't extend for more than (6) six months until May 31, 2020 and twelve (12) months since June 1, 2020 from original term, and that as of the date of the emergency declaration, the debtors are up to date with their payments.

In order to comply with the requirements being up-to-date in its payments or not presenting arrears as of the date of declaration of national emergency (note 1.C), and only for the purposes of this national emergency, it should be considered a criteria that the loan has no more than 15 calendar days past due as of February 29, 2020.

The Scotiabank Group may apply the accrual criteria for the accounting record of the interests associated with the retail loans that have been massively or individual rescheduled. In case these retail loans change to the past due accounting situation after the payment obligation is due according to the new schedule, the Bank must proceed to reverse the uncollected accrued income in up to six (6) months of term to make the return proportionally.

In the case of non-retail customers with credits that have been massively rescheduled, the accounting record of the interests associated must be carried out by the cash basis criteria. If the reschedule is carried out as a result of individual analysis, the accrual basis criteria may be applied.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of March 16, 2021, massive loan rescheduling may be carried out as long as the client has made the payment of one installment that includes principal and interest in the last 6 months. The schedule cannot be extended for more than 3 months. Likewise, it establishes that interest must be recognized under cash basis criteria. It should be noted that if the rescheduling is carried out without the client having made any payment, additional voluntary provisions must be made on the loans classified as "Standard" and with "Potential problems", assuming they have the classification of "Substandard" loans.

Additionally, rescheduling would be allowed for revolving loans of consumer credit cards with a grace period. It only applies if the total payable of the period or the total amount owed is rescheduled.

### **(b) Freezing of past due days counting**

The counting of past due days of operations with more than 15 calendar days past due as of February 29, 2020, was suspended, likewise, the financial entities may maintain the accounting situation of these loans, as long as the state of national emergency remain current.

The freeze past due days as of February 29, 2020 was considered for the loan classification process and for the regulatory provisions calculation during the months in which they remain suspended.

Counting of past due days restarted in September 1<sup>st</sup>, 2020.

### **(c) Loans with government guarantees**

In March and April 2020, the Ministry of Economy and Finance launched the following programs to face the economic crisis that has been affecting some sectors as a result of the State of National Emergency due to COVID-19:

#### **(i) Reactiva Peru I and II Program**

Government guarantee to finance the replacement of the working capital funds of companies that face payments and short-term obligations with their workers and suppliers of goods and services as a result of the spread of COVID-19 in the national territory. The mechanism consists of granting the guarantee of the Government to the entities of the local financial system which lend loans in local currency to customers that apply to this program.

The credits lend under this program have a term of 36 months, including a 12 month grace period. The interest generated during the grace period must not be capitalized and will be charged in a straight-line basis during the remaining term from month 13. Interest rates are established through the auction method.

The guarantees cover between 80% and 97% of the loans, depending on the amount of the loan, if the financial entities comply with the requirements of the Program.

The funds of this Program are auctioned by the BCRP, for the equivalent of the guaranteed amount. For this, repo operations for the sale of the loan portfolio are agreed with a commitment to buy it back at a later date. The cost of funds provided by the BCRP is 0.5%.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, the Bank and CrediScotia reported loans under the Reactiva Peru program for S/ 4,380,031 and S/ 5,396,224, thousand, respectively, which have, in average, a coverage ratio of 93%, and 89%, respectively (note 8).

The guarantees related to this Program have a risk weighting factor of 0% because it corresponds to a coverage provided by the Central Government. In case the loans granted under this Program become delinquent, and the Bank decides to honor the guarantee, the Peruvian Government, through Corporación Financiera de Desarrollo (hereinafter COFIDE), will pay the credit to the BCRP and will subrogate it in favor of the Bank. Subsequently, the Bank will continue with the collection efforts and must pay COFIDE maintaining the coverage ratio.

On June 2021, the counting of days of arrears in the payment of credits under this program was suspended, therefore the accounting situation in that month did not deteriorate. The counting of days was restarted on July 1, 2021, in the case of credits that were not rescheduled, the restart of the count is from the oldest unpaid installment.

### **(ii) Fondo de Apoyo Empresarial (Business Support Fund) - FAE I and II**

Focused on guarantee replacement of working capital funds; and rescheduled, restructuring and refinancing of loans, of micro-business segment customers, which are lend by the entities of the local financial system.

The guarantees under the FAE-MYPE have a risk weight of 0% for the part of loans covered by the program, since it corresponds to a coverage provided by the Peruvian government. If a loan is past due under the FAE-MYPE, the guarantee is activated in honoring such guarantee. Accordingly, the Peruvian government shall assume the part of loans covered by the FAE-MYPE. CrediScotia is responsible for the collection management of this loan portfolio, ensuring the refund corresponding to the amount received under the FAE-MYPE.

As of September 30, 2021, CrediScotia reported loans under the FAE-MYPE I, II and III for S/ 18,073 thousand, S/ 17,658 thousand and S/ 7,406 thousand, respectively which have an average coverage ratio of 87%, (as of December 31, 2020, for S/ 134,370 thousand, S/ 21,387 thousand and S/ 8,227 thousand, respectively and average coverage ratio of 87%), see note 8.

### **(iii) Fondo Crecer**

Fund created to promote the strengthening of Micro-business loans, Small-business loans and Medium-business loans companies through hedging, credit and investment instruments.

In the event the credits granted under this Program become delinquent and the Bank decides to honor the guarantee granted by the National Government, COFIDE will deliver to the Bank the amount covered. Subsequently, the Bank continues with the collection management and must pay COFIDE the corresponding equivalent based on the agreed coverage.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, the Bank reported loans under Fondo Crecer for S/ 157,596 thousand and S/ 48,939 thousand, respectively which have a coverage ratio of 67% and 68%, respectively.

### **(iv) Repurchase agreements with guarantee of the Peruvian Government represented in securities - Portfolio Repos**

Program in which the participating entities (EP) being able to sell loan portfolio represented in securities to BCRP, in exchange of funds in national currency, and they are obliged, in the same act, to repurchase this portfolio on a future date, against the payment of national currency (amount of repurchase). Credits that are part of this guarantee, must not be included in any other program with Peruvian Government guarantees.

BCRP will disburse in the current account that the EP maintains at the BCRP.

At September 30, 2021, the Bank has a loan portfolio of S/ 587,245 thousand to secure this program (at December 31, 2020, the Bank had not been involved in this Program), note 17 a.

### **Loan portfolio classification**

The Bank and CrediScotia classify the loan portfolio as: Wholesale Banking (corporate, large-business and medium-business loans) and Retail Banking (small-business, micro-business, revolving, non-revolving and mortgage loans). The CRAC only classifies its loan portfolio as Retail Banking. These classifications consider nature of the client (corporate, government or individual), purpose of loan, business size measured by revenue, debts, among other qualitative and quantitative indicators.

### **Credit risk rating**

Credit risk rating established by the SBS are as follows: Standard, Potential Problems, Substandard, Doubtful, and Loss, which are assigned according to the guidelines established in SBS Resolution 11356-2008 and amendments.

For Wholesale portfolio, the Bank and CrediScotia mainly consider debtor's ability to pay, cash flows, level of compliance with obligations, rating designated by other financial agencies, financial position, and management quality. For Retail portfolio, including the CRAC, rating is mainly based on the level of compliance with payment of loans, which is reflected in the delays and defaults, and in the rating assigned by financial agencies, if rating alignment is applicable. Retail portfolio is classified through an automatic rating process. The Bank and CrediScotia have included in the automatic rating process those loans granted to wholesale debtors with loans amounting up to US\$ 100 thousand.

### **Provisions for loan losses**

According to current SBS regulations, the Bank, CrediScotia and CRAC determine general and specific provisions for loan losses. The general provision is recorded in a preventive manner for debtors rated as "standard," which is calculated on its direct loans, credit risk equivalent of indirect loans and, additionally, a procyclical component is recorded when activated by the SBS. The specific provision is recorded for direct loans and credit risk equivalent of indirect loans of debtors rated in a risk rating higher than "standard."

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The credit risk equivalent to indirect loans is determined by multiplying indirect loans by the different types of Credit Conversion Factors (CCF), as follows:

Description	CCF (%)
(i) Confirmation of irrevocable letters of credit for up to one year, when the issuing bank is a tier 1 foreign financial institution.	20
(ii) Issuance of letters of guarantee supporting obligations to do or not to do.	50
(iii) Issuance of guarantees, import letters of credit and those not included in the previous items, as well as banker's acceptance.	100
(iv) Undisbursed, approved loans and unused credit lines.	-
(v) Others not considered in the previous items.	100

Provision requirements are determined by considering the risk rating of the debtor, whether it is secured by collaterals, and depending on the type of collateral.

The Bank, CrediScotia and CRAC apply the following percentages to determine provisions for loan losses:

Risk rating	%			
	No collateral	Preferred collateral	Preferred easily realizable collaterals	Self-liquidating preferred collateral
Standard				
Corporate loans	0.70	0.70	0.70	0.70
Large-business loans	0.70	0.70	0.70	0.70
Medium-business loans	1.00	1.00	1.00	1.00
Small-business loans	1.00	1.00	1.00	1.00
Micro-business loans	1.00	1.00	1.00	1.00
Consumer loans (*)	1.00	1.00	1.00	1.00
Mortgage loans	0.70	0.70	0.70	0.70
Potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

(\*) Including revolving and non-revolving loans.

### Procyclical component

Percentages of procyclical component to calculate the provisions for direct loans and credit risk equivalent of indirect loans of debtors rated as "standard" are as follows:

Type of loan	Procyclical component %
Corporate loans	0.40
Large-business loans	0.45
Medium-business loans	0.30
Small-business loans	0.50
Micro-business loans	0.50
Revolving loans	1.50
Non-revolving loans	1.00
Mortgage loans	0.40



## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Procyclical component of corporate, large-business and mortgage loans with self-liquidating preferred collaterals is 0.3%. Procyclical component of all other types of loans with self-liquidating preferred collaterals is 0% for the portion hedged by such collaterals.

Procyclical component of consumer loans with payroll deduction agreements is 0.25%.

According to the SBS, financial institutions shall establish a credit risk management system that allows reducing risks before and after loan granting, perform a continuous monitoring of loan portfolio in order to identify debtors with debts, including a regular assessment of control mechanisms used and corrective measures or required improvements, as appropriate. Entities that do not comply with SBS regulations shall, for provision purposes, calculate the credit risk equivalent by applying a 20% factor to the unused amount of revolving credit lines for micro-business, small-business and consumer loans. For the credit risk equivalent, provision rates established in the "Regulation on Debtor Rating" shall be applied.

In this regard, the amount of revolving credit lines used in the aforementioned calculation shall correspond to the last approved amount reported to the client. Additionally, those entities that do not comply with SBS regulations shall establish an additional general provision of 1% on direct loan. This provision will be applicable to direct consumer (revolving and non-revolving) loans and micro-business loans and/or small-business loans of the clients rated as "standard," as applicable.

The SBS can activate or deactivate the application of the procyclical component if the average annual percentage of the Gross Domestic Product (GDP) is above or below 5%, respectively.

Likewise, other conditions for activation or deactivation are set out in Appendix I of SBS Resolution 11356-2008. The application of the procyclical component was activated between December 2008 and August 2009, and between September 2010 and October 2014. From November 2014, it is deactivated.

The SBS has established that during the deactivation of the procyclical component, financial institutions cannot, under any circumstance, generate profits from the reversal of such provisions, which should only be used to determine mandatory provisions.

### ***Provision for rescheduled loans***

SBS Resolution 3155-2020, dated December 17, 2020, established the following requirements for measuring provisions for rescheduled loans as a result of the COVID-19:

- Rescheduled consumer, micro-business and small-business loans of debtors classified as standard risk category are considered debtors with a credit rating greater than standard; thus, they are classified as a potential problems risk category. Accordingly, the entity shall recognize a specific provision for loans classified as Potential Problems.
- Accrued interest receivable from the rescheduled loans mentioned in the previous paragraph, which are in a current accounting situation, in which the debtor has not made the payment of at least one full installment, including capital, in the last six months to the closing of the accounting information, a provision requirement corresponding to the substandard risk category will be applied.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

These requirements do not have an effect on the risk rating of the debtors. Likewise, it established that the uncollected accrued interest on the loan rescheduling date, recognized as income and capitalized as a result of the loan rescheduling, shall be reversed and recorded as deferred income over the rescheduled loan term and upon payment of the loan installments.

This Resolution is not applicable for agricultural loans or loans under any government schemes.

The modifications issued in the Resolution are included in the consolidated interim financial statements as of September 30, 2021 and December 31, 2020.

### F. Intermediation services carried out by third parties

The SAB carries out intermediation services on behalf of third parties.

Transfer of funds made by clients for purchase/sale transactions in the stock market and over-the-counter market result in items of the consolidated interim statement of financial position only if they comply with asset's concept (accounts receivable) and liability's concept (accounts payable); otherwise, such balances are recorded in control accounts.

An account receivable or payable is only recognized if it has not yet been settled upon maturity or if the SAB, due to any operating issue, does not have the funds transferred by the third party. However, since it is a solvent entity, funds are hedged by the SAB with an amount equivalent to the acquisition of securities acquired through a loan that is regularized almost immediately.

Since the SAB only manages funds from third parties as a trustee, it cannot use these resources and there is a commitment to refund them to the third parties. These resources do not belong to the entity and are accounted in control accounts.

Unsettled transactions by CAVALLI are recorded in suspense accounts, until corresponding collection or payment.

### G. Property, furniture and equipment

Property, furniture and equipment are recorded at the historical acquisition cost, less accumulated depreciation and impairment losses. Expenses incurred subsequent to the acquisition of property, furniture and equipment are recognized as assets only when it is probable that future economic benefits associated with the asset will flow to the Scotiabank Group, and cost of assets can be measured reliably.

Repair and maintenance expenses are recorded in profit or loss for the year in which they are incurred. Work-in-progress and goods in-transit are recorded at acquisition cost. These assets are not depreciated until relevant assets are finished and/or received and are in operating condition.

Depreciation is calculated based on the straight-line method to allocate the cost over the asset's estimated useful life as follows:

	<b>Years</b>
Property and premises	Between 30 and 10
Furniture, fixture and IT equipment	Between 10 and 4
Vehicles	Between 5 and 8

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Cost and accumulated depreciation of assets disposed of or sold are eliminated from their respective accounts, and any resulting gain or loss is included in profit or loss for the year in which they are incurred.

### **H. Realizable, received as payment and repossessed assets**

Realizable assets include assets acquired specifically to be granted as finance leases, which are initially recorded at acquisition cost. Also, realizable assets not granted as finance leases, including recovered assets, are recorded at the lower of its cost or market price.

Realizable, received as payment and repossessed assets (note 14) are regulated by SBS Resolution 1535-2005 and amendments. This caption mainly includes property, plant and equipment received as payment for loan losses, and are initially recorded at the lower of judicial, extrajudicial, recovery or estimated market price, or value of outstanding debt.

According to current regulation, the accounting treatment to record provisions for this type of assets is as follows:

- Realizable assets, received as payment and repossessed assets are initially recorded at carrying amount and, simultaneously, a provision equivalent to 20% of the cost is recognized. If the net realizable value shown in the appraisal report demonstrates that the asset is impaired by a percentage higher than 20%, the required initial provision shall be recorded at an amount effectively impaired.
- As from the first month of asset's repossession or recovery, the Bank records a monthly provision for personal property equivalent to 1/18 of the carrying amount of assets less the aforementioned initial provision. Regarding assets that have not been sold or leased within a one-year term and that do not have the extension established in the Banking Law, the provision shall be completed up to 100% of the value upon repossession or recovery less the provision for impairment loss upon maturity date.
- A provision shall be recorded for real estate that has not been sold or leased within a one-year term from its recovery or repossession. This provision shall be a uniform monthly provision over a term of three and a half years until there is a 100% provision of the net carrying amount obtained in the eighteenth or twelfth month, depending on whether there is an extension approved by the SBS, respectively.

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

Appraisal reports of real estate may not be aged over a year.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **I. Impairment of non-financial assets**

When events or circumstantial economic changes indicate that the value of long-lived assets might not be recoverable, management reviews at each date of consolidated interim statement of financial position the carrying amount of these assets to determine if there is an impairment. When the asset's carrying amount exceeds its recoverable amount, the Scotiabank Group recognizes an impairment loss in the consolidated interim statement of profit or loss by an amount equivalent to the excess in the carrying amount, net of tax effects. The recoverable amount is estimated for each asset or, if not possible, for each cash-generating unit (CGU).

The recoverable amount of a long-lived asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell of a long-lived asset or cash-generating unit is the amount resulting from an arm's length sale transaction between knowledgeable parties, less corresponding costs to sell. Value in use is the present value of expected future cash flows arising from an asset or a cash-generating unit.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows (cash-generating unit) from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss on goodwill is determined by assessing the recoverable amount for each cash-generating unit or group of cash-generating units to which the goodwill relates.

As of September 31, 2021 and December 31, 2020, the Scotiabank Group did not recognize impairment losses on non-financial assets.

### **J. Intangible assets**

Intangible assets are mainly related to: (i) the exclusive agreement and brand name from the acquisition of the subsidiary, CRAC, which are amortized on a straight-line basis over 15 years (agreement term); and (ii) the acquisition and development of software, which are amortized on a straight-line basis over 3 years. Likewise, they include amortized costs from CrediScotia's business and are amortized during the contract term in which they are originated.

Software development and maintenance costs are recognized in profit or loss when they are incurred. However, costs that are directly related to a single and identifiable software, that are under management's control, and that will give future economic benefits higher than the asset's cost in a period exceeding one year are considered as intangible assets. Direct costs related to software development include personnel costs of the development team and a pro-rata of general expenses.

### **K. Goodwill**

Goodwill is related to the higher value paid between the acquisition cost over the identifiable fair values of a subsidiary or an associate, and the acquisition of equity spin-off from Citibank del Perú S.A. (note 11).

Business acquisitions are recorded using the purchase accounting method. This means, measuring identifiable assets of the acquired entity at fair value. Any excess between the acquisition cost and the fair value of net identifiable assets is recognized as goodwill.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

When the purchase agreement foresees price adjustments based on the compliance with some future assumptions and, on initial recognition, its occurrence is not probable or its value cannot be reliably estimated, this adjustment is not included in the acquisition cost. If, subsequently, such adjustment becomes probable and can be reliably estimated, the additional amount will be treated as an adjustment to the acquisition cost.

Goodwill has an indefinite useful life and the Scotiabank Group carries out a goodwill impairment testing annually or more frequently when there are sales or changes in circumstances indicating that goodwill balance might not be recoverable.

### **L. Securities, bonds and outstanding obligations**

It comprises liabilities from the issuance of redeemable subordinated bonds and corporate bonds, which are measured at amortized cost using the effective interest method. Discounts granted or income generated during the loan disbursement are amortized during the instrument term.

Interest is recognized in the consolidated interim statement of profit or loss when accrued.

### **M. Provisions and contingencies**

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

A provision is recognized when the Scotiabank Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and it is possible to reliably estimate its amount. Provisions are reviewed and adjusted in each reporting period to reflect the best estimates as of the date of the consolidated interim statement of financial position.

Provision for length-of-service compensation (CTS, for its Spanish acronym) is calculated according to current regulation, on the total employees' indemnities and should be paid, in May and November annually, through deposits in authorized financial institutions as chosen by them. The calculation is made for the amount that should be paid as of the date of the consolidated interim statement of financial position and is included in 'provision for fringe benefits.' It is recognized in the consolidated interim statement of financial position in 'other liabilities.'

#### ***ii. Contingencies***

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

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

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **N. Share capital**

Common shares are classified as equity. Preference shares, if any, are recorded as other debt instruments. The difference between the redeemable amount of preference shares and the shares' par value is recorded in equity. Dividends on preference shares are recorded as liabilities and charged to profit or loss for the year. As of September 30, 2021 and December 31, 2020, the Scotiabank Group does not hold outstanding preference shares.

### **O. Income tax**

Current tax is determined based on the taxable income and recorded independently according to tax law applicable to the Bank and each entity that is part of the Scotiabank Group (note 27).

Deferred tax is recorded using the liability method based on temporary differences derived from tax accounting of assets and liabilities, and their balances in the financial statements of each entity of the Scotiabank Group. Also, it is determined applying the current tax laws and tax rates as of the estimated date in which the deferred tax asset is realized or the deferred tax liability is settled (note 28).

Deferred tax assets and liabilities are recognized excluding the estimated date in which the temporary differences will disappear. Deferred tax assets are recognized only if it is probable that future tax benefits will be available against which the deferred tax asset can be used.

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 *Income Taxes* when there is uncertainty over income tax treatments assumed by the Scotiabank Group in determining income tax. Previously, the IFRIC clarified that the accounting treatment used when there is uncertainty over income tax treatments is under IAS 12 and not under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Likewise, IFRIC 23 explains how to recognize and measure current and deferred tax assets and liabilities when there is uncertainty over income tax treatments. An uncertain tax treatment is a tax treatment for which there is uncertainty over whether the Tax Authorities will accept the tax treatment. IFRIC 23 covers all aspects that may be affected by an uncertain tax treatment; this means, an uncertain tax treatment that may affect the determination of taxable profit (tax loss), tax bases, unused tax credits and tax rates (note 27).

### **P. Employees' profit sharing**

The Scotiabank Group recognizes a liability and an expense for employees' profit sharing equivalent to 5% of taxable income determined in accordance with current tax law (note 29).

### **Q. Income and expense recognition**

Interest income and expense are recognized in profit or loss for the year on an accrual basis, depending on the term of the generating transactions and the interest rate agreed upon with the clients. Fees for banking services are recognized as profit or loss when earned.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

SBS Resolution 7036-2012 establishes that income from fees of indirect loans shall be recognized on an accrual basis during the term of such indirect loans. Likewise, fees and expenses for formalization of loans, as well as opening, analysis and assessment of direct and indirect loans, are recognized as profit or loss on an accrual basis within the contract term.

When management considers that there are reasonable uncertainties about the payment of the loan's principal, the Bank, CrediScotia and CRAC suspend the recognition of interest in profit or loss. Interest in suspense is recorded in suspense accounts and recognized as earned when collected. If management determines that the debtor's financial position has improved and uncertainty on principal recoverability is no longer present, interest is recorded on an accrual basis again.

Interest income includes return on fixed-income investments and trading securities, as well as recognition of discounts and premiums on financial instruments. Dividends are recorded as profit or loss when declared.

Fees for intermediation services from securities acquisition and sale on the stock market are recorded in 'financial service income' when these transactions have been performed through generation and acceptance of transaction policies by clients.

Sales revenue from securities and their cost are recognized when all risks and rewards of ownership have been transferred and it is probable that economic benefits associated to the transaction will flow to the SAB. They are recorded in 'other income, net' in the consolidated interim statement of profit or loss. Dividends are recorded when declared.

Income from compensation for funds managed by the SAF is measured daily at a percentage of the assets of each fund.

Income from fees for redemption of shares is recognized as profit or loss when such redemption is carried out.

Fees for asset management services are recognized in profit or loss of the year in which the service is rendered and accrued.

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

### **R. Repurchase agreements**

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

The Bank recognizes the cash received and a liability recorded in 'Provisions and Other Liabilities' to refund such cash at maturity. Also, it will make the reclassification of securities subject to the transaction in accordance with SBS regulations. Accounting records of returns will depend on the agreements between the parties. The difference between the final amount and initial amount will be recognized as an expense against a liability within the transaction term using the effective interest method.

As of September 30, 2021 the Bank maintains repurchase agreements of securities and loan portfolio (repurchase agreements of securities and foreign currency as of December 31, 2020), see note 6, 7 and 17.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### S. Consolidated interim statement of cash flows

For presentation purposes on this consolidated interim financial statement, as of September 31, 2021 and 2020, the balances of 'cash and due from banks' and 'interbank funds' of assets were considered as cash and cash equivalents, except for the restricted cash and due from banks for compliance with repurchase agreements with the BCRP, funds held at accounts opened at the BCRP for the normal processing of instant transfers under Official Letter 0030-2020-BCRP, and reserve funds for compliance with contractual commitments with foreign financial institutions (note 6.C).

### T. Trust funds

Assets and income from trust fund transactions, where there is a liability to return the assets to the clients, and the Bank and Titulizadora act as trustees, are not included in the consolidated interim financial statements since they belong to neither the Bank nor Titulizadora. They are recorded in suspense accounts for corresponding control. Fees for those activities are included in 'financial service income' (note 23).

### U. Foreign currency transactions and balances

Foreign currency transactions are those transactions carried out in a currency other than the sol. Foreign currency transactions are translated into sol using current exchange rates established by the SBS at transaction date (note 5). Exchange gains or losses resulting from the payment of such transactions and from the translation of monetary assets and liabilities stated in foreign currency at exchange rates ruling at the end of the reporting period are recognized in the consolidated interim statement of profit or loss.

### V. New accounting pronouncements

#### i. ***New accounting pronouncements not early adopted***

The following new standards, amendments and interpretations have been issued or adapted by the IASB, but are effective for annual periods beginning on or after January 1, 2021. However, the Group has not adopted them in preparing these consolidated interim financial statements since does not plan to early adopt such standards. Those that might be relevant to the Scotiabank Group are detailed below:

<b>Amendments to IFRSs</b>	<b>Effective date</b>
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022 to existing contracts on the adoption date. Early adoption is permitted.
Annual Improvements to IFRS Standards 2018-2020	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	Effective date was indefinitely deferred.
Reference to the Conceptual Framework (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.



## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **ii. Resolutions and regulations issued by the CNC and the Peruvian Securities Market Regulator (SMV) concerning the approval and adoption of IFRSs in Peru**

As of the date of the consolidated interim financial statements, the CNC through:

- Resolution 001-2020-EF/30, dated July 17, 2020 made official the amendments to IAS 1 *Presentation of Financial Statements*, the 2020 edition of IFRSs that includes the *Conceptual Framework for the Financial Reporting* and IFRS 16 *Leases (COVID-19-Related Rent Concessions)*.
- Resolution 002-2020-EF/30, dated September 10, 2020, made official the amendments to IAS 16 *Property, Plant and Equipment*, IFRS 3 *Business Combinations*, IFRS 4 *Insurance Contracts*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments* and IAS 41 *Agriculture*.

As indicated in note 3.A, the standards and interpretations described in i) and ii) above, will only be applicable to the Bank, CrediScotia and CRAC in the absence of applicable SBS regulations for situations not included in the Accounting Manual. Management has not determined their effect on the preparation of its consolidated financial statements since those standards have not been adopted by the SBS.

### **iii. IFRS issued and current in Perú as of September 30, 2021**

#### **Clarifications to the application of IFRS 16 Leases**

Through Official Letter 467-2019-SBS, dated January 7, 2019, the SBS stated that IFRS 16 *Leases* shall not be applied to supervised entities until the corresponding provisions are established; therefore, supervised entities shall continue to apply IAS 17 *Leases*.

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

- Multiple Official Letter N° 13613-2021-SBS dated March 16, 2021 Supplementary Prudential Measures Related to the National State of Emergency (SD No. 044-2020-PCM):
  - (i) Unilateral rescheduling can be carried out, only if the client has made the payment of one installment that includes principal and interest during the last 6 months. The schedule cannot be extended for more than 3 months. Likewise, it establishes that interest must be recognized under cash basis criteria. If a unilateral rescheduling is granted without the client having made any payment, additional voluntary provisions must be made on the loans classified as "Standard" and with "Potential problems", assuming they have the classification of "Substandard" loans.
  - (ii) Additionally, rescheduling would be allowed for revolving loans of consumer credit cards with a grace period. It only applies if the total payable of the period or the total amount owed is rescheduled.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- Multiple Official Letter N° 6302-2021-SBS dated February 5, 2021 Supplementary Prudential Measures Related to the National State of Emergency (SD No. 044-2020-PCM) It is possible to continue rescheduling loans within the framework of COVID-19, after an individual evaluation of the customer's payment capacity and recognizing the interests associated on the accrual basis criteria. However, the accrued interest not collected at the rescheduling date, which was capitalized as a result of the rescheduling, and was previously recognized as income, must be reversed and recorded as deferred income; subsequently can be recognized as income based on the cash basis criteria.
- Multiple Official Letter N° 8390-2021-SBS, dated February 16, 2021. Details on the interest rate swaps with the BCR within the framework of Circular N° 0035-2020-BCRP.
- Multiple Official Letter N° 31933-2021-SBS dated June 30, 2021. Rescheduling of loans granted under "Reactiva Perú" Program. The counting of days of arrears of credits under this program were suspended since July 1, 2021. For loans that were not rescheduled, the restart of the counting of days is from the oldest unpaid installment.
- Multiple Official Letter 32591-2021, Precisions on rescheduling of loans secured by the Fondo de Apoyo Empresarial a la MYPE (FAE-MYPE), issued on July 5, 2021:

This directive contains clarifications related to the accounting of rescheduling of the loans secured by the Fondo de Apoyo Empresarial a la MYPE - FAE-MYPE, which should be stated in control accounts.

- Resolution 2451-2021 Minimum procedures for the management, classification, reporting and provision recording for disputes, issued on August 20, 2021.

This resolution sets minimum procedures to manage disputes between regulated entities, including classifications of "probable", "possible" and "remote". Additionally, the provisions made should be disclosed in notes to the annual and interim financial statements, in accordance with the disclosure requirements under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

## 5. Foreign Currency Balances

The consolidated interim statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US\$), which are recorded in soles (S/) at the exchange rate established by the SBS. As of September 30, 2021 and December 31, 2020, the exchange rate was US\$1 = S/ 4.134 and US\$1 = S/ 3.621, respectively.

Local foreign currency transactions and foreign trade transactions referred to the concepts authorized by the BCRP are channeled through a free banking system. As of September 30, 2021, buy and sell exchange rates used were US\$ 1 = S/ 4.132 and US\$ 1 = S/ 4.136, respectively (US\$ 1 = S/ 3.618 buy and US\$ 1 = S/ 3.624 sell as of December 31, 2020).

## Scotiabank Perú S.A.A. and Subsidiaries

### Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020 foreign currency balances stated in thousands of U.S. dollars are as follows:

<i>In thousands of</i>	09.30.2021			12.31.2020		
	U.S. dollars	Other currencies	Total	U.S. dollars	Other currencies	Total
<b>Assets</b>						
Cash and due from banks	2,592,006	24,302	2,616,308	2,358,018	20,846	2,378,864
Interbank funds	-	-	-	25,000	-	25,000
Investments at fair value through profit or loss and available-for-sale investments	391,900	-	391,900	687,134	-	687,134
Loan portfolio, net	3,425,745	-	3,425,745	3,636,443	-	3,636,443
Held-for-trading and hedging instruments	12,168	-	12,168	19,786	-	19,786
Accounts receivable, net	16,544	-	16,544	22,738	-	22,738
Other assets, net	8,047	2,016	10,063	35,323	528	35,851
	<b>6,446,410</b>	<b>26,318</b>	<b>6,472,728</b>	<b>6,784,442</b>	<b>21,374</b>	<b>6,805,816</b>
<b>Liabilities</b>						
Deposits and obligations and other	4,833,163	43,742	4,876,905	5,019,671	38,367	5,058,038
Interbank funds	-	-	-	30,011	-	30,011
Borrowings and debts	3,192,197	-	3,192,197	3,119,596	-	3,119,596
Held-for-trading and hedging instruments	9,184	-	9,184	23,942	-	23,942
Other liabilities	87,991	2,816	90,807	28,310	4,749	33,059
	<b>8,122,535</b>	<b>46,558</b>	<b>8,169,093</b>	<b>8,221,530</b>	<b>43,116</b>	<b>8,264,646</b>
<b>Net liability position in the consolidated statement of financial position</b>	<b>(1,676,125)</b>	<b>(20,240)</b>	<b>(1,696,365)</b>	<b>(1,437,088)</b>	<b>(21,742)</b>	<b>(1,458,830)</b>
<b>Derivative financial instruments</b>	<b>1,716,578</b>	<b>20,853</b>	<b>1,737,431</b>	<b>1,483,203</b>	<b>21,992</b>	<b>1,505,195</b>

During the nine-month period ended in September 30, 2021 and 2020, the Scotiabank Group recorded net exchange loss on foreign amounting to S/ 431,077 thousand and gains net S/ 102,975 thousand, respectively, in 'income from financial transactions' in the consolidated statement of profit or loss (note 24).

As of September 30, 2021, the Scotiabank Group has contingent foreign currency transactions for S/ 57,543,774 thousand equivalent to US\$ 13,919,636 thousand (S/ 58,507,933 thousand equivalent to US\$ 16,157,949 thousand as of December 31, 2020).

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**6. Cash and Due from Banks**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
Cash (a)	1,916,847	1,398,734
Deposit with Central Bank (a)	9,285,766	14,026,036
Local banks and other financial institutions (b)	86,261	73,806
Foreign banks and other financial institutions (b)	659,783	310,126
Clearing	29,773	18,230
Restricted cash and due from banks (c)	509,684	1,674,168
Other cash and due from banks	203	165
	<b>12,488,317</b>	<b>17,501,265</b>

- (a) As of September 30, 2021, funds held in cash and deposits with the BCRP include US\$ 823,182 thousand and S/ 911,354 thousand (US\$ 1,820,342 thousand and S/ 1,226,399 thousand as of December 31, 2020), which are intended for hedging the reserve requirement that the Bank, CrediScotia and CRAC shall hold for deposits and obligations according to the limits established by current regulation. These funds are deposited with the BCRP and in the financial institutions' vaults.

Cash reserves held at the BCRP do not accrue interest, except for the amount in local and foreign currency that exceeded the minimum cash reserve. As of September 30, 2021, it did not generate interest for the excess of the minimum cash reserve in local and foreign currency (in local and foreign currency, annual effective interest rate of 0.02% as of December 31, 2020).

As of September 30, 2021, balance in the BCRP includes 'overnight' transactions for US\$ 1,513,200 thousand and S/ 190,000 thousand, which accrued interest at a nominal annual rate of 0.05% and 0.85%, respectively (US\$ 22,400 thousand and S/ 6,300,000 thousand at a nominal annual rate of 0.13% and 0.15%, respectively, as of December 31, 2020).

- (b) Deposits with local and foreign banks mainly correspond to balances in soles and U.S. dollars, and lower amounts in other currencies. They have free withdrawal option and accrue interest at market rates. As of September 30, 2021, deposits with foreign banks comprise deposits held at the Bank of Nova Scotia for CAD 67 thousand (CAD 237 thousand as of December 31, 2020).

As of September 30, 2021 and December 31, 2020, the Scotiabank Group concentrates 88% and 95% of its deposits in five foreign financial institutions.

- (c) As of September 30, 2021, restricted cash and due from banks comprises:
- i) Funds to fulfill foreign currency repurchase commitments with the BCRP by US\$ 439,442 thousand as of December 31, 2020 (note 17.a); ii) funds held at accounts opened at the BCRP for the normal processing of instant transfers under Official Letter 0030-2020-BCRP for US\$ 1,653 thousand and S/ 28,748 thousand (US\$ 4,394 thousand and S/ 60,658 Thousand as of December 31, 2020); iii) reserve funds for compliance with contractual commitments with foreign financial institutions for US\$ 113,292 thousand (US\$ 290 thousand as of December 31, 2020); iv) guarantee funds for lawsuits against the Bank for US\$ 8 thousand and S/ 126 thousand (US\$ 258 thousand and S/ 126 thousand as of December 31, 2020); and v) other restrictions for US\$ 1,082 thousand and S/ 1,095 thousand (US\$ 987 thousand and S/ 1,544 thousand as of December 31, 2020).

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

During the nine-month period ended September 30, 2021 and 2020, interest income from cash and due from banks amounted to S/ 4,899 thousand and S/ 24,188 thousand, respectively. It is recorded in 'interest income' in the consolidated interim statement of profit or loss (note 21).

**7. Investments at Fair Value Through Profit or Loss and Available-for-Sale**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
<b>Investments at fair value through profit or loss</b>		
BCRP readjustable certificates of deposit (a)	1,617,664	2,485,970
Peruvian treasury bonds (b)	137,768	40,776
Corporate bonds (c)	26,274	8,572
Interests in mutual funds (d)	7,297	7,211
	<b>1,789,003</b>	<b>2,542,529</b>
<b>Available-for-sale investments</b>		
BCRP certificates of deposit (e)	2,989,768	4,419,909
Peruvian treasury bonds (b)	1,859,733	1,821,255
Unlisted securities (f)	4,510	5,232
Listed securities	757	783
Other interests, net	18	18
	<b>4,854,786</b>	<b>6,247,197</b>
<b>Total investments at fair value through profit or loss and available-for-sale investments</b>	<b>6,643,789</b>	<b>8,789,726</b>

- (a) BCRP readjustable certificates of deposit are freely negotiable securities in foreign currency. They are acquired through the BCRP public bids and traded in the Peruvian secondary market. These certificates are subject to a readjustment based on the changes in the exchange rates between the issue date and the maturity date. As of September 30, 2021, these certificates accrue annual interest from 0.24% to 0.60% and mature between October and November 2021. As of December 31, 2020, these certificates accrued interests between 0.03% and 0.25% and matured between January and March 2021.
- (b) Peruvian treasury bonds correspond to sovereign bonds issued in local currency by MEF and represent internal public debt instruments of the Republic of Peru. As of September 30, 2021, these bonds accrue interest at annual rates ranging from 1.58% to 7.37% (from 0% to 5.60% as of December 31, 2020) with maturities between September 2023 and February 2042 (between September 2023 and February 2055 as of December 31, 2020). Likewise, as of September 30, 2021, the Bank maintains S/ 329,074 thousands of Peruvian Treasury Bonds granted in repurchase agreements, see note 17 a.
- (c) Corresponds to corporate bonds issued in local currency by Mi Vivienda Fund. As of September 30, 2021, these bonds accrue interest at an annual rate of 2.40% (2.89% as of December 31, 2020) and mature in February 2024 (settled in March 2021 as of December 31, 2020).

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- (d) As of September 30, 2021, the Scotiabank Group holds interests in mutual funds in local and foreign currency for S/ 6,466 thousand and US\$ 213 thousand, respectively (S/ 6,449 thousand and US\$ 211 thousand as of December 31, 2020).
- (e) BCRP certificates of deposit are freely negotiable securities in local currency. They are acquired through the BCRP public bids and traded in the Peruvian secondary market. As of September 30, 2021, these certificates accrue interest based on the BCRP reference rate from 0.28% to 2.38% annually (from 0.25% to 2.66% annually as of December 31, 2020) with maturities between October 2021 and January 2023 (between January 2021 and January 2023 as of December 31, 2020). Likewise, as of September 30, 2021, the Bank does not maintain BCRP certificates of deposits which are granted in repurchase agreements on which their immediate availability cannot be exercised (maintained S/ 185,998 thousand as of December 31, 2020).
- (f) As of September 30, 2021 and December 31, 2020, it includes S/ 717 thousand (net of S/ 3,080 thousand of a provision for impairment loss), corresponding to shares held by CrediScotia in Pagos Digitales Peruanos S.A., equivalent to 2.07% of share capital.

As of September 30, 2021 and 2020, the accrued interest on investments managed by the Scotiabank Group amounted to S/ 62,239 thousand and S/ 139,394 thousand, respectively. It is recorded as 'interest income' in the consolidated interim statement of profit or loss (note 21). Likewise, as of September 30, 2021 and 2020, the Scotiabank Group generated net gains on sale of available-for-sale investments for S/ 26,120 thousand and S/ 135,640 thousand, respectively (note 24).

As indicated in note 18.F, as of September 30, 2021, the Scotiabank Group generated net unrealized losses on valuation of available-for-sale investments for S/ 302,533 thousand (net unrealized gains for S/ 87,221 thousand as of September 30, 2020).

As of September 30, 2021 and December 31, 2020, maturities of investments at fair Value through profit or loss and available-for-sale investments are the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
Up to 3 months	3,891,389	5,605,299
From 3 to 12 months	694,412	1,278,130
More than 1 year	2,057,988	1,906,297
	<b>6,643,789</b>	<b>8,789,726</b>

## 8. Loan Portfolio, Net

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b>		<b>12.31.2020</b>	
<b>Direct loans (a)</b>					
Current loans					
Loans		38,529,195	66%	32,645,786	60%
Mortgage loans		8,517,376	14%	7,557,962	14%
Finance lease		2,901,010	5%	3,203,649	6%
Credit cards		2,786,601	5%	5,087,270	9%
Factoring		1,461,906	2%	1,100,521	2%
Discounts		655,256	1%	475,018	1%
Overdrafts and advances in checking accounts		45,419	-	40,901	-
Refinanced loans		1,938,187	3%	1,287,491	2%
Past-due loans		1,329,339	2%	2,427,635	4%
Lawsuit loans		1,201,844	2%	1,103,178	2%
		<b>59,366,133</b>	<b>100%</b>	<b>54,929,411</b>	<b>100%</b>

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

In thousands of soles	Note	09.30.2021		12.31.2020	
<b>Plus (less)</b>					
Accrued interest on current loans		291,884	-	348,895	-
Non-accrued interest		(32,177)	-	(99,576)	-
Provision for loan losses	8.(b)	(4,026,598)	-	(5,374,713)	-
		<b>55,599,242</b>	<b>-</b>	<b>49,804,017</b>	<b>-</b>
<b>Indirect loans</b>	<b>20</b>	<b>10,802,034</b>	<b>-</b>	<b>11,595,244</b>	<b>-</b>

As of September 30, 2021 and December 31, 2020, 51% of the loan portfolio (direct and indirect loans) was concentrated in 519 and 462 clients, respectively.

The loan portfolio (direct and indirect loans) is mainly secured by collaterals received from clients, which mainly comprise mortgages, chattel mortgages and commercial pledges, third-party letters of guarantees and securities. The value of these mortgages and pledges is determined based on net realizable value in the market less costs to sell, according to SBS regulations.

In October 2020, CrediScotia closed its micro-business line due to the significant decrease in its results during the last years, which had an impact on its return and financial performance. As of September 30, 2021 and December 31, 2020, the micro-business loans represent less than 9% and 15%, respectively of CrediScotia's loan portfolio and will remain in force until their payment according to the payment schedules agreed-upon with clients.

Additionally, as indicated in note 4.E(a), the Bank participated in the Reactiva Peru Program I and II, placing government guaranteed loans. As of September 30, 2021 and December 31, 2020, the types of loans under this program are the following:

In thousands of soles	09.30.2021		31.12.2020	
	S/	Guaranteed (%)	S/	Guaranteed (%)
Type of loan				
Corporate loans	151,134	90%	180,000	80%
Large-business loans	1,317,491	87%	1,924,301	86%
Medium-business loans	2,342,568	96%	2,339,223	94%
Others	568,838	98%	952,700	97%
	<b>4,380,031</b>	<b>94%</b>	<b>5,396,224</b>	<b>89%</b>

The payment obligations to the BCRP related to this program are presented in 'accounts payable.' As of September 30, 2021 and December 31, 2020, these amount to S/ 4,029,171 thousand and S/ 4,865,988 thousand, respectively (note 17 (a)).

Likewise, CrediScotia participated in the FAE-MYPE I, II and III, placing government guaranteed loans as of September 30, 2021 and December 31, 2020 as follows:

In thousands of soles	09.30.2021							
	FAE-MYPE I		FAE-MYPE II		FAE-MYPE III		Total	
Medium-business loans	256	56%	75	98%	29	98%	360	84%
Micro-business loans	3,607	70%	6,404	98%	1,860	98%	11,871	89%
Small-business loans	14,210	66%	11,179	98%	5,517	98%	30,906	87%
	<b>18,073</b>	<b>64%</b>	<b>17,658</b>	<b>98%</b>	<b>7,406</b>	<b>98%</b>	<b>43,137</b>	<b>87%</b>

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

<i>In thousands of soles</i>	<b>12.31.2020</b>							
	<b>FAE-MYPE I</b>		<b>FAE-MYPE II</b>		<b>FAE-MYPE III</b>		<b>Total</b>	
Medium-business loans	1,204	58%	90	98%	10	98%	1,304	85%
Micro-business loans	21,863	70%	7,451	98%	2,156	98%	31,470	89%
Small-business loans	111,303	67%	13,846	98%	6,061	98%	131,210	88%
	<b>134,370</b>	<b>65%</b>	<b>21,387</b>	<b>98%</b>	<b>8,227</b>	<b>98%</b>	<b>163,984</b>	<b>87%</b>

Accounts payable to COFIDE related to this program are presented in 'borrowings and debts, see note 16(b).

Annual interest rates are regulated by the market and may be determined at the discretion of the Bank, CrediScotia and CRAC. As of September 30, 2021 and December 31, 2020, effective interest rates of main assets were the following:

<b>%</b>	<b>09.30.2021</b>		<b>12.31.2020</b>	
	<b>Local currency</b>	<b>Foreign currency</b>	<b>Local currency</b>	<b>Foreign currency</b>
Overdrafts (*)	55.00 - 115.00	30.00 - 55.00	55.00 - 115.00	30.00 - 55.00
Discounts and commercial loans	0.00 - 45.34	1.24 - 22.14	3.01 - 44.83	2.19 - 24.04
Consumer loans	13.16 - 75.15	7.36 - 37.76	13.95 - 55.59	7.60 - 39.32

(\*) For loans exceeding S/ 100 thousand and US\$ 100 thousand, respectively.



**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- (a) As of September 30, 2021 and December 31, 2020, the credit risk rating of loan portfolio of the Bank, CrediScotia and CRAC according to current SBS regulations, is as follows:

<i>In thousands of soles</i>	09.30.2021				12.31.2020			
	Number of debtors	Direct	Indirect	Total	Number of debtors	Direct	Indirect	Total
<b>Risk rating</b>								
Standard	1,093,261	52,282,059	10,289,398	62,571,457	1,240,325	46,973,417	11,230,475	58,203,892
Potential problems	32,204	2,157,770	303,264	2,461,034	61,745	1,884,328	157,706	2,042,034
Substandard	35,413	1,001,678	107,238	1,108,916	84,612	1,017,372	115,839	1,133,211
Doubtful	102,850	1,425,203	9,559	1,434,762	225,143	2,936,257	68,710	3,004,967
Loss	63,739	2,499,423	92,575	2,591,998	101,089	2,118,037	22,514	2,140,551
	<b>1,327,467</b>	<b>59,366,133</b>	<b>10,802,034</b>	<b>70,168,167</b>	<b>1,712,914</b>	<b>54,929,411</b>	<b>11,595,244</b>	<b>66,524,655</b>

As stated in foot note 4.E.(b), since February 29, 2020 to August 31, the counting of days of arrears in the payment of credits has been suspended. As of September 30, 2021 and December 31, 2020, the direct loan portfolio was classified based on the assumption that the start of the counting of days past due is September 1, 2020.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

(b) Movement in the provision for direct loan losses is as follows:

<i>In thousands of soles</i>	<b>Specific</b>	<b>General</b>	<b>Total</b>
Balance as of January 1, 2020	2,212,612	700,304	2,912,916
Additions charged to profit or loss	1,662,779	1,643,949	3,306,728
Recovery of provisions	(843,611)	(266,285)	(1,109,896)
Transfer of provisions and others	4,060	(3,487)	573
Write-off and forgiveness	(390,012)		(390,312)
Exchange difference	38,143	11,931	50,074
<b>Balance as of September 30, 2020</b>	<b>2,683,971</b>	<b>2,086,412</b>	<b>4,770,383</b>
Balance as of January 1, 2021	3,652,723	1,721,990	5,374,713
Additions charged to profit or loss	3,103,946	132,870	3,236,816
Recovery of provisions	(1,569,312)	(753,653)	(2,322,965)
Transfer of provisions and others	66,503	(64,906)	1,597
Write-off and forgiveness	(2,364,236)		(2,364,236)
Exchange difference	81,977	18,696	100,673
<b>Balance as of September 30, 2021</b>	<b>2,971,601</b>	<b>1,054,997</b>	<b>4,026,598</b>

(c) Provision for loan losses, net of recoveries shown in the consolidated interim statement of profit or loss is as follows:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Provision for loan losses	(3,236,816)	(3,306,728)
Recovery of provisions	2,322,965	1,109,896
Income from recovery of loan portfolio	123,050	50,003
<b>Provision for loan losses, net of recoveries</b>	<b>(790,801)</b>	<b>(2,146,829)</b>

The Bank, CrediScotia and CRAC record legal provisions for their loan portfolio according to the SBS regulations. They also record voluntary provisions for loan losses included in the general provision. As of September 30, 2021, the voluntary provisions of the Bank, CrediScotia and CRAC amount to S/ 399,939 thousand, S/ 135,835 thousand and S/ 10,200 thousand, respectively (S/ 742,318 thousand S/ 482,344 thousand and S/ 98,200 thousand, respectively, as of December 31, 2020).

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, the distribution of the provision for impairment loss on accounts receivable by type of loan is as follows:

<i>In thousands of soles</i>	<b>09.30.2021</b>				<b>12.31.2020</b>			
	<b>General</b>	<b>Specific</b>	<b>Voluntary</b>	<b>Total</b>	<b>General</b>	<b>Specific</b>	<b>Voluntary</b>	<b>Total</b>
<b>Type of loan</b>								
Consumer loans	100,557	1,078,806	178,227	1,357,590	94,101	2,017,714	747,451	2,859,266
Medium-business loans	72,359	773,880	134,715	980,954	61,108	541,740	146,851	749,699
Mortgage loans	67,873	524,519	16,005	608,397	59,550	476,343	59,646	595,539
Small-business loans	16,618	347,453	39,376	403,447	14,681	410,256	66,692	491,629
Corporate loans	140,947	176,988	8,177	326,112	111,427	87,638	66,580	265,645
Large-business loans	43,862	112,683	90,656	247,201	43,833	90,976	121,356	256,165
Micro-business loans	810	17,373	78,818	97,001	1,627	34,564	114,286	150,477
<b>Total</b>	<b>443,026</b>	<b>3,031,702</b>	<b>545,974</b>	<b>4,020,702</b>	<b>386,327</b>	<b>3,659,231</b>	<b>1,322,862</b>	<b>5,368,420</b>

As indicated in note 4.E, from November 2014, the procyclical component for provision calculation was deactivated. As of September 30, 2021 and December 31, 2020, the Scotiabank Group did not applied the procyclical component to record specific provisions. As of September 30, 2021, the Bank and CrediScotia have a procyclical component balance of S/ 49,342 thousand (S/ 44,546 thousand as of December 31, 2020).

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- (d) The Scotiabank Group, based on the policies indicated in note 4.E(a), rescheduled loans of borrowers that have loans up to 15 days past due as of February 29, 2020 or borrowers that have made all of their payments at the date the state of emergency was declared. These easy payment terms included debt rescheduling applicable to massive and individual loan portfolio depending on the loans.

As of September 30, 2021 and December 31, 2020, the rescheduled loans of the Bank, CrediScotia and CRAC is as follows:

<i>In thousands of soles</i>	09.30.2021			12.31.2020		
	Massive	Individual	Total	Massive	Individual	Total
Consumer loans	190,538	782,741	973,279	2,342,519	3,926,214	6,268,733
Mortgage loans	152,763	1,137,107	1,289,870	338,791	2,765,838	3,104,629
Medium-business loans	42,372	533,555	575,927	131,317	2,436,680	2,567,997
Large-business loans	-	475,878	475,878	-	1,978,374	1,978,374
Small-business loans	49,142	144,516	193,658	324,232	696,887	1,021,119
Corporate loans	-	212,029	212,029	-	1,012,034	1,012,034
Micro-business loans	4,645	1,972	6,617	54,498	22,782	77,280
<b>Total rescheduled loans</b>	<b>439,460</b>	<b>3,287,798</b>	<b>3,727,258</b>	<b>3,191,357</b>	<b>12,838,809</b>	<b>16,030,166</b>

Likewise, the Bank, CrediScotia and CRAC recognized provisions for rescheduled loans for S/ 9,233 thousand, S/ 2,821 thousand and S/ 2,248 thousand, respectively (S/ 12,268 thousand, S/ 4,865 thousand and S/10,171 thousand as of December 31, 2020).

- (e) As of September 30, 2021 and December 31, 2020, maturities of direct loans are as follows:

<i>In thousands of soles</i>	09.30.2021			12.31.2020		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	2,573,982	2,316,297	4,890,279	1,866,876	1,521,700	3,388,576
1-3 months	4,082,339	3,604,224	7,686,563	2,932,240	2,615,593	5,547,833
3-6 months	3,426,556	2,217,505	5,644,061	3,470,765	2,100,995	5,571,760
6-12 months	6,990,735	1,736,999	8,727,734	6,350,442	1,297,422	7,647,864
More than 1 year	25,796,330	4,381,867	30,178,197	24,036,905	5,554,555	29,591,460
Past-due loans and lawsuit	1,715,018	816,165	2,531,183	2,754,879	775,934	3,530,813
Less: Accrued interest	(231,460)	(60,424)	(291,884)	(290,251)	(58,644)	(348,895)
	<b>44,353,500</b>	<b>15,012,633</b>	<b>59,366,133</b>	<b>41,121,856</b>	<b>13,807,555</b>	<b>54,929,411</b>

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**9. Derivative Instruments**

The Bank holds foreign-exchange forward contracts, cross-currency swaps and interest rate swaps. As of September 30, 2021 and December 31, 2020, fair value of held-for-trading instruments and hedging instruments has generated accounts receivable and payable as follows:

<i>In thousands of soles</i>	09.30.2021		12.31.2020	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
<b>Held-for-trading instruments (a)</b>				
Foreign-exchange forward contracts	222,968	483,351	67,583	56,655
Interest rate swaps	58,738	35,952	71,685	60,615
Cross-currency swaps	568,691	157,352	50,289	38,293
	<b>850,397</b>	<b>676,655</b>	<b>189,557</b>	<b>155,563</b>
<b>Hedging instruments (b)</b>				
Interest rate swaps	-	2,024	-	26,077
	-	<b>2,024</b>	-	<b>26,077</b>
	<b>850,397</b>	<b>678,679</b>	<b>189,557</b>	<b>181,640</b>

- (a) During the nine-month ended in September 30, 2021 and 2020, held-for-trading instruments generated a gain for S/ 752,835 thousand and S/ 101,698 thousand, respectively (note 24).
- (b) As of September 30, 2021, the Bank holds hedging instruments in cash flow hedges for a par value of US\$ 100,000 thousand, related to foreign loans acquired with its related party, Scotiabank Caribbean Treasury Limited, Bahamas (for a par value of US\$ 800,000 thousand as of December 31, 2020). As of September 30, 2021 and 2020, such hedging instruments generated a net gains and loss for S/ 21,417 thousand and S/ 32,795 thousand, respectively, which was recorded in 'other comprehensive income' in the consolidated interim statement of changes in equity (note 18.F).

**10. Accounts Receivable, Net**

This caption comprises the following:

<i>In thousands of soles</i>	09.30.2021	12.31.2020
<b>Financial instruments</b>		
Sale of investments (a)	333,122	130,596
Payments on behalf of third parties, net	20,119	18,782
Fees receivable	14,854	19,835
Sale of goods and services, trust, net	10,050	10,920
Advances to personnel	5,875	8,518
Collection services	5,755	12,856
Other accounts receivable, net (b)	178,672	201,943
	<b>568,447</b>	<b>403,450</b>
<b>Non-financial instruments</b>		
Tax claims (c)	722,021	722,021
	<b>1,290,468</b>	<b>1,125,471</b>

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- (a) As of September 30, 2021 and December 31, 2020, the balance corresponds to accounts receivable generated from sales of sovereign bonds on the last day of the month, which are settled during the first days of the following month and are mainly related to: i) sale of sovereign bonds for S/ 233,149 thousand and S/ 41,670 thousand, respectively; and ii) short sale of sovereign bonds for S/ 99,973 thousand and S/ 88,926 thousand, respectively.
- (b) As of September 30, 2021, other accounts receivable mainly include: i) unsettled transactions with debit and credit cards for S/ 17,679 thousand (S/ 18,122 thousand as of December 31, 2020); ii) finance leases for S/ 56,654 thousand (S/ 73,079 thousand as of December 31, 2020); iii) refund of travel expenses for S/ 3,485 thousand (S/ 941 thousand as of December 31, 2020); and iv) other accounts receivable for S/ 100,584 thousand (S/ 115,598 thousand as of December 31, 2020).
- (c) Tax claims comprise tax proceedings with the Tax Authorities. As of September 30, 2021 and December 31, 2020, they mainly comprise: i) S/ 230,095 thousand for payments made by the Bank under protest referred to the Temporary Tax on Net Assets (ITAN) of the fiscal years 2005 and 2006, which were challenged in courts by the Bank as they are considered undue payments and shall be offset with the income tax and other tax credits; ii) S/ 20,666 thousand for income tax paid in excess by CrediScotia for the years 2010, 2011, 2012 and 2013; and iii) S/ 25,760 thousand for the tax proceeding of the year 2013. It is the opinion of management and its legal advisors that these amounts will be refunded upon the favorable resolution of the case.

"As of September 30, 2021 and December 31, 2020, this account receivable, net of corresponding provision for impairment loss on account receivable, includes tax claims for S/ 433,815 thousand, which are related to payments made under protest due to a resolution issued by the Tax Authorities. The latter was challenged in courts by the Bank. It is the opinion of management and its legal advisors that these amounts will be refunded to the Bank upon the favorable resolution of the case (Note 35 (b))".

"As of September 30, 2021 and December 31, 2020, this account receivable net of corresponding provision for impairment loss on account receivable, which were recorded by prudential purposes as required for SBS through of Official Letter 10454, includes tax claims for S/ 433,815 thousand, which are related to payments made under protest due to a resolution issued by the Tax Authorities. The latter was challenged in courts by the Bank. It is the opinion of management and its legal advisors that these amounts will be refunded to the Bank upon the favorable resolution of the case (Note 35 (b))".

## 11. Goodwill

It corresponds to the goodwill determined on the acquisition of investments in equity instruments made by the Bank. As of September 30, 2021 and December 31, 2020, goodwill amounts to S/ 570,664 thousand, which mainly includes: i) goodwill from the purchase of 100% of the share capital of Banco de Trabajo S.A., currently CrediScotia, which amounts to S/ 278,818 thousand; ii) goodwill from the acquisition of the retail and consumer banking of Citibank del Perú, which amounts to S/ 287,074 thousand; and iii) goodwill from the acquisition of Unibanca's shares, which amounts to S/ 4,772 thousand.

According to SBS regulations, goodwill has been assessed by management on an annual basis and has determined that there is no impairment as of September 30, 2021 and December 31, 2020.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**12. Property, Furniture and Equipment, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>Land</b>	<b>Property and premises</b>	<b>Furniture, fixture and IT equipment</b>	<b>Vehicles</b>	<b>Goods in-transit and work-in-progress</b>	<b>Balance as of 09.30.2021</b>	<b>Balance as of 09.30.2020</b>
<b>Cost</b>							
Balance as of January 1	128,884	780,497	468,749	3,277	22,094	1,403,501	1,398,871
Additions	-	189	7,003	-	12,401	19,593	35,523
Sales	-	(295)	(7,159)	-	-	(7,454)	(18,652)
Transfers	-	14,904	3,091	-	(17,947)	48	811
Disposals and others	-	(10,657)	(14,439)	-	(30)	(25,126)	(566)
	<b>128,884</b>	<b>784,638</b>	<b>457,245</b>	<b>3,277</b>	<b>16,518</b>	<b>1,390,562</b>	<b>1,415,987</b>
<b>Accumulated depreciation</b>							
Balance as of January 1	-	664,213	397,398	2,795	-	1,064,406	1,036,444
Additions	-	9,778	24,927	67	-	34,772	37,433
Sales	-	(260)	(6,986)	-	-	(7,246)	(14,104)
Disposals and others	-	(10,535)	(12,177)	(17)	-	(22,729)	(190)
<b>Total depreciation</b>	<b>-</b>	<b>663,196</b>	<b>403,162</b>	<b>2,845</b>	<b>-</b>	<b>1,069,203</b>	<b>1,059,583</b>
<b>Net carrying amount</b>	<b>128,884</b>	<b>121,442</b>	<b>54,083</b>	<b>432</b>	<b>16,518</b>	<b>321,359</b>	<b>356,404</b>

- (a) According to current regulations, the Bank, CrediScotia and CRAC cannot pledge as collateral the assets that are part of their property, furniture and equipment, except for those acquired through the issuance of lease bonds to carry out finance leases.

### Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### 13. Intangible Assets, Net

This caption comprises the following:

<i>In thousands of soles</i>	<b>Software and others</b>	<b>Work-in-progress</b>	<b>Lease premium</b>	<b>Other intangible assets</b>	<b>Exclusive agreement</b>	<b>Cencosud brand name</b>	<b>Balance as of 09.30.2021</b>	<b>Balance as of 09.30.2020</b>
<b>Cost</b>								
Balance as of January 1	399,213	20,055	12,911	23,861	326,302	4,148	786,490	744,045
Additions	258	29,643	-	717	-	-	30,618	36,387
Transfers	28,408	(28,456)	-	-	-	-	(48)	(811)
Disposals and others	-	43	(82)	-	-	-	(39)	(563)
<b>Total cost</b>	<b>427,879</b>	<b>21,285</b>	<b>12,829</b>	<b>24,578</b>	<b>326,302</b>	<b>4,148</b>	<b>817,021</b>	<b>779,058</b>
<b>Accumulated amortization</b>								
Balance as of January 1	328,116	-	8,417	22,615	39,881	507	399,536	339,716
Additions	32,268	-	196	133	16,315	207	49,119	40,424
Disposals and others	-	-	(82)	-	-	-	(82)	-
<b>Total amortization</b>	<b>360,384</b>	<b>-</b>	<b>8,531</b>	<b>22,748</b>	<b>56,196</b>	<b>714</b>	<b>448,573</b>	<b>380,140</b>
<b>Net carrying amount</b>	<b>67,495</b>	<b>21,285</b>	<b>4,298</b>	<b>1,830</b>	<b>270,106</b>	<b>3,434</b>	<b>368,448</b>	<b>398,918</b>



**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**14. Other Assets, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
<b>Financial instruments</b>		
Transactions in progress (a)	100,311	167,391
	<b>100,311</b>	<b>167,391</b>
<b>Non-financial instruments</b>		
Tax credit	510,579	190,326
Prepaid expenses (b)	121,653	106,755
Realizable and repossessed assets, net of accumulated depreciation and provision for impairment loss for S/ 219,124 thousand (S/ 200,867 thousand in 2020)	52,310	62,837
Others	10,767	8,019
	<b>695,309</b>	<b>367,937</b>
	<b>795,620</b>	<b>535,328</b>

- (a) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated interim statement of financial position. These transactions do not have an impact on the Scotiabank Group's profit or loss. As of September 30, 2021, they mainly include treasury transactions and invoices-in-transit for S/ 72,481 thousand and S/ 6,143 thousand, respectively (S/ 148,800 thousand and S/ 5,290 thousand, respectively, as of December 31, 2020).
- (b) As of September 30, 2021, prepaid expenses mainly include: i) deferred loan origination costs related to fees paid to the external sales force for S/ 87,356 thousand (S/ 77,172 thousand as of December 31, 2020); ii) prepaid fees for borrowings for S/ 7,144 thousand (S/ 3,589 thousand as of December 31, 2020); iii) prepaid leases for S/ 3,554 thousand (S/ 3,218 thousand as of December 31, 2020); and iv) advertising and marketing services for S/ 759 thousand (S/ 417 thousand as of December 31, 2020), among others.

**15. Deposits and Obligations with Financial Institutions**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>		<b>12.31.2020</b>	
Corporate clients	22,009,516	47%	24,328,543	50%
Individuals	19,143,453	40%	19,320,372	40%
Non-profit entities	4,264,768	9%	3,147,855	6%
Others	2,028,024	4%	1,778,439	4%
	<b>47,445,761</b>	<b>100%</b>	<b>48,575,209</b>	<b>100%</b>

As of September 30, 2021 and December 31, 2020, deposits and other obligations in U.S. dollars represent 42% and 38%, respectively of total amount. As of September 30, 2021, deposits include accounts pledged in favor of the Bank and CrediScotia for credit transactions for S/ 415,369 thousand and US\$ 170,572 thousand (S/ 460,017 thousand and US\$ 157,196 thousand as of December 31, 2020).

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, total deposits and obligations from individuals and non-profit entities amount to S/ 15,026,034 thousand and S/ 13,440,198 thousand, respectively, and are secured by the Peruvian Deposit Insurance Fund according to current regulations.

According to article 4 of SBS Resolution 0657-99, deposits secured by the Peruvian Deposit Insurance Fund are the following:

- (a) registered deposits, under any modality, from individuals and private non-profit entities.
- (b) accrued interest on the aforementioned deposits as from their respective opening dates or their last renewal dates; and
- (c) demand deposits corresponding to other legal entities.

As of September 30, 2021, the maximum amount secured for each individual amounted to S/ 113 thousand (S/ 102 thousand as of December 31, 2020). The SBS, exceptionally, postponed until December 31, 2020 the transfer of deposits, with an aging of more than 10 years corresponding to the six-month period from January to June 2020, to the Peruvian Deposit Insurance Fund. Consequently, depositors can use their deposits with an aging of more than 10 years during this period.

The Bank, CrediScotia and CRAC freely establish interest rates for its liability transactions based on demand and supply, and type of deposit. As of September 30, 2021 and December 31, 2020, effective rates of main assets ranged as follows:

%	09.30.2021		12.31.2020	
	Local currency	Foreign currency	Local currency	Foreign currency
Savings deposits	0.89 – 2.11	0.13	0.89 - 2.00	0.13 - 0.24
Time deposits	0.09 - 3.09	0.00 – 1.00	0.06 - 4.31	0.17 - 1.25
Bank certificates	-	0.00 - 0.16	-	0.07 - 0.31
Length-of-service compensation deposits	2.12 - 4.28	0.49 - 0.73	2.49 - 4.33	0.56 - 0.80

Peruvian Government through Urgency Decree No. 033-2020, No. 034-2020 and No. 138-2020 issued on March 27, April 1, and April 16, 2020, respectively, promulgated the following mandates in favor of workers:

- (a) Workers can have up to S/ 2,400 of their funds for Length-of-service compensation deposits (CTS), for liquidity needs against the impact of COVID-19.
- (b) During April and May 2020, the obligation to withhold the mandatory contribution of 10% of the insurable remuneration destined to the Individual Capitalization Account (CIC) and the commission on the flow discounted monthly to the workers affiliated with the Private Pension System (SPP); it also establishes that affiliates may request a one-time extraordinary withdrawal of up to S/ 2,000 from their (CIC), provided that, until March 31, 2020, they do not have accreditation of consecutive mandatory contributions of at least 6 months.
- (c) A subsidy was provided for the payment of the payroll of private sector employers aimed at preserving employment, for a maximum of 35% of the payroll of workers who do not exceed the gross monthly salary of S/ 1,500.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Through the Law 31017, dated May 1, 2020, and Law 31068, dated November 15, 2020, respectively, the Congress of the Republic authorizes SPP affiliates to make an extraordinary withdrawal of SPP funds. Between April 2020 and September 2021, the Bank received from the SPP funds for S/ 7,809,726 thousand, of its affiliates, of which a total of 6,528,629 thousand were withdrawn.

Between the months of May 2020 and September 2021, the Bank, CrediScotia and CRAC made the return of CTS deposits for S/ 2,027,433 thousand, S/ 110,710 thousand and S/ 122,326 thousand, respectively.

As of September 30, 2021 and December 31, 2020, maturities of time deposits of clients and financial institutions were as follows:

	09.30.2021			12.31.2020		
	Local currency	Foreign currency		Local currency	Foreign currency	
Up to 1 month	2,093,477	1,278,372	3,371,849	2,045,909	2,586,621	4,632,530
1-3 months	2,565,264	680,479	3,245,743	1,933,727	1,993,978	3,927,705
3-6 months	1,020,742	525,706	1,546,448	1,238,196	413,036	1,651,232
6-12 months	1,080,894	708,047	1,788,941	2,049,710	568,995	2,618,705
More than 1 year	1,039,279	364,284	1,403,563	1,629,421	777,315	2,406,736
	<b>7,799,656</b>	<b>3,556,888</b>	<b>11,356,544</b>	<b>8,896,963</b>	<b>6,339,945</b>	<b>15,236,908</b>
Interest	31,189	2,425	38,614	82,359	1,3819	96,178
	<b>7,830,845</b>	<b>3,559,313</b>	<b>11,390,158</b>	<b>8,979,322</b>	<b>6,353,764</b>	<b>15,333,086</b>

Demand deposits, savings deposits and length-of-service compensation deposits have no contractual maturities.

**16. Borrowings and Debts**

This caption comprises the following:

<i>In thousands of soles</i>	09.30.2021	12.31.2020
Borrowings and debts		
<b>Obligations in the country</b>		
COFIDE (a)	768,708	851,775
Other banks	33,000	-
<b>Ordinary loans from abroad</b>		
Related banks (b)	4,127,520	7,075,434
Other banks (c)	7,358,520	2,747,247
	<b>12,287,749</b>	<b>10,674,456</b>
Interest payable	12,013	10,437
	<b>12,299,762</b>	<b>10,684,893</b>
Securities and obligations (d)	2,359,758	2,239,623
	<b>14,659,520</b>	<b>12,924,516</b>

- (a) The credit lines of COFIDE in the Bank and CrediScotia correspond to resources obtained for loans granting, mainly for mortgage loan financing programs of Mi Vivienda Fund, which accrue a fixed interest rate adjusted to the VAC index.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, the Bank and CrediScotia hold obligations with COFIDE for S/ 543,200 thousand and S/ 543,200 thousand, respectively, which are guaranteed by a mortgage loan portfolio, as follows:

<i>In thousand of soles</i>	Currency	09.30.2021		12.31.2020	
		Net loans	Backed debt	Net loans	Backed debt
<b>Detail</b>					
Mortgage loans - MiVivienda Fund (*)	Soles	504,454	520,524	534,213	517,863
Mortgage loans - MiVivienda Fund (*)	U.S. dollars	6,060	5,485	8,273	7,164

(\*) The Bank and CrediScotia entered into specific loan arrangements, which have standard terms of compliance on certain operating issues that, in management's opinion, have been met.

- (b) Likewise, as of September 30, 2021, the Bank entered into agreements to channel resources with COFIDE for S/ 225,509 thousand (S/ 307,971 thousand as of December 31, 2020). Said resources will be used to fund corporate and medium-business loans. It also includes balances payable to COFIDE related to the FAE-MYPE I, FAE-MYPE II and FAE-MYPE III for S/ 10,244 thousand, S/ 15,883 thousand and S/ 7,088 thousand, respectively (S/ 86,968 thousand, S/ 20,969 and S/ 8,062, respectively as of December 31, 2020).
- (c) As of September 30, 2021, ordinary loans with related banks include debts payable to Scotiabank Ltd. Bahamas for US\$ 1,200,000 thousand, which accrue interest at annual rates ranging from 0.06% to 0.62% with maturities between November 2021 and September 2023 (US\$ 1,722,000 thousand as of December 31, 2020, which accrue interest at annual rates ranging from 0.24% to 0.80% with maturities between January 2021 and January 2022). These loans do not have collaterals nor compliance terms.
- (d) As of September 30, 2021, the Bank holds borrowings and debts with other foreign banks for US\$ 1,578,432 thousand (US\$ 986,556 thousand as of December 31, 2020), which accrue interest at annual rates ranging from 0.12% to 1.20% (0.21% to 1.66% as of December 31, 2020). These transactions have standard terms of compliance with financial ratios that are monitored by management. As of December 31, 2020, the Bank exceeded the delinquency rate required by the foreign financial institution from 4% to 5.4% as a result of the effects from the suspension of economic activities, due to the national state of emergency declared due to the COVID-19 on the debtor's ability to pay. On January 27, 2021, the Bank renewed the loan for US\$ 200,000 thousand, establishing a delinquency rate of 6%. In management's opinion, these are temporary conditions and the terms of compliance will be met without affecting the Bank's activities.

As of September 30, 2021 and December 31, 2020, maturities of borrowings from banks and other financial institutions were as follows:

<i>In thousands of soles</i>	09.30.2021	12.31.2020
Up to 1 month	1,181,116	857,804
1 - 3 months	3,984,324	1,707,077
3 - 6 months	2,597,794	4,597,668
6 - 12 months	2,736,945	2,428,196
More than 1 year	1,799,583	1,094,148
	<b>12,299,762</b>	<b>10,684,893</b>

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- (e) As of September 30, 2021 and December 31, 2020, maturities of borrowings from banks and other financial institutions were as follows:

<i>In thousands of soles</i>	<b>Annual</b>	<b>Maturity</b>	<b>09.30.2021</b>	<b>12.31.2020</b>
Issuance				
Redeemable subordinated bonds				
1st Issuance, single series (i)	4.50%	2027	1,653,600	1,448,400
1st Issuance A – 1st Program - SBP (ii)	7.34%	2025	535,560	535,560
1st Issuance A – 1st Program - CSF (iii)	7.41%	2027	130,000	130,000
			<b>2,319,160</b>	<b>2,113,960</b>
Corporate bonds (iv)				
1st Issuance A – 3rd Program	4.56%	2021	-	104,790
			-	<b>104,790</b>
Negotiable certificates of deposit			2,851	7,312
			<b>2,851</b>	<b>7,312</b>
			<b>2,322,011</b>	<b>2,226,062</b>
Interest payable and obligations			37,747	15,561
			<b>2,359,758</b>	<b>2,239,623</b>

- i. In December 2012, the Bank issued subordinated bonds for US\$ 400,000 thousand, which under SBS Resolution 8093-2012, qualify as tier 2 capital. These bonds mature in December 2027 and accrue interest at an annual fixed rate of 4.500% during the first ten years; from the eleventh year, they accrue interest at a variable LIBOR rate of 3-month plus a spread of 3.856% to be paid each six months. After the eleventh year, all these bonds can be redeemed without penalties. This issuance was performed in the international market and contains certain standard clauses of compliance with financial ratios and other operating matters, which in management's opinion, do not affect the Bank's business and are being met.
- ii. SBS Resolution 2315-2015, dated April 24, 2015, authorized the issuance of the Scotiabank Peru's First Subordinated Bonds Program up to US\$ 400,000 thousand or the equivalent in soles. These bonds qualify as a tier 2 capital. In May 2015, the Bank issued 53,556 subordinated bonds in local currency with a par value of S/ 10,000 each and a 10-year term from the issuance date. These bonds accrue an annual interest rate of 7.34375% to be paid each semester. This issuance was private and held in the local market.
- iii. In July 2012, CrediScotia issued subordinated bonds for S/ 130,000 thousand which, under SBS Resolution 4873-2012, qualify as tier 2 capital. These bonds accrue interest at an annual fixed rate of 7.41% with maturity in July 2027 and have put option from the tenth year if the terms and conditions of such issuance are met. The proceeds were exclusively destined to fund credit transactions.
- iv. Comprising corporate bond issues that came to maturity on July 10, 2021. The resources raised were solely used in financial lending.

Subordinated bonds issued by the Bank do not have specific collateral; however, they have a general guarantee on the equity of those entities.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, the maturity of outstanding securities is as follows:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
Up to 3 months	946	4,012
3-6 months	734	9,549
6-12 months	132,664	111,132
More than 1 year	2,225,414	2,114,930
	<b>2,359,758</b>	<b>2,239,623</b>

- (f) During the nine-month ended in September 30, 2021 and 2020, interest expenses on borrowings and debts of the Scotiabank Group amount to S/ 186,561 thousand and S/ 261,048 thousand, respectively (note 22).

**17. Provisions and Other Liabilities**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
<b>Accounts payable</b>		
Repurchase agreements (a)	4,810,840	7,002,533
Other accounts payable	527,607	432,495
Short sale	157,830	91,798
Vacations, remunerations and profit sharing payable	35,721	41,060
	<b>5,531,998</b>	<b>7,567,886</b>
<b>Provisions</b>		
Provision for litigations and claims (b)	33,139	33,296
Provision for various contingencies (c)	67,719	64,101
Provision for indirect loan losses and country risk	153,761	126,216
Other provisions (d)	137,672	84,982
	<b>392,291</b>	<b>308,595</b>
<b>Other liabilities</b>		
Transactions in progress (e)	280,408	238,041
Deferred income (f)	78,638	78,095
	<b>359,046</b>	<b>316,136</b>
	<b>6,283,335</b>	<b>8,192,617</b>

- (a) As of September 30, 2021, the balance of repo transactions mostly include: i) repo transactions of Peruvian Treasury bonds signed with the Peruvian Central Reserve Bank (BCRP) agreed at interest rates ranging from 0.50% to 1.27% and with maturities from April 2022 to December 2023 (at December 31, 2020 agreed at interest rates ranging from 0.70% to 3.52% at December 31, 2020 with maturities from March 2021 to April 2022, respectively); ii) repo transactions of Certificates of Interest (Certificados de Participación) in the Peruvian economic relief program called REACTIVA I and II, signed with the BCRP amounting to S/ 4,029,171 thousand (S/ 4,865,988 thousand at December 31, 2020), agreed at an interest rate of 0.5% and with maturity of 3 years from issue date, and iii) repo transactions of the loan portfolio in the form of securities amounting to S/ 450,000 thousand, agreed at an interest rate of 1.25% and with maturity of 3 years from issue date.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- (b) As of September 30, 2021 and December 31, 2020, the Scotiabank Group has legal actions underway, which are related to civil and labor claims, among others. These legal actions resulted from activities and transactions performed during the normal course of business of each entity of the Scotiabank Group. Management does not consider that they will have a significant impact on business or profit or loss.
- (c) As of September 30, 2021, this account mainly comprises reversals or recoveries of provisions recorded in prior years against equity accounts for S/ 67,719 thousand (S/ 64,101 thousand as of December 31, 2020), which according to SBS Official Letter 23797-2003, shall be reclassified to deficits in other asset accounts of the Bank.
- (d) As of September 30, 2021, the balance of other provisions mainly includes: provisions for personnel expenses for S/ 105,590 thousand (S/ 55,533 thousand as of December 31, 2020); ii) provisions for marketing campaigns of liability products for S/ 5,735 thousand (S/ 5,447 thousand as of December 31, 2020); and iii) provisions related to credit and debit card transactions for S/ 23,989 thousand (S/ 23,160 thousand as of December 31, 2020).
- (e) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts of the consolidated interim statement of financial position. These transactions do not affect the Scotiabank Group's profit or loss. As of September 30, 2021, liability transactions in progress mainly include: i) S/ 67,604 thousand for treasury transactions (S/ 148,299 thousand as of December 31, 2020); ii) S/ 68,258 thousand for electronic compensation chamber and the credit cards do not keep balance (S/ 15,771 thousand as of December 31, 2020); and iii) S/ 69,368 thousand for client deposits in transit (S/ 19,144 thousand as of December 31, 2020).
- (f) As of September 30, 2021, it mainly includes income for (i) S/ 38,064 thousand for exclusive right fees; (ii) S/ 26,496 thousand for indirect loan fees; and (iii) S/ 12,575 thousand for structuring and trust service fees, which are recorded in the Scotiabank Group's profit or loss during the term of the contract that originates them. As of December 31, 2020, the balance included S/ 40,395 thousand for exclusive right fees, S/ 24,851 thousand for indirect loan fees and S/ 11,546 thousand for structuring and trust service fees.

## 18. Equity

### A. General

The regulatory capital of the Bank, CrediScotia and CRAC is determined in accordance with the Banking Law and is used to calculate legal limits and restrictions applicable to financial institutions in Peru. As of September 30, 2021, the regulatory capital of such entities amounts to S/ 10,802,720 thousand, S/ 735,064 thousand and S/ 160,152 thousand, respectively (S/ 10,294,564 thousand, S/ 701,159 thousand and S/ 170,956 thousand, respectively, as of December 31, 2020).

As of September 30, 2021, credit risk weighted assets and indirect loans determined by the Bank, CrediScotia and CRAC, according to the regulation applicable to financial institutions, amount to S/ 68,070,739 thousand, S/ 2,812,949 thousand and S/ 689,692 thousand, respectively (S/ 57,596,896 thousand, S/ 3,557,621 thousand and S/ 894,984 thousand, respectively, as of December 31, 2020).

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

General Shareholders' Meeting, held March 24, 2021, conferred authority to the Board of Directors to commit on capitalizations of 2020 profits, with the purpose that these can be included in the calculation of the Bank's regulatory capital.

As of September 30, 2021 and December 31, 2020, the Banking Law established as a global limit that the regulatory capital shall be equal to or greater than 10% of the total risk weighted assets and indirect loans, which corresponds to the sum of: the amount of regulatory capital requirements for market risk multiplied by 10, plus the amount of the regulatory capital requirements for operational risk multiplied by 10 plus the credit risk weighted assets and indirect loans. As of September 30, 2021, the regulatory capital of the Bank, CrediScotia and CRAC represents 14.65%, 22.88% and 19.29% respectively, of the minimum capital requirements per market, operational and credit risk (16.50%, 17.55% and 15.26%, respectively, as of December 31, 2020).

SBS Resolution 2115-2009, approved the "Regulation on Regulatory Capital Requirement for Operational Risk." As of September 30, 2021 and December 31, 2020, the Bank and CrediScotia have applied the alternative standard method for the calculation of the regulatory capital requirement for operational risk. According to Official Letter 17024-2016-SBS and 17016-2016-SBS, the Bank and CrediScotia shall use the alternative standard method for the calculation of the regulatory capital requirement, which shall be equivalent to 50% of the difference between the requirements calculated using the basic indicator method and the alternative standard method, from April 2017 to March 2018. SBS Resolution 1889-2018, issued May 9, 2018, extended the application period until September 2019.

SBS Resolutions 1265-2020, issued March 26, 2020, extended the application period of the alternative standard method for the Bank and CrediScotia until September 2022.

In the case of the CRAC, the basic indicator approach is applied.

Finally, SBS Resolution 8425-2011 and its amendments approved the method for the calculation of additional regulatory capital requirement, which establishes that this requirement shall be equal to the sum of the regulatory capital requirements calculated for each of the following components: i) economic cycle, ii) concentration risk, iii) market risk concentration, iv) interest rate risk, and v) other risks. As of September 30, 2021, additional regulatory capital of the Bank and CRAC amounted to S/ 737,707 thousand and S/ 19,662 thousand, respectively, and CrediScotia does not have an additional regulatory capital (S/ 916,157 thousand and S/ 31,894 thousand, for the Bank and CRAC, respectively, and CrediScotia does not have an additional regulatory capital as of December 31, 2020).

### **B. Share capital**

As of September 30, 2021 and December 31, 2020, the Bank's authorized, subscribed and paid-in share capital comprise 802,677,853 common shares (784,035,390 common shares of December 31, 2020). All shares have voting rights and a par value of S/ 10.00 each. As of September 30, 2021 and December 31, 2020, the quotation value of common shares of the Bank was S/ 22.75 and S/ 31.00 per share, respectively.



## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

General Shareholder's Meeting of the Bank held on March 24, 2021, approved capitalization of year 2020 net profit for an amount of S/ 186,425. As a result from the capitalization, the share capital increased to S/ 8,026,777 thousand represented by 802,677,853 common shares with a par value of S/ 10.00 each as of September 30, 2021.

General Shareholders' Meeting, held May 26, 2020, approved the increase in share capital arising from the capitalization of 2019 retained earnings for S/ 1,077,081 thousand, out of which S/ 952,081 thousand were previously committed and approved at the Board of Directors meetings, held August and November 2019 and March 2020. As a result from the capitalization, the share capital increased to S/ 7,840,354 thousand represented by 784,035,390 common shares with a par value of S/ 10.00 each as of September 30, 2021 and December 31, 2020.

Shareholding on the Bank's share capital as of September 30, 2021 and December 31, 2020, is as follows:

	09.30.2021		12.31.2020	
	Number of shareholders	%	Number of shareholders	%
%				
From 0.01 to 1	1,280	1.95	1,355	1.95
From 50.01 to 100	1	98.05	1	98.05
	<b>1,281</b>	<b>100.00</b>	<b>1,356</b>	<b>100.00</b>

Under the Banking Law, as of September 30, 2021, the share capital is required to reach the minimum amount of S/ 29,798 thousand (S/ 27,545 thousand as of December 31, 2020), at a constant value. This amount is annually updated at the end of each fiscal year, based on the wholesale price index (WPI), as published by the National Institute of Statistics.

### C. Additional paid-in capital

This caption comprises the following:

<i>In thousands of soles</i>	09.30.2021	12.31.2020
Issuance premium	393,159	393,159
Gain on treasury shares	1,304	1,304
	<b>394,463</b>	<b>394,463</b>

As of September 30, 2021 and December 31, 2020, the Bank holds 194 treasury shares.

### D. Legal reserve

In accordance with the Banking Law, the Bank is required to have a legal reserve of more than 35% of its share capital. This reserve is created by an annual transfer of not less than 10% of profit after tax, and supersedes the reserve referred to in the Banking Law. In accordance with the Banking Law, the amount of this reserve may also be increased through contributions made by the stockholders for this purpose.

General Shareholders' Meeting, held March 24, 2021 and May 26, 2020, applied to legal reserve an amount of S/ 26,632 thousand and S/ 146,474 thousand, respectively, corresponding to 10% of net profit for the year 2020 and 2019.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### E. Retained earnings

General Shareholders' Meeting, held March 24, 2021, approved the distribution of year 2020 net profit for S/ 266,321 thousand, as follows:

- i Allocate 10% of net profit, amounting to S/ 26,632 thousand, to increase the legal reserve.
- ii Capitalize a total amount of S/ 186,425 thousand and maintain a remaining balance for S/ 53,264 thousand in 'retained earnings.'

General Shareholders' Meeting, held May 26, 2020, approved the distribution of year 2019 net profit for S/ 1,464,740 thousand, as follows:

- iii Allocate 10% of net profit, amounting to S/ 146,474 thousand, to increase the legal reserve.
- iv Capitalize a total amount of S/ 1,077,081 thousand and maintain a remaining balance for S/ 241,185 thousand in 'retained earnings.'

### F. Unrealized gains and losses

As of September 30, 2021 and 2020, it mainly includes unrealized gains and losses on available-for-sale investments, hedging instruments and interests in other comprehensive income of associates.

Movement in the Scotiabank Group's unrealized gains and losses for the nine-month ended 2021 and 2020, was as follows:

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Balance as of January 1		67,372	13,105
Net unrealized gains (losses) on available-for-sale investments	7	(302,310)	87,221
Net unrealized loss on associates		(248)	(12)
Cash flow hedge	9(b)	21,417	(32,795)
		<b>(213,769)</b>	<b>67,550</b>

### G. Other adjustments

As of December 31, 2020, CrediScotia and CRAC, with prior authorization from the SBS, reduced their share capital by S/ 230,000 thousand and S/ 30,000 thousand, respectively, in order to recognize voluntary and specific provisions for loans, respectively.

The Bank recognized as equity-related adjustments the proportional part of these amounts based on its percentage of shares in these subsidiaries, net of deferred tax for S/ 67,850 thousand and current tax for S/ 9,000 thousand, respectively.

## 19. Contingencies

The Scotiabank Group has several pending legal claims related to its ongoing activities. It is the opinion of management and its legal advisors that these claims will not result in liabilities additional to those recorded by the Scotiabank Group. Therefore, management considers that no additional provision is necessary for these contingencies (note 17.b).

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### 20. Contingent Risks and Commitments

In the normal course of business, the Bank, CrediScotia and CRAC perform contingent transactions under off-consolidated interim statement of financial position (contingent assets). These transactions expose the Bank, CrediScotia and CRAC to additional credit risks, beyond the amounts recorded in the consolidated interim statement of financial position. Credit risk for contingent transactions that are recorded in suspense accounts in the consolidated interim statement of financial position is related to the probability that one of the participants of the respective contract does not meet the agreed terms.

The related contracts consider the amounts that the Bank, CrediScotia and CRAC would assume for credit losses on contingent transactions. The Bank, CrediScotia and CRAC apply similar credit policies when assessing and granting direct loans and indirect loans.

Many of the indirect loans are expected to expire without any withdraw required. The total amounts do not necessarily represent future cash outflows for the Bank, CrediScotia, and CRAC. Also, documentary credits, such as letters of credit issued, guarantees and letters of guarantee are contingent commitments issued by the Bank and CrediScotia to guarantee a client's obligation before a third party.

As of September 30, 2021 and December 31, 2020, contingent accounts comprise the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b>	<b>12.31.2020</b>
<b>Indirect loans</b>	<b>8</b>		
Guarantees and letters of guarantee		9,683,245	10,677,481
Letters of credit issued		942,663	707,585
Outstanding banker's acceptance		176,126	210,178
		<b>10,802,034</b>	<b>11,595,244</b>
Unused credit lines		38,093,480	46,091,388
Derivative instruments		28,294,552	16,217,496
		<b>77,190,066</b>	<b>73,904,128</b>

### 21. Interest Income

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Direct loan portfolio		2,682,268	3,994,265
Available-for-sale investments	7	54,359	130,076
Investments at fair value through profit or loss	7	7,880	9,318
Cash and due from banks and deposits with banks	6	4,899	24,188
Interbank funds		80	497
Other finance income		1,974	1,554
		<b>2,751,460</b>	<b>4,159,898</b>

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**22. Interest Expenses**

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Borrowings and debts	16(f)	186,561	261,048
Deposits and obligations		156,278	437,629
Repurchase agreements		28,307	88,756
Loss from hedging instruments		22,836	11,233
Fees for borrowings and debts		17,785	16,141
Deposits with financial institutions		1,553	3,384
Interbank funds		304	2,086
		<b>413,624</b>	<b>820,277</b>

**23. Financial Service Income, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
<b>Income</b>		
Income from fees for collections services	236,758	189,324
Other income and fees for banking services	124,333	108,780
Income from services and maintenance of liability transactions and transfer fees	66,568	60,473
Income from compensation for mutual funds and fees for redemption of shares	59,027	46,452
Income from structuring and management services	46,020	39,216
Income from teleprocessing services	28,338	31,292
Income from recovery of loan portfolio	26,336	25,528
Income from fees and intermediation services	5,000	4,898
Other income	235,449	189,027
	<b>827,829</b>	<b>694,990</b>
<b>Expenses</b>		
Credit/debit card expenses	(113,259)	(98,252)
Deposit insurance fund premiums	(47,806)	(40,424)
Expenses for insurance services	(4,035)	(4,716)
Other expenses	(243,251)	(174,087)
	<b>(408,351)</b>	<b>(317,479)</b>
	<b>419,478</b>	<b>377,511</b>

**24. Income from Financial Transactions**

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Net gain on measurement of held-for-trading instruments	9	752,835	101,698
Gain on sale of available-for-sale investments	7	26,120	135,640
Gain on interests		23,244	9,308
Net (loss) gain on sale and measurement of investments at fair value through profit or loss		(19,092)	19,139
Net (loss) gain on foreign exchange	5	(431,077)	102,975
Others, net		151	(51)
		<b>352,181</b>	<b>368,709</b>

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**25. Administrative Expenses**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Personnel and board of director's expenses	663,694	727,059
Expenses for third-party services	546,588	581,131
Taxes and contributions	63,934	67,879
	<b>1,274,216</b>	<b>1,376,069</b>

**26. Other Income, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Sale of non-financial services	19,100	13,449
Gain on sale of realizable and repossessed assets	3,811	1,356
Lease of own assets	1,272	1,574
Reimbursements and refunds	488	666
(Loss) gain on sale of property, furniture and equipment	(1,550)	1,014
Other expenses, net	(17,665)	(8,150)
	<b>5,456</b>	<b>9,909</b>

**27. Tax Matters****Consolidated**

- A. Income tax is determined on an individual basis and not on a consolidated basis. According to the tax law in force in Peru, income tax is settled based on statutory financial statements and additions, deductions and tax losses established.

**Income tax regime**

- B. The Scotiabank Group is subject to the Peruvian tax regime. As of September 30, 2021 and December 31, 2020, the corporate income tax is calculated on the basis of the net taxable income determined by the Scotiabank Group at a rate of 29.5%.

On May 21, 2012, the CRAC entered into a legal stability agreement with the Peruvian Government in accordance with Title II of Legislative Decree 662, Chapter I, Title V of Legislative Decree 757 and Law 27342. The agreement is effective for ten years following its execution. Consequently, the 2021 income tax rate is 30%.

The income tax rate applicable to dividend distribution and any other form of profit distribution amounts to 5%, in the case of profits generated and distributed since January 1, 2017 onwards.

It shall be presumed that the dividend distribution or any other form of profit distribution correspond to the retained earnings or other items that could generate older taxable dividends.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- C. In accordance with current Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. In general terms, revenue obtained by non-domiciled individuals from the services rendered in the country shall be subject to a 30% income tax on gross income, provided that no double tax treaties are applicable. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea and Japan. However, the double taxation treaty with Japan shall apply from the 1 January 2022.

Concerning the technical assistance or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30%-income tax rate on gross income, respectively, provided that no double tax treaties are applicable. Technical assistance shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As noted above, the retention ratio in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

### **Income tax determination**

- D. The Scotiabank Group computed its tax base for the years ended September 30, 2021 and 2020 and determined income tax credit by S/ 17,616 thousand and income tax debit by S/ 512,749 thousand, respectively.

The Scotiabank Group's current tax has been determined for fiscal years 2021 and 2020, net of prior years, as follows:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
Scotiabank Perú S.A.A.	99,542	355,167
CrediScotia Financiera S.A.	(102,669)	109,489
Scotia Fondos Sociedad Administradora de Fondos S.A.	15,983	32,435
Servicios, Cobranzas e Inversiones S.A.C.	2,103	12,187
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	1,320	2,597
Scotia Sociedad Agente de Bolsa S.A.	725	484
Scotia Sociedad Titulizadora S.A.	612	390
	<b>17,616</b>	<b>512,749</b>

Income tax expenses comprise:

<i>In thousands of soles</i>	<b>09.30.2021</b>	<b>09.30.2020</b>
<b>Current tax (debit) credit</b>		
Current year	40,076	493,930
Prior year adjustments	(22,460)	18,819
	<b>17,616</b>	<b>512,749</b>
<b>Deferred tax (debit) credit</b>	<b>175,020</b>	<b>(442,980)</b>
<b>Net income tax expense</b>	<b>192,636</b>	<b>69,769</b>

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The reconciliation of the tax rate to the effective tax rate is as follows:

<i>In thousands of soles</i>	<b>09.30.2021</b>		<b>09.30.2020</b>	
<b>Profit before tax</b>	<b>903,819</b>	<b>100.00%</b>	<b>919,063</b>	<b>100.00%</b>
Income tax (theoretical)	266,626	29.50%	131,647	29.50%
Tax effect on additions and				
Permanent differences	(60,235)	(6.66)%	(57,921)	(12.98)%
Prior year income tax adjustment	(13,755)	(1.53)%	(3,957)	(0.89)%
<b>Current and deferred tax recorded as per effective rate</b>	<b>192,636</b>	<b>21.31%</b>	<b>69,769</b>	<b>15.63%</b>

**Tax Loss**

- E. In accordance with current tax law, there are 2 systems to offset tax loss carryforward: System A consists of the use of the tax loss generated from the year in which it was accrued and with a term of up to 4 years for its use. After such term, the tax loss is considered as expired. Exceptionally, the term to offset tax loss carryforward from the year 2020 was extended to 5 years. System B establishes that the tax loss carryforward does not expire and it can be used until its depletion, offsetting only 50% of the tax base generated in the year. The system to be applied by the Company shall be elected at the time of filing the annual income tax return in the first year of its generation. No amendments are allowed until the tax loss is depleted or expired.

As of December 31, 2020, CrediScotia elected the System A and determined its tax loss carryforward for S/ 129,473.

As of December 31, 2020, CrediScotia recognized deferred tax assets for S/ 38,195 thousand for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which they can be utilized (note 28).

**New accrual concept**

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

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

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

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***Special depreciation regime***

- G. Legislative Decree 1488, effective 2021, established a special depreciation regime that is temporary and exceptional. It increases the annual depreciation rates of various assets (e.g., machinery, equipment, buildings and constructions, among others) and modifies the depreciation terms.

This regime is not applicable to investments that as of May 10, 2020 were included in legal stability agreements entered into under Legislative Decrees 662 and 757, as well as other contracts that have tax stabilization clauses.

### ***Thin capitalization***

- H. From 2019 to December 31, 2020, the borrowing costs generated by debts of independent and related parties are subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period. From January 1, 2021, the borrowing costs are deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 UIT, infrastructure, public utilities, among others.

The companies (taxpayers) that started their business activities or incorporated during the year shall include the tax-EBITDA of the taxable year 2020.

### ***Income tax exemptions and exceptions***

- I. From year 2010, capital gains from the disposal or redemption of securities made in centralized trading mechanisms are subject to income tax. For this purpose, the value of securities has been established as computable cost at the end of the taxable period 2009 (quotation value), acquisition cost, or increase in the equity value, under the procedure established in Supreme Decree 011-2010-EF.

Emergency Decree 005-2019 extended the exemption until December 31, 2022 and included new assumptions that shall also be exempted:

- i) debt instruments; ii) certificates of participation in mutual funds of investment in securities; iii) certificates of participation in real estate investment (FIRBI, for its Spanish acronym) and certificates of participation in real estate trusts (FIBRA, for its Spanish acronym); and iv) negotiable invoices.

The aforementioned exemption will be applicable whenever certain requirements concur.

Likewise, the penalty relief period for tax debts included in the Article 19 of Income Tax Law was extended until December 31, 2023.



## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***Temporary tax on net assets***

- J. The Scotiabank Group is subject to Temporary Tax on Net Assets whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal cash reserve, and specific provisions for credit risk. The tax rate is 0.4% for years 2021 and 2020 and is applied to the amount of net assets exceeding S/ 1 million. It may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against payments on account of Income Tax Law for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the payments on account, and against the payment for regularization of income tax of the corresponding taxable period. In the event a remaining balance is not applied, its refund could be requested.

### ***Tax on financial transactions***

- K. Tax on financial transactions until the fiscal period 2021 is fixed at the rate of 0.005%. This tax is applied on debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.

### ***Transfer pricing***

- L. In determining the income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation shall be supported with documents and information on the valuation techniques and the criteria used for their determination. Until fiscal year 2016, the formal obligations of Transfer Pricing were the presentation of a transfer pricing sworn statement and a technical study.

Through Legislative Decree 1312, published December 31, 2016 and effective January 1, 2017, the following formal obligations were established to replace the former ones: (i) presentation of a Local File (if accrued revenue exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued revenue of the group exceeds 20,000 UIT); and (iii) presentation of a Country-by-Country Reporting (if 2017 accrued, consolidated revenue of the multinational group's Parent Company exceeds S/ 2,700,000,000 or € 750,000,000). The presentation of the Master File and the Country-by-Country Reporting is mandatory for transactions corresponding to the year 2017 onwards.

According to Tax Authorities' Resolution 014-2018-SUNAT, published January 18, 2019, the Electronic Form 3560 was approved for presentation of the Local File, establishing the deadlines for its presentation and the content and format that should be therein included.

The Scotiabank Group presented the Country-by-Country Reporting for the years 2017 and 2018 (it is not mandatory for the year 2019) to the Tax Authorities, in accordance with the extension established in Resolutions 054-2019/SUNAT and 155-2020/SUNAT.

According to the information published by the Organization for Economic Cooperation and Development (OECD), the automatic exchange of information agreement between Peru and Canada is effective from the year 2019. The Country-by-Country Reporting for the year 2019 will no longer be presented by the Bank since such agreement is effective from that year.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The content and format of the Local File are stated in the Appendixes I, II, III and IV of the Tax Authorities' Resolution 014-2018-SUNAT.

Likewise, Legislative Decree 1312 also established that intra-group services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers must comply with the benefit test and provide the documentation and information under specific conditions for the deduction of costs or expenses.

Legislative Decree 1116 established that Transfer Pricing Standards are not applicable for sales tax.

### **Tax assessment by Tax Authorities**

- M. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Scotiabank Group within the four years following the year of the tax return filing. The Scotiabank Group's income tax and sales tax returns for the years 2016 through 2020 are open for review by the Peruvian Tax Authorities.

The Scotiabank Group's income tax returns that are open for review by the Tax Authorities are as follows:

<i>In thousands of soles</i>	<b>Tax returns subject to audit</b>	<b>Tax returns under audit</b>
Scotiabank Perú S.A.A.	From 2016 to 2020	2015
CrediScotia Financiera S.A.	From 2016 to 2020	-
Servicios, Cobranzas e Inversiones S.A.C.	From 2017 to 2020	2016
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	From 2016 to 2020	-
Scotia Sociedad Agente de Bolsa S.A.	From 2016 to 2020	-
Scotia Sociedad Titulizadora S.A.	From 2016 to 2020	-
Caja Rural de Ahorro y Crédito Cencosud		
Scotia Perú S.A.	From 2016 to 2020	-
Fideicomiso sobre Bienes Inmuebles – Depsa	From 2016 to 2020	-

Concerning tax returns for fiscal years 2006 through 2010 and 2014, the Tax Authorities issued various Tax Assessment and Fine Resolutions on the determination of corporate income tax for said years, which were challenged. The Bank filed an appeal which is pending resolution at Tax Court. For the 2014 year, we have filed a claim against SUNAT, that is pending of resolution.

Concerning CrediScotia, the Tax Authorities have completed the audits for fiscal years 2008, 2009, 2010 and 2011, issuing Tax Assessment and Fine Resolutions on the determination of income tax for such years, which were challenged by CrediScotia. In relation to the results from the tax assessment of the fiscal years, CrediScotia has filed an appeal for the received actions related to the Income Tax of those years.

Concerning the CRAC, it was audited by the Tax Authorities the year 2012. The CRAC filed an appeal in 2017, that is pending of resolution at Tax Court. In 2016, the Tax Authorities concluded the tax assessment of year 2013 and did not generate any significant contingencies. In 2020, the Tax Authorities concluded the tax assessment of year 2014 and did not generate any significant contingencies.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The Tax Authorities conducted a partial audit to the SC corresponding to the year 2016. The case was result by the Tax Court. Currently, this case is at Judiciary level.

It is the opinion of management and its legal advisors that these tax proceedings and the periods pending assessment will not generate significant liabilities that may impact on the Scotiabank Group's profit or loss according to IFRIC 23.

Due to the possibility of various interpretations of the current regulations by the Tax Authorities, it is not possible to determine, to date, whether a future tax audit will result or not in liabilities for the Scotiabank Group of the period in which they are recognized. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the Scotiabank Group's consolidated financial statements as of September 2021.

### ***Tax regime applicable to Value Added Tax (VAT)***

- N. As of September 30, 2021 and December 31, 2020, the sales tax is calculated based on the taxable income determined by the Scotiabank Group monthly at a rate of 18%.

The fees and interest derived from the transactions of banks and financial institutions, municipal savings and credit institutions, municipal savings and credit and popular institutions, small and micro enterprises development institutions, credit unions and rural savings and credit institutions are exempt from sales tax.

Furthermore, the exemptions contained in Appendices I and II of the Law on the Value Added Tax remain in force until 31 December 2021.

### ***Deduction of expenses or costs incurred in transactions with non-domiciled individuals***

- O. Legislative Decree 1369 requires that from January 1, 2019 costs and/or expenses (including outbound interest) incurred with non-domiciled individuals must be paid effectively to be deducted in the year they were incurred. Otherwise, its impact on the determination of net income will be deducted in the year they are actually paid and the corresponding withholding will be applied.

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

### ***Indirect loans***

- P. As of January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the Income Tax that would have been levied on the foreign dividends and the Corporate Income Tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided they are in the same jurisdiction) that would have distributed the dividends from abroad.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code***

- Q. Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012, are reviewed; (ii) it is applicable only if there is a favorable opinion from a review committee composed of Tax Authorities' officers (such opinion is not appealable); and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a one (01) year term to request information from the audited parties.

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

Likewise, the Tax Authorities' Audit Procedure Regulation has been adapted for such purposes.

### ***Information related to ultimate beneficiaries***

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

Although said regulations are already in force, the Tax Authorities has only issued regulations for the terms and conditions for filing the tax return of legal persons classified as major taxpayers.

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

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***Indirect transfer of shares***

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

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

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

Lastly, from January 1, 2019, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly liable party. Thus, the latter is required to provide information, among others, regarding the transferred shares or interests of the non-domiciled legal person.

### ***Joint and several liability of legal representatives and directors***

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

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

Lastly, members of the domiciled entities' Board of Directors were granted a term, with maturity on March 29, 2019, to verify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018, that are effective to date.

Considering such term established for compliance with such formal obligation, the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be crucial to review any act, situation or economic relationship that has: (i) increased tax allocation; and/or (ii) generated a lower payment of taxes for the aforementioned periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter, in case the Bank to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### 28. Deferred Tax

Deferred tax assets have been calculated applying the liability method per entity (note 4.P). The consolidated deferred tax asset as of September 30, 2021 and 2020 mainly comprises:

<i>In thousands of soles</i>	<b>Balances as of 01.01.2020</b>	<b>(Debit) credit Profit or loss</b>	<b>Balances as of 09.30.2020</b>	<b>Balances as of 01.01.2021</b>	<b>(Debit) credit Profit or loss</b>	<b>Other adjustment</b>	<b>Balances as of 09.30.2021</b>
Generic provision for direct/indirect loans	239,209	406,773	645,982	566,305	(225,825)	(10,303)	330,177
Provision for accounts receivable	31,634	7,023	38,657	39,534	4,733	-	44,267
Provision for repossessed assets	25,742	5,301	31,043	32,501	(415)	-	32,086
Provision for vacations	6,193	(1,727)	4,466	10,230	1,022	-	11,252
Provision for credit and debit card rewards	5,273	-	5,273	5,551	-	-	5,551
Tax loss	-	-	-	34,406	35,940	-	70,346
Investment in subsidiaries	940	-	940	941	-	-	941
Finance lease operations, net	135	-	135	135	-	-	135
Intangible assets	(101,415)	554	(100,861)	(103,247)	4,384	-	(98,863)
Levelation of assets and liabilities	(28,099)	6,787	(21,312)	(13,329)	13,329	-	-
Sales Commissions	(29,187)	9,763	(19,424)	(18,479)	240	-	(18,239)
Others	19,088	8,506	27,594	31,325	(8,428)	-	22,897
<b>Deferred income tax asset, net</b>	<b>169,513</b>	<b>442,980</b>	<b>612,493</b>	<b>585,873</b>	<b>(175,020)</b>	<b>(10,303)</b>	<b>400,550</b>

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**29. Employees' Profit Sharing**

According to Legislative Decree 677, bank's employees are entitled to a profit-sharing plan computed at 5% of the net profit, similarly to employees of the entities part of the Scotiabank Group. This profit sharing is considered as a deductible expense for income tax calculation purposes. As of September 30, 2021, legal employees' profit sharing was determined for S/ 28,252 thousand (S/ 53,217 thousand as of September 30, 2020), which is included in 'administrative expenses' in the consolidated interim statement of profit or loss.

**30. Trust Fund Activities**

The Scotiabank Group offers structuring and management services of trust operations and trust fees and is in charge of the preparation of agreements related to these operations. Assets held in trust are not included in the consolidated interim financial statements. The Scotiabank Group is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of September 30, 2021, the allocated value of assets in trusts and trust fees amounts to S/ 6,043,779 thousand (S/ 4,976,050 thousand as of December 31, 2020).

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### 31. Related Party Transactions

As of September 30, 2021 and December 31, 2020, the consolidated interim financial statements include related party transactions, which, under IAS 24, comprise the Parent Company, related parties, associates, other related parties, and the Bank's directors and key management. All related party transactions are conducted in accordance with market conditions applicable to non-related third parties.

A. The balances of the Scotiabank Group's consolidated interim statement of financial position arising from related parties were as follows:

	09.30.2021					12.31.2020				
	Parent Company	Related parties (i)	Associates	Key management personnel and directors	Total	Parent Company	Related parties (i)	Associates	Key management personnel and directors	Total
<i>In thousands of soles</i>										
<b>Assets</b>										
Cash and due from banks	-	468,569	-	-	468,569	-	1,724	-	-	1,724
Loan portfolio, net	-	513,055	13,257	26,201	552,513	-	308,829	7,591	22,880	339,300
Derivative instruments receivable	-	105,151	-	-	105,151	-	36,911	-	-	36,911
Other assets, net	9	74,536	114,574	23	189,142	-	82,656	96,069	179	178,904
<b>Total assets</b>	<b>9</b>	<b>1,161,311</b>	<b>127,831</b>	<b>26,224</b>	<b>1,315,375</b>	<b>-</b>	<b>430,120</b>	<b>103,660</b>	<b>23,059</b>	<b>556,839</b>
<b>Liabilities</b>										
Deposits and obligations with financial institutions	13,084	1,044,635	26,980	16,353	1,101,052	2,180,220	859,634	32,761	36,451	3,109,066
Borrowings and debts	234,450	4,963,361	-	-	5,197,811	230,252	6,240,201	-	-	6,470,453
Derivative instruments payable	-	545,442	-	-	545,442	-	131,693	-	-	131,693
Provisions and other liabilities	-	15,448	959	91	16,498	-	42,777	850	32	43,659
<b>Total liabilities</b>	<b>247,534</b>	<b>6,568,886</b>	<b>27,939</b>	<b>16,444</b>	<b>6,860,803</b>	<b>2,410,472</b>	<b>7,274,305</b>	<b>33,611</b>	<b>36,483</b>	<b>9,754,871</b>
<b>Off-balance sheet accounts</b>										
Indirect loans	-	560,834	67,268	-	628,102	-	540,654	72,698	-	613,352
Derivative instruments	-	13,000,913	-	-	13,000,913	-	8,709,020	-	-	8,709,020

(i) Related parties include balances and transactions with other related parties in accordance with IAS 24.



## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

B. The effects of related party transactions in the Scotiabank Group's consolidated statement of financial position are detailed below:

<i>In thousands of soles</i>	09.30.2021					09.30.2020				
	Parent Company	Related parties (i)	Associates	Key management personnel and directors	Total	Parent Company	Related parties (i)	Associates	Key management personnel and directors	Total
Interest income	-	8,930	449	1,137	10,516	-	9,384	259	1,208	10,851
Interest expenses	(12,789)	(51,282)	(6)	(325)	(64,402)	(15,699)	(77,487)	(160)	(634)	(93,980)
	<b>(12,789)</b>	<b>(42,352)</b>	<b>443</b>	<b>812</b>	<b>(53,886)</b>	<b>(15,699)</b>	<b>(68,103)</b>	<b>99</b>	<b>574</b>	<b>(83,129)</b>
Financial service income	17	5,809	614	169	6,609	12	6,391	820	90	7,313
Financial service expenses	-	(58)	(16,612)	(29)	(16,699)	-	(77)	(12,237)	(9)	(12,323)
	<b>17</b>	<b>5,751</b>	<b>(15,998)</b>	<b>140</b>	<b>(10,090)</b>	<b>12</b>	<b>6,314</b>	<b>(11,417)</b>	<b>81</b>	<b>(5,010)</b>
Net profit or loss from financial transactions	-	(230,038)	23,231	-	(206,807)	-	(204,048)	9,308	-	(194,740)
Administrative expenses (ii)	-	(10,247)	(1,524)	(59)	(11,830)	-	(12,333)	(600)	(42)	(12,975)
Other income, net	-	3,683	(2)	(97)	3,584	-	10,295	-	97	10,392
<b>Net profit or loss</b>	<b>(12,772)</b>	<b>(273,203)</b>	<b>6,150</b>	<b>796</b>	<b>(279,029)</b>	<b>(15,687)</b>	<b>(267,875)</b>	<b>(2,610)</b>	<b>710</b>	<b>(285,462)</b>

(i) Related parties include balances and transactions with other related parties in accordance with IAS 24.

(ii) Excluding personnel expenses.

C. Remuneration of key personnel and directors were as follows:

<i>In thousands of soles</i>	09.30.2021	09.30.2020
Remuneration of key personnel	18,425	14,117
Expense allowance for Board of Directors	1,526	1,261
	<b>19,951</b>	<b>15,378</b>

During the nine-month period ended in September 30, 2021 and 2020, the outstanding remuneration to key personnel amounted to S/ 6,658 thousand and S/ 7,691 thousand, respectively.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### 32. Classification of Financial Instruments

Management classifies its financial assets and financial liabilities into categories as described in note 4.B. As of September 30, 2021 and December 31, 2020, financial assets and financial liabilities are classified as follows:

		09.30.2021						
		At fair value through profit or loss	Loans and items receivable	Available-for-sale		Liabilities at amortized cost	Other liabilities (b)	Total
				At amortized cost (a)	At fair value			
<i>In thousands of soles</i>	<i>Note</i>							
<b>Assets</b>								
Cash and due from banks	6	-	12,488,317	-	-	-	-	12,488,317
Interbank funds		-	80,002	-	-	-	-	80,002
<b>Investments at fair value through profit or loss</b>								
Equity instruments	7	7,297	-	-	-	-	-	7,297
Debt instruments	7	1,781,706	-	-	-	-	-	1,781,706
<b>Available-for-sale investments</b>								
Equity instruments	7	-	-	4,510	775	-	-	5,285
Debt instruments	7	-	-	-	4,849,501	-	-	4,849,501
Loan Portfolio, net	8	-	55,599,242	-	-	-	-	55,599,242
Derivative instruments receivable	9	850,397	-	-	-	-	-	850,397
Accounts receivable, net	10	-	568,448	-	-	-	-	568,448
Other assets, net	14	-	100,311	-	-	-	-	100,311
		<b>2,639,400</b>	<b>68,836,320</b>	<b>4,510</b>	<b>4,850,276</b>	-	-	<b>76,330,506</b>
<b>Liabilities</b>								
Deposits and obligations and other obligations	15	-	-	-	-	-	46,988,642	46,988,642
Interbank funds		-	-	-	-	-	-	-
Deposits with financial institutions and international financial institutions	15	-	-	-	-	-	457,118	457,118
Borrowings and debts	16	-	-	-	-	14,659,520	-	14,659,520
Derivative instruments payable	9	678,679	-	-	-	-	-	678,679
Accounts payable		-	-	-	-	-	5,490,229	5,490,229
Other liabilities	17	-	-	-	-	-	280,408	280,408
		<b>678,679</b>	-	-	-	<b>14,659,520</b>	<b>53,216,397</b>	<b>68,554,596</b>

(a) It includes financial assets measured at cost.

(b) It includes financial liabilities whose fair value correspond to carrying amounts in accordance with Official Letter 43078-2014-SBS and Official Letter 1575-2014-SBS.

(c) It includes unlisted securities (note 7).

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

		12.31.2020						
		At fair value through profit or loss	Loans and items receivable	Available-for-sale		Liabilities at amortized cost	Other liabilities (b)	Total
				At amortized cost (a)	At fair value			
<i>In thousands of soles</i>	<i>Note</i>							
<b>Assets</b>								
Cash and due from banks	6	-	17,501,265	-	-	-	-	17,501,265
Interbank funds		-	90,526	-	-	-	-	90,526
<b>Investments at fair value through profit or loss</b>								
Equity instruments	7	7,211	-	-	-	-	-	7,211
Debt instruments	7	2,535,318	-	-	-	-	-	2,535,318
<b>Available-for-sale investments</b>								
Equity instruments	7	-	-	5,232	801	-	-	6,033
Debt instruments	7	-	-	-	6,241,164	-	-	6,241,164
Loan portfolio, net	8	-	49,804,017	-	-	-	-	49,804,017
Derivative instruments receivable	9	189,557	-	-	-	-	-	189,557
Accounts receivable, net	10	-	403,450	-	-	-	-	403,450
Other assets, net	14	-	167,391	-	-	-	-	167,391
	6	<b>2,732,086</b>	<b>67,966,649</b>	<b>5,232</b>	<b>6,241,965</b>	-	-	<b>76,945,932</b>
<b>Liabilities</b>								
Deposits and obligations and other obligations	15	-	-	-	-	-	47,588,560	47,588,560
Interbank funds		-	-	-	-	-	108,670	108,670
Deposits with financial institutions and international financial institutions	15	-	-	-	-	-	986,649	986,649
Borrowings and debts	16	-	-	-	-	12,924,516	-	12,924,516
Derivative instruments payable	9	181,641	-	-	-	-	-	181,641
Accounts payable		-	-	-	-	-	7,483,166	7,483,166
Other liabilities	17	-	-	-	-	-	238,041	238,041
		<b>181,641</b>	-	-	-	<b>12,924,516</b>	<b>56,405,086</b>	<b>69,511,243</b>

(a) It includes financial assets measured at cost.

(b) It includes financial liabilities whose fair value correspond to carrying amounts in accordance with Official Letter 43078-2014-SBS and Official Letter 1575-2014-SBS.

(c) It includes unlisted securities (note 7).

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **33. Financial Risk Management**

The Scotiabank Group has a strong risk culture throughout the entire entity and manages risks related to its activities with a model of three lines of defense. Risk management is a responsibility shared by all employees, being a main element the risk diversification across different lines of business, products and industries. The first line is constituted by the areas that assume the risks, the second line includes risk and control functions, and the third line is related to audit functions.

It comprises the management of the following main risks:

- A. Credit risk: It is the risk of loss due to debtors, counterparties or third parties' inability to meet their contractual obligations.
- B. Market risk: It is the risk of loss in on-balance or off-balance sheet positions due to changes in the market conditions. It generally includes exchange rate, interest rate, price and other risks.
- C. Liquidity risk: It is the risk of loss due to inability to meet borrowing requirements and application of funds arising from cash flow mismatches.
- D. Operational risk: It is the direct or indirect risk of loss due to external events, human error or deficiencies or failures in processes, procedures, systems or controls. It includes legal risk but excludes strategic and reputational risks.

Current risk management allows the Bank to identify, measure and assess the return on risk in order to obtain greater value to shareholders. In order to ensure that strategic objectives are met, risk management is governed by the Risk Appetite Framework approved by the entity, ensuring an appropriate risk-return spectrum. The Risk Appetite Framework's main purpose is to provide an integrated set of policies, guidelines and principles in order to ensure the application of processes to monitor and mitigate the risks to which the Scotiabank Group is exposed, determining the amount and types of risks faced by the Bank.

For proper risk management, the Scotiabank Group has the following requirements: (i) adequate corporate governance, (ii) aligned and updated risk policies and limits, and (iii) risk monitoring.

#### **(i) Adequate corporate governance**

The bodies supporting corporate governance are:

##### **Board of Directors**

It is responsible for setting the main guidelines to maintain an effective risk management supported by the Parent Company, establishing an overall risk management and providing an internal environment that facilitates the development of risk management relying on the Risk Management Committee and the Audit Committee.

##### **Executive committees**

They are composed of the following committees: The Asset-Liability Committee (ALCO), Retail Credit Risk Committee and Operational Risk Committee.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***Senior Vice President Risk Management***

It is responsible for proposing and implementing the policies, methodologies and procedures for an overall risk management to identify, monitor, mitigate and control the different types of risks to which the Bank is exposed. Also, it is involved in the definition and design of the Bank's strategy and communicates and strengthens the risk culture throughout the Scotiabank Group.

The Senior Vice President Risk Management has the following units: Corporate and Commercial Loans, Retail Loans, Special Banking, Overall Risk Management and Provisions, Collection, Market Risk, and Operational and Technological Risk.

#### ***(ii) Aligned and updated risk policies and limits***

The policies are based on recommendations from the different risk units, internal audit, business lines, industry best practices, regulatory and Parent Company requirements, as well as the recommendations from senior management. They are governed by the Risk Appetite Framework and set the limits and controls within which the Scotiabank Group can operate.

The policies are reviewed and approved by the Board of Directors, either directly or through its committees. They provide a description of the types of exposure, responsibilities and conditions that the Scotiabank Group will consider in doing business, in order to ensure a proper understanding of clients, products, markets and fully understanding of risks inherent to each activity.

#### ***(iii) Risk monitoring***

The Risk Division has developed a set of policies to identify, measure and communicate the evolution of risks in different products and banking, which are intended to early anticipate any portfolio impairment in order to adopt corrective measures.

Main activities and processes applied to have an appropriate risk management are described below:

### **A. Credit risk**

#### ***Life cycle: Admission, Monitoring and Collection***

The Risk Units are responsible for designing and implementing strategies and policies to achieve a loan portfolio in accordance with the parameters of credit quality and risk appetite. Credit adjudication units admit and assess credit proposals from different business segments with different levels of delegation granted to other teams for their approval, based on a risk (measured based on a rating or scoring) to return spectrum. Also, for portfolio management, loans are monitored in order to minimize future losses. For collection management, these clients are segmented in Corporate and Commercial Banking and Retail banking. For corporate and commercial portfolio, collections are managed on a case-by-case basis, transferring it to the Special Banking unit, according to policies and red flags, resulting from the monitoring of the portfolio. For retail portfolio, risk-based strategies (scoring) are established to optimize available resources for collection seeking to reach greater effectiveness.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ▪ ***Credit risk mitigation – collaterals***

The Scotiabank Group has a set of policies and practices to mitigate credit risk. One of them is the use of collaterals; however, loans are not granted for the amount or quality of collaterals but for the debtor's ability to meet its obligations. Even though collaterals reduce the risk of loss, they shall not be linked to the primary source of repayment.

The value of collaterals is established through remeasured valuations, which are held regularly and consider changes in the market. Such valuations are performed by qualified independent experts, which shall meet the required standards and best practices. Additionally, when prices are volatile, margins are applied to compensate changes.

Periodical certifications of price, value and changes of collaterals are conducted by the Scotiabank Group; and, if necessary, measures are adopted to mitigate the risk inherent to the value of these collaterals.

Management of appraisals and collaterals is conducted by an independent unit from the Risk Division.

The types of collaterals include mortgages, levies on assets, such as inventories, premises and accounts receivable, and levies on financial instruments, such as debt and equity instruments.

Additionally, the Scotiabank Group classifies collaterals as established in SBS Resolution 11356 - 2008 "Regulation on Debtor Risk Assessment and Credit Rating and Provision Requirements," as follows:

- Preferred collaterals.
- Preferred easily realizable collaterals.
- Preferred readily realizable collaterals.

### ▪ ***Credit rating***

For Corporate and Commercial Loans, the Bank uses the Advanced Internal Rating-Based (AIRB) approach. Based on this internal rating, it assigns the limits of credit autonomy.

For Retail Banking, an internal score that reflects the strength of clients based on the probability of default and payment is used. Also, this score determines the strategies to be used with clients based on the risk of each one.

Additionally to these ratings, the Bank uses debtors' regulatory credit rating, which determines the provision requirement of clients.

## Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ▪ **Debtor's regulatory credit rating**

The debtor regulatory credit rating is conducted in accordance with criteria and parameters established by SBS Resolution 113562008 "Regulation on Debtor Risk Assessment and Credit Rating and Provision Requirements," which establishes five debtor's ratings: Wholesale portfolio (corporate, large and medium-business loans) and Retail portfolio (small and micro-business, consumer and mortgage loans):

- Standard (0)
- Potential problems (1)
- Substandard (2)
- Doubtful (3)
- Loss (4)

According to the measures adopted by the SBS during the national state of emergency, the counting of days past due was stopped from February 29, 2020 to August 31, 2020.

As of September 30, 2021 and December 31, 2020, the loan portfolio was classified based on this event.

### ▪ **Loan portfolio impairment loss**

As of September 30, 2021 and December 31, 2020, based on SBS Resolution 7036-2012, the Bank, CrediScotia and CRAC have classified impaired and not impaired loans considering the following criteria:

#### - **Neither past-due nor impaired loans**

It comprises those direct loans that currently do not have characteristics of default and relate to client's loans rated as 'standard' or 'potential problems.'

#### - **Past due but not impaired loans**

It comprises client's past-due loans rated as 'standard' or 'potential problems.'

#### - **Impaired loans**

Retail portfolio comprises loans rated as 'substandard,' 'doubtful' or 'loss,' and refinanced, restructured and lawsuit loans.

Wholesale portfolio comprises loans past-due of more than 90 days, rated as 'substandard,' 'doubtful' or 'loss,' and refinanced, restructured and lawsuit loans.

## **B. Market risk**

It is the risk of loss due to changes in market prices, such as interest rate, equity value, exchange rate and credit spread, that affect the income or the value of its financial instrument portfolio. The objective of the market risk management is to identify, assess and control market risk exposure within risk tolerance and appetite parameters, acceptable for the Board of Directors. It is in order to ensure solvency while optimizing the risk-adjusted return.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***i. Market risk management***

The Scotiabank Group separates its exposure to market risk between trading and non-trading portfolio. Trading portfolios are managed by the Trading Unit, and include positions arising from market making and own positions, together with financial assets and financial liabilities which are managed on a market value basis.

All foreign exchange positions are managed by Treasury. Accordingly, the foreign exchange positions are treated as part of the trading portfolios for risk management purposes.

Management uses different tools to monitor exposure to market risk for trading and non-trading portfolios, as follows:

### ***ii. Exposure to market risk – Trading portfolio***

The main tool used to measure and control market risk within the Scotiabank Group's trading portfolio is value at risk (VaR). The VaR is the estimated loss that will arise on the portfolio over the holding period or specific time horizon, due to an adverse change in the market price with a probability determined by the confidence level, under normal market conditions. The VaR used by the Scotiabank Group is a historical simulation approach at a 99% of confidence level and assumes a 1-day holding period. Considering market data from the previous 300 days, relationships between different markets and prices are observed, the VaR generates a wide range of various future scenarios for changes in the market price.

Although VaR is an important tool for measuring market risk, the assumptions on which the VaR is based generate some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for liquid assets or in situations in which there is severe general market illiquidity.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the VaR used, there is a 1% probability that losses may exceed the VaR.
- The VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trade date.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR calculation depends on the Scotiabank Group's position and the changes in market prices. The VaR of a static position reduces if there is a decrease in changes in market prices and vice versa.

The Scotiabank Group uses VaR limits for total market risk and interest rate and exchange rate risks. The overall structure of VaR limits is subject to ALCO's approval and is allocated to trading portfolios. VaR is daily calculated and monitored through daily reports of use which are submitted from local Market Risk Unit to Treasury and Parent Company. Monthly reports are submitted to ALCO.



## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The VaR limitations are recognized by complementing its limits with other position and sensitivity limit structures. In addition, a wide range of stress tests are used to model the financial impact of different trading portfolio scenarios. Management determines hypothetical scenarios considering potential macroeconomic factors (such as long-term market illiquidity periods, reduced currency convertibility, natural disasters and other catastrophes). ALCO reviews the analysis of these scenarios.

The VaR is subject to regular validation to ensure that it continues to perform as expected and that assumptions used in model development are still appropriate. As part of the validation process, the potential weaknesses of the models are analyzed using statistical techniques, such as back-testing.

Sensitivity analysis in trading portfolio is used to measure the effect of changes in the risk factors, including rates and differentials on products and portfolios. These measures are applied by product type and allow appropriate monitoring, reporting and management.

### **iii. Exposure to market risk – Non-trading portfolio**

Main risk to which non-trading portfolios are exposed is the risk of loss due to changes in future cash flows or financial instruments fair value because of changes in interest rates. Interest rate risk is managed through interest rate mismatch and establishing limits by currency for each term. ALCO monitors compliance with these limits and is assisted by Market Risk unit.

Equity risk is subject to periodical monitoring by the Board of Directors, through the Risk Management Committee, but is not significant related to the Scotiabank Group's profit or loss and financial position.

The effect of structural positions in foreign currency is managed from the Trading unit within its current position limits per currency.

The main market risks to which the Scotiabank Group is exposed are interest rate risk, exchange rate risk and investment portfolio risk, which are detailed below:

#### **Interest rate risk**

It comprises the risk of loss due to changes in interest rates. The Scotiabank Group, through Treasury, actively manages exposure to interest rate risk in order to improve the net interest income according to established risk tolerance policies.

Market risks arising from financing and investing activities are identified, managed, and controlled as part of the Scotiabank Group's assets and liabilities management process, specially liquidity and interest rate risks. The sensitivity analysis evaluates the effect on income and on equity value, changes in interest rates, both positive and negative parallel changes, as well as non-parallel changes.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Gap analysis is used to assess the sensitivity of repricing mismatches in the non-trading portfolio. Assets, liabilities and other positions off-balance sheet are distributed within repricing dates. Financial instruments with a contractual maturity are assigned to an interest rate gap term based on the shorter of the contractual maturity date and the next repricing date. Financial instruments without contractual maturity are assigned an interest rate gap based on observed historical client's behavior.

Interest rate risk in non-trading portfolios mainly arise from terms and currency mismatches of the loan portfolio. Interest rate risk is managed within the framework of policies approved by the Board of Directors and global limits, included in the Risk Appetite Framework's document, which aim to keep under control the risk of net interest income, as well as the equity value.

Interest rate risk report is presented on a monthly basis by ALCO to the Risk Control Committee and the Board of Directors, detailing the exposure to such exchange rate risk, as well as the results of measurement tools, use of limits and interest rate risk stress tests, among other issues related to market risk management in compliance with regulatory provisions of the Parent Company and the Scotiabank Group.

Mismatch gap analysis, sensitivity analysis, alternative simulations and stress tests are used in this management process for monitoring and planning purposes.

During the national state of emergency, the Peruvian government promoted the economic recovery through programs—e.g., the Reactiva Peru Program. According to such programs, financial institutions granted medium-term loans partially guaranteed by the Peruvian government and access low-interest loans and medium-term loans from the BCRP. Accordingly, the asset-liability mismatch did not increase significantly; therefore, there was no significant increase in the interest rate risk.

### ***Exchange rate risk***

It is the risk of loss due to adverse changes in exchange rates used by the Scotiabank Group. This risk is managed by the Trading Unit.

The Trading Unit is responsible for managing foreign currency transactions and forward portfolios in accordance with policies, procedures and controls designed to ensure profitable business opportunities. This while considering professionally and cautiously adequate risk levels and changes in market variables.

Market risks associated with this management are conducted within internal limits of net position, VaR and stress tests based on market variables. The consistency of these results is validated through periodical back-testing analysis, which compare actual gains or losses with those obtained through the model.

Management calculates the VaR using historical simulation method on 300 days of market data to measure the estimated maximum loss on changes in the exchange rate, considering as variables the net asset position in foreign currency and changes in exchange rate.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

As of September 30, 2021 and December 31, 2020, the Scotiabank Group records a net liability position in foreign currency in the consolidated interim statement of financial position for US\$ 1,696,365 thousand and US\$ 1,458,830, respectively (note 5).

As of September 30, 2021, the overbought readings in the Bank amounted to S/ 49,098 thousand (oversold readings amounted to S/ 94,902 thousand as of December 31, 2020).

### ***Investment portfolio risk***

The own investment portfolio and trading portfolio are managed by the Scotiabank Group in the ALM Unit and Trading Unit, respectively.

The own investment portfolio is administered in order to manage liquidity and interest rate risks, and long-term capital investment with attractive returns, and administered within approved policies and limits: Limits per type and term of the investment. On the other hand, trading portfolio is acquired with the intention of short-term profit-taking, arising from changes in prices.

Investment portfolios are composed of liquid instruments, mainly certificates of deposit issued by the BCRP and Peruvian treasury bonds issued in local and foreign currency.

During the national state of emergency, the Scotiabank Group continued to manage the investment portfolios based on the aforementioned policies and limits, monitoring current market conditions. The highly liquid instruments of portfolios increased the Scotiabank Group's liquidity ratios.

### **C. Liquidity risk**

It is the risk of loss due to debtor's inability to meet its financial obligations in the short-term; therefore, the Bank is forced to incur in debt or sell assets in unusually unfavorable conditions.

The Scotiabank Group's approach to manage liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its obligations upon maturity, under both normal and stress conditions, without incurring unacceptable losses or damage to the reputation of the Scotiabank Group. The key elements of the liquidity strategy are as follows:

- Maintaining a diversified funding base, which consists in client's deposits (both retail and corporate loans), wholesale loans and credit lines for contingent situations.
- Carrying a portfolio of highly liquid assets diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavior characteristics of the financial assets and financial liabilities, and the extent to which their assets are available as potential collateral for obtaining funding.
- Carrying out stress tests on the liquidity position.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Regular liquidity stress tests are conducted under different scenarios covering normal and stress market conditions. The scenarios are developed using group-specific events (e.g. a rating downgrade) and market-related events (e.g. long-term market illiquidity, reduced liquidity of currencies, natural disasters or other catastrophes).

Treasury management's ratios are indicators that relate liquid assets to short-term liabilities under one year. The SBS has determined that this relation shall be greater than 8% and 20%, for local and foreign currency, respectively. As of September 30, 2021, the Bank's ratios in local and foreign currencies were 26.63% and 40.07% respectively (52.11% and 37.03%, respectively, as of December 31, 2020).

For CrediScotia, this relation between liquid assets and short-term liabilities shall be greater than 10% and 25%, for local and foreign currency, respectively, given the level of CrediScotia's deposits.

As of September 30, 2021, CrediScotia's ratios in local and foreign currency were 28.09% and 118.73% respectively (31.76% and 128.68% respectively, as of December 31, 2020).

The CRAC shall hold local and foreign currency ratios of 10% and 25%, respectively. In this regard, it held adequate levels of 59.67% in local currency and 1,609.02% in foreign currency (41.67% % in local currency and 429.01% in foreign currency at the closing of year 2020).

Liquidity Coverage Ratio (LCR) is an indicator of liquidity level in a hypothetical stress scenario. It indicates if the entity has sufficient liquidity to withstand liquidity disruptions for up to 30 days, without the need of turning to the market for funds.

As of September 30, 2021, the minimum amount required by the regulator was 100%, in 2020, it was 100%. The Bank presented levels of liquidity reaching 121.00% in local currency and 147.68% in foreign currency (236.6% in local currency and 113.57% in foreign currency as of December 31, 2020).

As of September 30, 2021, CrediScotia presented ratios in local and foreign currency reaching 115.50 and 502.90%, respectively (110.55% and 720.56%, respectively, as of December 31, 2020).

As of September 30, 2021 The CRAC presented ratios in local and foreign currency reaching 133.92% and 219.48% in local and foreign currency, respectively (134.29% and 177.16% in local currency, respectively, at the closing of year 2020).

The Bank renegotiated the contractual cash flows of financial liabilities and implemented new facilities to manage liquidity risk in response to the COVID-19 pandemic (note 17). The Bank concluded that there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Bank's ability to continue as a going concern.

During the national state of emergency, the Peruvian government adopted measures to pump cash into the financial system and prevent disruption of the chain of payments. This increased liquidity in the financial system to levels of S/23,500 millions, and previous to the COVID-19 pandemic, the liquidity amounted to S/ 2,300 millions.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### **D. Operational and technological risks**

The Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risk based on key components such as the internal governance, risk appetite, measurement, monitoring, reporting, among others.

The Scotiabank Group recognizes that an efficient and integrated operational risk management is a key component of risk management best practices; therefore, in order to have a solid internal governance of operational risk, the Scotiabank Group adopted a three-line defense model, establishing the responsibilities of operational risk management.

As a result of the COVID-19 pandemic, from February 2020, the Scotiabank Group implemented business continuity plans and operational risk management to provide a prompt response to the needs and expectations of key stakeholders, clients, employees, suppliers and other people.

In this period, the regulatory authorization to apply the Alternative Standard Approach (ASA) method to calculate the Operational Risk capital allocation requirement was renewed for a 24-month period from October 2019 to September 2021, for both organizations: the Bank and CrediScotia.

Resolution 1265-2020-SBS, dated March 2020, extended until September 30, 2022 (one more year) the authorization given to both the Bank and CrediScotia for using the Alternative Standardized Approach (ASA) to calculate their operational risk capital requirements.

During the nine-month period ended September 30, 2021 and 2020, the Scotiabank Group's profit or loss reports were periodically presented to the Global Operational Risk Unit of the Parent Company, Risk Control Committee, Board of Directors of the Bank, Operational and Technological Risk Unit as well as the first-line Vice Chairs and Management of the Bank and CrediScotia.

#### ***Operational risk appetite***

During the three-month period ended September 30, 2021 and December 31, 2020, the operational risk appetite has been monitoring and its under the annual limit.

Main operational risk management methodologies are the following:

#### ***(a) Operational risk event methodology***

The Scotiabank Group follows up relevant data of operational risk losses relevant for the Business Line, in accordance with the Basel loss event types. Losses are reported by Operational Risk Managers (ORM) designated in the various decentralized and specialized units of the Bank and identified in the accounting books. These losses are included in the loss event data base for operational risk. This database is used to determine trends, conduct analysis, identify and mitigate risks, and prepare reports of operational risk losses intended for Senior Management and the Board of Directors.

Loss data collection exercise ensures consistent management across the Scotiabank Group which allows classifying loss event data per business line, type of event and effect type, according to Basel definitions and the "Regulation on Operational Risk Management" approved by the local regulator.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Losses are also classified by significant internal units and per types of risk, according to the Scotiabank Group's standard inventory of operational risks.

### **(b) KRI methodology**

The KRI methodology is a measure to report on potential risks, current status or trend of operational risk exposures.

The KRI methodology provides information to the first two lines of defense in order to promote proactive managing of risk exposures through the monitoring and communication of risks and trends to ensure adequate and timely response of management. The existence of efficient KRI shall serve as an early warning system of possible changes in the operational risk profile of the business.

The KRI methodology provides a systematic approach to coordinate the supervision of the key factors of operational risks and provides a focus, structure and terminology in common to implement and manage the selection of KRIs across the Scotiabank Group.

During the nine-month period ended September 30, 2021 and December 31, 2020, the activities developed were:

- Monitoring the 24 executive risk indicators of the Bank. KRIs have risk thresholds, which, in case where the accepted risk levels were exceeded, generated the implementation of action plans and corrective measures.
- Additionally, 19 informative indicators have been monitored in the Bank.
- Indicators were analyzed and, if necessary, their accepted risk levels (risk thresholds) were assessed with the risk managers per appetite levels: acceptable (green), with potential risk (amber), critical (red).
- Following-up and monitoring the action plans derived from the KRI methodology.

### **(c) BCM methodology**

The Scotiabank Group has 120 current Business Continuity Plans (BCPs) in its Vice chairs and/or main management areas and subsidiaries (SAB, SAF and Titulizadora) and CRAC. To date our plans are updated and there is no impact on any critical business processes, ensuring the rendering of services to clients.

### **(d) Risk and controls assessment methodology: RCSA methodology**

The risk and control self-assessment matrix is the local tool for identification and assessment of operational risks of products and support areas.

The process of identifying and assessing risks and controls is a basic component of operational risk management and an efficient tool with the following advantages:

- It strengthens the risk and control culture in the organization by promoting an understanding of business risks and responsibilities in the mitigation process.
- It promotes continuous critical thinking, motivating the support and business units to design, construct and maintain more effective control systems.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

- It contributes to increase the quantity and quality of reliable information on the situation of control of the existing risks.
- It contributes to strengthen the internal control system; thus minimizing distrust of subsequent audits.
- It allows to focus on the most significant risks for the entity and to reduce costs in recurring reviews.

The universe for the application of risk and control assessment is composed of:

- Business lines: approach per product family.
- Support units: approach per units.

The Operational Risk and Controls Assessment methodology is composed of the following stages:

- Risk identification.
- Inherent risk assessment.
- Identification and assessment of controls.
- Determination of residual risk.
- Treatment.

During the nine-month period ended September 30, 2021 the updating of risk matrices and the control testing program achieved a 93% of progress with 100 risk matrix reviewed (79 for the Bank and 21 for CrediScotia).

### **(e) Risk assessment methodology of new initiatives**

The Scotiabank Group has established policies for overall risk assessment of new initiatives (they include new products and events of significant changes in the business, operating or computing environment); these policies describe the general principles applicable to the review, approval and implementation of new products and services within the Scotiabank Group. The principles are intended to provide guidance to the Business Lines in the development of processes and guidelines of risk assessment to be integrated into the policies and procedures on new products. All new products or major change in the business, operational or system environment shall have an overall risk assessment prior to its development, and it shall be updated after its implementation.

Before implementing any initiative within the scope of the risk assessment methodology of new initiatives, it is required that the initiative have a risk self-assessment conducted by the Leader or Sponsor. The Operational Risk Unit is the responsible for contrasting/challenging the results and other control functions such as Compliance with Fraud Prevention, Money Laundering and Terrorism Financing Prevention, Legal Advisory, among other units. The Internal Control Unit also provides advice and support to the owner of the initiative during the Risk Assessment process.

The Operational and Technological Risk Committee provides oversight to ensure that all Business Lines and business units implement principles and conduct risk assessments consistently.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Accordingly, the risk assessments of initiatives continued under the traditional approach, and 22 initiatives were addressed within the scope of the risk assessment methodology at the end of the year 2020.

In 2020, as a result of the COVID-19 pandemic and the regulations decreed by the Peruvian government, the Agile NIRA-COVID-19 was implemented aimed at responding to the needs for overall risk assessment that required timely treatment for operational continuity, regulatory requirements, market needs and other COVID-19 requirements. During 2021, the bank is still using the Agile NIRA COVID-19.

### **(f) Risk management methodology with third parties, among others**

The Scotiabank Group recognizes that an efficient and integrated approach to run the management risk process is key to achieve best practices of risk management with third parties. Therefore, the objective of reducing the potential risk of hiring third parties to provide services to the Bank is to guarantee the risk identification, measurement and management with third parties.

During these three months started the implementation of Global Third Party Transformation Program, that included the new global policy, the new operating standard and the implementation of two new system tools.

### **Training and awareness**

Throughout 2020, training on Operational Risk and Business Continuity has been provided to personnel of agencies, business officers, specialized units, operational risk managers and new staff joining the Bank.

### **Data, cyber, IT risk**

The Information Technology & Cyber Risk Management Policy and framework describes the policies, principles and integrate approach for sound and prudent management of IT and Cyber Security risk at the Scotiabank Group (the Bank).

The Bank is reliant on Information Technology (IT) for the delivery of financial products and services to its clients and the operation of Information Technology systems and the associated IT Processes used to plan, build, operate, monitor and secure those systems have inherent risks of failure, degradation, theft, loss, damage and destruction (through the full spectrum of severity including catastrophic risk) which must be managed to ensure the Bank can successfully exploit opportunities they provide for value creation.

In order to manage the inherent risks of failure, degradation, theft, loss, damage and destruction that may arise in the operation of information technology systems, the Bank uses the Risk Management Framework to indicate the functions, responsibilities, supervisory bodies, risk appetite levels, tools, practices and deliverables foreseen and required for effective and efficient risk management.



## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

### ***Cyber & IT risk appetite***

During the nine-month period ended September 30, 2021, the Cyber & IT Risk appetite has been monitored and mainly kept under annual thresholds. IT & ISC teams worked closely to continue improving the indicators.

Main Cyber & IT risk management mechanisms were used to capture the information and parameters for the measurement of current and potential risk exposure:

- (a) Risk profile
- (b) Control Testing
- (c) Scenario impact analysis
- (d) Risk assessment of new initiatives
- (e) Risk Indicators

#### ***I. Risk Profile***

The risk profile identifies the types of risks and potential impacts of risks. It forms the basis for the definition of the risk universe and the annual planning activities to measure risk. Description of the environment of the line of business, subsidiary, IT or security function in which they operate, the technology used and interfaces and dependencies (internal or external), as well as the risks to which it is inherently exposed.

#### ***II. Control Testing***

Process for testing internal IT and cybersecurity controls to a more essential level than if it were executed through an IT Risk and Control Self-Assessment. However, IT Risk and Control Self-Assessment primarily considers the effectiveness of the control design to handle a specific inherent risk, the control testing measures, by using the appropriate samples, the operational effectiveness of the controls environment to manage.

#### ***III. Scenario impact analysis***

Measurement process to analyze low probability but high impact events, as well as quantification of exposure to the estimated potential loss for them.

#### ***IV. Risk assessment of new initiatives***

Measurement of the inherent risk related to the introduction of changes to products or services to assess whether such changes they could have an impact on risk appetite and limits, as well as the type and level of control required.

#### ***V. Risk Indicators***

Metrics used to measure the level of risk presented by IT and cybersecurity risk programs, processes and activities for the achievement of strategic priorities and are prepared to provide early warning signals when there is increased exposure to risk.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

**34. Fair Value**

The table below shows a comparison between carrying amounts and fair values of the Scotiabank Group's financial instruments per item in the consolidated interim statement of financial position as of September 30, 2021 and December 31, 2020:

<i>In thousands of soles</i>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>09.30.2021</b>	<b>12.31.2020</b>	<b>09.30.2021</b>	<b>12.31.2020</b>
<b>Assets</b>				
Cash and due from banks	12,488,317	17,501,265	12,488,317	17,501,265
Interbank funds	-	90,526	-	90,526
<b>Investments at fair value through profit or loss</b>				
Equity instruments	7,297	7,211	7,297	7,211
Debt instruments	1,781,706	2,535,318	1,781,693	2,535,318
<b>Available-for-sale investments</b>				
Equity instruments	5,285	6,033	5,285	6,033
Debt instruments	4,849,501	6,241,164	4,849,501	6,241,164
Loan portfolio	55,599,242	49,804,017	55,599,242	49,804,017
Derivative instruments receivable	850,397	189,557	850,397	189,557
Accounts receivable	568,448	403,450	568,448	403,450
Other assets	100,311	167,391	100,311	167,391
	<b>76,250,504</b>	<b>76,945,932</b>	<b>76,250,491</b>	<b>76,945,932</b>

<i>In thousands of soles</i>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>09.30.2021</b>	<b>12.31.2020</b>	<b>09.30.2021</b>	<b>12.31.2020</b>
<b>Liabilities</b>				
Deposits and obligations	46,988,642	47,588,560	46,988,642	47,588,560
Interbank funds	-	108,670	-	108,670
Deposits with financial institutions and international financial institutions	457,118	986,649	457,118	986,649
Borrowings and debts	14,659,520	12,924,516	14,688,188	13,198,675
Derivative instruments payable	678,679	181,641	678,679	181,641
Accounts payable	5,490,229	7,483,166	5,427,991	7,351,325
Other liabilities	280,408	238,041	280,408	238,041
	<b>68,554,596</b>	<b>69,511,243</b>	<b>68,521,026</b>	<b>69,653,561</b>

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

The best evidence of the fair value of a financial instrument traded in a liquid and active market is the quoted price.

If the quoted price is not available or may not be a reliable fair value of a financial instrument, its fair value could be measured based on the quoted price of similar instruments, using the discounted cash flow method or other valuation techniques. Since these techniques are based on subjective factors and, in some cases, on inexact factors, any change in them or in the valuation technique used could have a material effect on the fair values of financial instruments. Even though management has used its best judgment in measuring the fair value of these financial instruments, a fair value is not an indication of net realizable value or liquidation value.

## **Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

Techniques and assumptions used depend on the risk terms and characteristics of the financial instruments, as shown below:

- i. Cash and due from banks and interbank funds represent cash and short-term deposits that are not considered as exposed to credit risk.
- ii. Investments at fair value through profit or loss for financial intermediation are recorded at their estimated market price.
- iii. Available-for-sale investments are generally listed or have a market price through future discounted cash flows.
- iv. Market prices of loan portfolio are the same as the carrying amount. Market prices of deposits and obligations are the same as the carrying amount.
- vi. Debts to banks and correspondent banks accrue interest at fixed and variable rates and have short and long-term maturities. The fair value of these financial instruments has been measured using discounted cash flows considering the funding curve.
- vii. The securities, bonds and outstanding obligations accrue interest at fixed interest rates. The fair value of these financial instruments has been measured using discounted cash flows considering the same methodology of item (vi).
- viii. Forward contracts are recorded at estimated market value; therefore there are no differences with their corresponding fair values.

Consequently, as of September 30, 2021 and December 2020, fair values or estimated market prices of financial instruments do not differ significantly from their corresponding carrying amount.

### ***Fair value hierarchy***

The Scotiabank Group classifies financial instruments measured at fair value based on their hierarchy or valuation techniques used. This classification has three levels as described below:

- |          |   |
|----------|---|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities.   |
| Level 2: | Significant inputs with material effect on fair value measurement that are directly or indirectly observable in the market. |
| Level 3: | Unobservable inputs in the market.  |

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The table below shows the valuation levels applied as of September 30, 2021 and December 31, 2020, to determine the fair value of financial instruments:

<i>In thousands of soles</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>09.30.2021</b>				
<b>Assets</b>				
<b>Investments at fair value through profit or loss</b>				
Equity instruments	-	7,326	-	7,326
Debt instruments	-	3,194,315	-	3,194,315
<b>Available-for-sale investments</b>				
Equity instruments	765	18	4,446	5,229
Debt instruments	-	7,711,073	-	7,711,073
Derivative instruments receivable	-	534,772	-	534,772
	<b>765</b>	<b>11,447,504</b>	<b>4,446</b>	<b>11,452,715</b>
<b>Liabilities</b>				
Derivative instruments payable	-	466,271	-	466,271
	-	<b>466,271</b>	-	<b>466,271</b>
<b>12.31.2020</b>				
<b>Assets</b>				
<b>Investments at fair value through profit or loss</b>				
Equity instruments	-	-	-	-
Debt instruments	-	2,542,529	-	2,542,529
<b>Available-for-sale investments</b>				
Equity instruments	783	-	5,340	6,123
Debt instruments	-	6,241,164	-	6,241,164
Derivative instruments receivable	-	189,557	-	189,557
	<b>783</b>	<b>8,973,250</b>	<b>5,340</b>	<b>8,979,373</b>
<b>Liabilities</b>				
Derivative instruments payable	-	181,641	-	181,641
	-	<b>181,641</b>	-	<b>181,641</b>

**35. Subsequent Events**

- (a) In October 2021, the Bank recorded a restructuring charge of S/ 91 million for the cost of reducing fulltime employees and branches. These efficiencies are a result of the Bank's commitment to simplify processes and optimize distribution channels to run businesses more effectively while meeting changing customer needs.
- (b) On November 25, 2021, a ruling issued by Constitutional Court on the Constitutional action ("Amparo 1"), dismissing the claim based on procedural grounds, was served to the Bank.

Through this action the Bank challenged the accrued interest portion for S/ 433,815 thousand of the tax debt related to client gold purchase operations performed in the 1990, to which capitalized interest accrued over a 14-year period, while this matter has been under appeal with the SUNAT. In that sense, to date, the Bank and its legal advisors are evaluating the reasons for the court's decision to define the legal actions that will be taken.

**Scotiabank Perú S.A.A. and Subsidiaries**

Notes to the Consolidated Interim Financial Statements

As of September 30, 2021 (unaudited), December 31, 2020 (audited) and September 30, 2020 (unaudited)

The declaration made by the Constitutional Court relating to the procedural dismissal denial of the Bank's protection claim on interests charged by tax administration represents a non-adjusting subsequent event, to be disclosed in the financial statements. As the likelihood of losing the principal case is not considered probable, no provision has been recorded as of September 30, 2021 (Note 10 (c)).