Scotiabank Perú S.A.A. and Subsidiaries

Unaudited Consolidated Interim Financial Statements

March 31, 2024

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

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 March 31, 2024 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 three-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 March 31, 2024 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,

August 29, 2024

Emmerich, Córdova y Asociados

Countersigned by:

Eduardo Alejos P. (Partner)
Peruvian Certified Public Accountant
Registration 29180

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Consolidated Financial Statements

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Consolidated Statement of Financial Position
As of March 31, 2024 and December 31, 2023

In thousands of soles	***Note***	**03.31.2024 (Unaudited)**	**12.31.2023 (Audited)**
Assets			
Cash and due from banks	*6*		
Cash		1,241,584	1,363,571
Deposits with Peruvian central bank (BCRP)		7,806,558	8,574,682
Deposits with local and foreign banks		666,996	837,090
Clearing		37,811	47,425
Restricted cash and due from banks and others		407,416	313,172
		10,160,365	**11,135,940**
Interbank funds		250,211	118,737
Investments at fair value through profit or loss and available-for-sale investments	*7*	6,474,052	5,785,558
Loan portfolio, net	*8*	50,344,658	51,504,936
Held-for-trading and hedging instruments	*9*	401,862	431,155
Accounts receivable, net	*10*	1,885,779	1,397,354
Investments in associates		35,229	33,336
Goodwill	*11*	524,161	524,161
Property, furniture and equipment, net	*12*	314,139	319,156
Deferred tax	*28*	583,100	579,977
Intangible assets, net	*13*	173,907	171,800
Other assets, net	*14*	1,506,470	618,904
Total assets		**72,653,933**	**72,621,014**
Contingent risks and commitments	*20*	73,713,163	69,540,739

In thousands of soles	***Note***	**03.31.2024 (Unaudited)**	**12.31.2023 (Audited)**
Liabilities			
Obligations with the public and deposits			
From financial institutions:	*15*		
Demand deposits		17,661,820	15,432,832
Savings deposits		12,688,181	12,632,369
Time deposits		15,870,204	15,923,179
Other obligations		806,854	802,418
		47,027,059	**44,790,798**
Interbank funds		253,149	37,020
Borrowings and debts	*16*	7,968,453	11,474,927
Held-for-trading and hedging instruments	*9*	520,240	462,934
Provisions and other liabilities	*17*	5,814,163	4,226,587
Total liabilities		**61,583,064**	**60,992,266**
Equity	*18*		
Share capital		8,226,777	8,226,777
Additional capital		33,079	33,079
Legal reserve		1,704,337	1,630,645
Equity-related adjustments		(258,553)	(127,937)
Retained earnings		1,290,779	1,798,442
Equity attributable to shareholders of Scotiabank Perú S.A.A.		**10,996,419**	**11,561,006**
Non-controlling interests	*2*	74,450	67,742
Total equity		**11,070,869**	**11,628,748**
Total equity and liabilities		**72,653,933**	**72,621,014**
Contingent risks and commitments	*20*	73,713,163	69,540,739

The accompanying notes on pages 6 to 85 are part of these consolidated financial statements.

Scotiabank Perú S.A.A. and Subsidiaries
Consolidated Statement of Profit or Loss
For the three-month periods ended March 31, 2024 and 2023

In thousands of soles	***Note***	**03.31.2024 (Unaudited)**	**03.31.2023 (Unaudited)**
Interest income	*21*	1,462,388	1,444,175
Interest expenses	*22*	(520,550)	(558,367)
Gross profit margin		**941,838**	**885,808**
Provision for loan losses, net of recoveries	*8(c)*	(429,047)	(262,858)
Net profit margin		**512,791**	**622,950**
Financial service income, net	*23*	137,291	127,000
Net profit margin of financial service income and expenses		**650,082**	**749,950**
Income from financial transactions	*24*	111,161	87,915
Operating margin		**761,243**	**837,865**
Administrative expenses	*25*	(450,917)	(444,713)
Depreciation of property, furniture and equipment	*12*	(8,430)	(9,436)
Amortization of intangible assets	*13*	(9,886)	(16,455)
Net operating margin		**292,010**	**367,261**
Provisions for realizable, received as payment, recovered and obsolete assets		(10,636)	(5,589)
Net provisions for indirect loan losses, impairment loss on other accounts receivable, and others		(2,457)	(2,003)
Operating income		**278,917**	**359,669**
Other income, net	*26*	3,341	21,690
Profit before income tax		**282,258**	**381,359**
Deferred tax	*28*	3,123	1,928
Current tax	*27.D*	(60,055)	(85,824)
Net profit		**225,326**	**297,463**
Profit attributable to:			
Shareholders of Scotiabank Perú S.A.A.		228,385	298,645
Non-controlling interests	*2*	(3,059)	(1,182)
		225,326	**297,463**

The accompanying notes on pages 6 to 85 are part of these consolidated financial statements.

Scotiabank Perú S.A.A. and Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three-month periods ended March 31, 2024 and 2023

In thousands of soles	*Note*	03.31.2024	03.31.2023
Net profit		225,326	297,463
Other comprehensive income			
Net gain (loss) on available-for-sale investments	*18.F*	(130,125)	120,521
Cash flow hedges	*9*	-	(4,703)
Adjustments to other comprehensive income of associates	*18.F*	(524)	(1)
Other comprehensive income for the year, net of income tax		**(130,649)**	**115,817**
Total comprehensive income for the year		**94,677**	**413,280**
Other comprehensive income attributable to:			
Shareholders of Scotiabank Perú S.A.A.		87,969	414,433
Non-controlling interests	*2*	6,708	(1,153)
		94,677	**413,280**

The accompanying notes on pages 6 to 85 are part of these consolidated financial statements.

Scotiabank Perú S.A.A. and Subsidiaries
Consolidated Statement of Changes in Equity
For the three-month periods ended March 31, 2024 and 2023

In thousands of soles	Number of shares (note 18.B)	Share capital (note 18.B)	Additional capital (note 18.C)	Legal reserve (note 18.D)	Retained earnings (note 18.E)	Equity-related adjustments: Unrealized gains and losses (note 18.F)	Equity-related adjustments: Other adjustments (note 18.G)	Total	Non-controlling interests	Total equity
Balance as of December 31, 2022 (Audited)	802,677,853	8,026,777	394,463	1,488,093	1,350,593	(269,860)	(172,860)	10,817,206	77,602	10,894,808
Net profit	-	-	-	-	298,645	-	-	298,645	(1,182)	297,463
Other comprehensive income										
Net unrealized gains on available-for-sale investments	-	-	-	-	-	120,491	-	120,491	30	120,521
Cash flow hedges	-	-	-	-	-	(1)	-	(1)	-	(1)
Adjustments to other comprehensive income of associates	-	-	-	-	-	(4,703)	-	(4,703)	-	(4,703)
Total comprehensive income	**-**	**-**	**-**	**-**	**298,645**	**115,787**	**-**	**414,432**	**(1,152)**	**413,280**
Allocation to legal reserve	-	-	-	142,552	(142,552)	-	-	-	-	-
Capitalization of retained earnings	-	-	200,000	-	(200,000)	-	-	-	-	-
Other adjustments	-	-	-	-	961	-	-	961	(1)	960
Balance as of March 31, 2023 (Unaudited)	**802,677,853**	**8,026,777**	**594,463**	**1,630,645**	**1,307,647**	**(154,073)**	**(172,860)**	**11,232,599**	**76,449**	**11,309,048**
Balance as of December 31, 2023 (Audited)	802,677,853	8,226,777	33,079	1,630,645	1,798,442	44,923	(172,860)	11,561,006	67,742	11,628,748
Net profit	-	-	-	-	228,385	-	-	228,385	(3,059)	225,326
Other comprehensive income										
Net unrealized loss on available-for-sale investments	-	-	-	-	-	(130,092)	-	(130,092)	(33)	(130,125)
Cash flow hedge	-	-	-	-	-	-	-	-	-	-
Adjustments to other comprehensive income of associates	-	-	-	-	-	(524)	-	(524)	-	(524)
Total comprehensive income	**-**	**-**	**-**	**-**	**228,385**	**(130,616)**	**-**	**97,769**	**(3,092)**	**94,677**
Allocation to legal reserve	-	-	-	73,692	(73,692)	-	-	-	-	-
Dividend distribution	-	-	-	-	(663,233)	-	-	(663,233)	-	(663,233)
Other adjustments	-	-	-	-	877	-	-	877	9,800	10,677
Balance as of March 31, 2024 (Unaudited)	**802,677,853**	**8,226,777**	**33,079**	**1,704,337**	**1,290,779**	**(85,693)**	**(172,860)**	**10,996,419**	**74,450**	**11,070,869**

The accompanying notes on pages 6 to 85 are part of these consolidated financial statements.

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Statement of Cash Flows
For the three-month periods ended March 31, 2024 y and 2023

In thousands of soles	***Note***	**03.31.2024**	**03.31.2023**
Cash flows from operating activities			
Net profit		225,326	297,463
Adjustments to reconcile net profit to net cash used in operating activities			
Provision for loan losses, net of recoveries	*8(c)*	429,047	262,858
Provision for realizable, repossessed and other assets, net		3,000	4,264
Provision for accounts receivable, net		3,970	794
Depreciation and amortization	*12 and 13*	18,316	25,891
Provision for fringe benefits		12,369	12,392
Provision for current and deferred income tax	*27.C*	56,932	83,896
Provision for indirect loan losses and country risk, net of recoveries		(4,751)	671
Other provisions		696	(7,925)
(Gain) loss on sale of property, furniture and equipment		(4,933)	45
Gain on sale of realizable and repossessed assets		(491)	(4,742)
Net changes in assets and liabilities:			
Loan portfolio		727,804	386,658
Investments at fair value through profit or loss		(67,603)	(275,287)
Available-for-sale investments		(751,058)	517,560
Accounts receivable		(421,735)	(1,803,376)
Other assets		(1,046,681)	(779,197)
Non-subordinated financial liabilities		(1,092,706)	1,393,400
Accounts payable		229,326	1,422,042
Provisions and other liabilities		913,559	(879,835)
Net loss after net changes in assets, liabilities and adjustments		**(769,613)**	**657,572**
Income tax paid		(153,004)	(57,632)
Net cash flows used operating activities		**(922,617)**	**599,940**
Cash flows from investing activities			
Dividends received		-	10
Acquisition of property, furniture and equipment	*12*	(4,943)	(2,147)
Acquisition of intangible assets	*13*	(12,001)	(24,323)
Sale of property, furniture and equipment and repossessed assets		7,115	-
Net cash flows used in investing activities		**(9,829)**	**(26,460)**
Net cash flows used financing activities		**-**	**-**
Net (decrease) increase in cash and cash equivalents before effects of exchange rate fluctuations		(932,446)	573,480
Effects of exchange rate fluctuations on cash and cash equivalents		**2,497**	**8,537**
Net (decrease) increase in cash and cash equivalents		(929,949)	582,017
Cash and cash equivalents at the beginning of period		**10,951,388**	**10,228,434**
Cash and cash equivalents at the end of period		**10,021,439**	**10,810,451**
Non-cash transactions			
Net unrealized loss on available-for-sale investments		(130,092)	120,491
Repurchase agreements		1,375,635	3,508,998

The accompanying notes on pages 6 to 85 are part of these consolidated financial statements.

1. Background and Economic Activity

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 holds 99.31 % of the Bank’s share capital as of March 31, 2024 and December 31, 2023 respectively.

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 Peruvian banking and insurance regulator, 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 No. 102, San Isidro, Lima, Peru. As of March 31, 2024, the Scotiabank Group operates through a national network of 413 branches (412 branches as of December 31, 2023).

As of March 31, 2024 and December 31, 2023, the accompanying consolidated financial statements include the consolidated financial statements of the Bank and other entities of the consolidated group (hereinafter the Scotiabank Group), such as: CrediScotia Financiera S.A. (hereinafter the Financiera), 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 SAFM), 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), which is engaged in credit and debit card issuance and management; and special purpose entities called the Fideicomiso CrediScotiaDinero Electrónico and the Patrimonio en Fideicomiso sobre Bienes Inmuebles – Depsa.

Below are the main balances of the Bank and the other entities referred to in the previous paragraph as of March 31, 2024 and December 31, 2023 indicating the Bank's shareholding percentages, as well as relevant information in this regard:

In thousands of soles	Activity	Shareholding percentage	Assets	Liabilities	Equity
03.31.2024					
Scotiabank Perú S.A.A.	Banking	-	70,426,020	59,407,122	11,018,898
CrediScotia Financiera S.A.	Financing	100.00	2,857,314	2,146,975	710,339
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	Caja rural de ahorro y crédito	51.00	659,950	508,010	151,940
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	89,118	34,892	54,226
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	Administration of mutual funds	100.00	83,030	11,939	71,091
Scotia Sociedad Agente de Bolsa S.A.	Intermediation in stock market	100.00	35,133	868	34,265
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	6,114	1,818	4,296
12.31.2023					
Scotiabank Perú S.A.A.	Banking	-	70,421,238	58,838,707	11,582,531
CrediScotia Financiera S.A.	Financing	100.00	2,947,306	2,169,633	777,673
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	Caja rural de ahorro y Crédito	51.00	660,941	522,692	138,249
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	78,134	24,818	53,316
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	Administration of mutual funds	100.00	72,302	379	71,923
Scotia Sociedad Agente de Bolsa S.A.	Intermediation in stock market	100.00	34,697	526	34,171
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	5,594	546	5,048

C. Business activities during the national state of emergency

On March 15, 2020, pursuant to Supreme Decree 044-2020-PCM, the Peruvian government declared a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. On October 27, 2022, Supreme Decree No. 130-2022-PCM was issued, by which the government made official the end of the state of national emergency instated in 2020.

During the first quarter of 2023, the Peruvian Government instated a state of emergency in certain areas of the Peruvian territory due to the imminent danger and emergencies caused by the impact of damages or disasters of great magnitude due to intense rainfall and associated hazards in those areas. As a result of the heavy rain and flooding, economic losses and payment difficulties arose for debtors in those areas.

The consolidated financial statements as of March 31, 2024, and December 31, 2023 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 March 31, 2024 were approved by management on May 14, 2024, and will be presented for approval to the Board of Directors and General Shareholders' Meeting within the term established by Law. In management's opinion, the Board of Directors and General Shareholders' Meeting will approve the consolidated interim financial statements without amendments. General Shareholders' Meeting held on March 26, 2024, approved the consolidated interim financial statements as of December 31, 2023.

2. Non-controlling Interests

The following table summarizes the financial information of CRAC as of March 31,2024 and 2023 which has a significant non-controlling interest before the eliminations required in preparing the consolidated interim financial statements of the Scotiabank Group before the eliminations required in preparing the consolidated interim financial statements:

In thousands of soles	**03.31.2024**	**03.31.2023**
Total assets	659,950	605,250
Total liabilities	(508,010)	(449,230)
Total assets, net	**151,940**	**156,020**
Net assets attributable to non-controlling interests 49%	**74,450**	**76,449**
Net loss	(6,242)	(2,412)
Other comprehensive income	(67)	61
Total comprehensive income	**(6,309)**	**(2,351)**
Net loss allocated to non-controlling interests 49%	**(3,059)**	**(1,182)**
Other comprehensive income allocated to non-controlling interests 49%	**(33)**	**30**

At the General Shareholders' Meeting of Caja Rural de Ahorro y Crédito Cencosud (CRAC) held on February 28, 2024, the decision was made to increase capital by S/ 20,000 thousand. The contributions were made in cash by Scotiabank Perú S.A.A. and Cencosud Perú S.A. of S/ 10,200 thousand and S/ 9,800 thousand, respectively.

3. Basis for the Preparation of the Consolidated Financial Statements

A. Statement of compliance

The accompanying consolidated 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 Peruvian standard setter, Consejo Normativo de Contabilidad (CNC) for their application in Peru.

B. Basis of measurement

The consolidated 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 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 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 are not exposed to a significant risk to produce a material adjustment to the balances of assets and liabilities in the short term.

Significant estimates used in preparing the consolidated financial statements correspond to the 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.

4. Material Accounting Policies

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

A. Consolidation policies

The consolidated 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 Scotiabank Group companies comply with the information requirements established by the SBS.

The financial statements of the subsidiaries and special, purpose entities have been included for consolidation purposes and represent 5.03% and 5.12%, respectively, of the total Bank's assets before eliminations as of March 31, 2024, and December 31, 2023.

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 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 in one of the categories defined by IAS 39 established in SBS Resolution 7033-2012 as amended: (i) financial assets and financial liabilities at Fair value to profit or loss (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.

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.

C. Derivative instruments
The SBS provides authorizations per type of a derivate 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 statement of financial position at fair value. Subsequently, any change in fair value of such derivative generates an asset or liability in the consolidated statement of financial position, as applicable, and affects the profit or loss for the year.

In addition to their recording in the consolidated 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 statement of profit or loss. The amounts recorded in equity are transferred to the consolidated statement of profit or loss in the periods in which the hedged item is recorded in the consolidated 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 statement of profit or loss within the effective term of the hedged item.

As of March 31, 2024 and December 31, 2023, the Bank does not contracts designated as cash flow hedges.

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", as amended, 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 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 they are sold.

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

Interest income is recognized using the effective interest method. Dividends are recognized in the consolidated 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 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 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, unrealized gains or losses from the changes in fair value shall be recognized.

The standard methodology to identify impairment of available-for-sale investments and investments and their maturity is indicated below:

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 that there is impairment in each case.

The impairment loss on available-for-sale debt instruments is measured as the difference between the amortized cost and the fair value, less any impairment loss previously recognized in profit or loss for the period or prior periods. Any impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income.

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 the net expected future cash flows, discounted at rates currently prevailing in the market rates for similar instruments.

Exchange gains or losses related to equity instruments are recognized in equity in 'unrealized gains and losses,' and those 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 rate method, calculated over the instrument's useful life. Premiums and discounts originated on the acquisition date are included in the calculation of the effective interest rate. Dividends are recognized in the consolidated 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.

As of March 31, 2024 and December 31, 2023, the Scotiabank Group maintains a provision for impairment of goodwill arising from the investment in CrediScotia Financiera S.A. for S/ 46,503 thousand.

Investment instruments held by companies may be subject to reclassification to another category. 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 March 31, 2024 and December 31, 2023, investment instruments have not been reclassified into other categories.

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 lease transactions are recognized using financial accounting method, recording the amount of the outstanding lease payments as a loan. The 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.

COVID-19 government measures

The government measures 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-1 9 outbreak (note 1 .C) are the following:

(a) Rescheduled loans

A financial institution, subject to prior assessments, may modify contractual obligations of loans. Such modification will not be considered as a refinance provided that the loan term is not extend for more than 6 months until May 31, 2020 and 12 moths from June 1, 2020 of the original due date and provided that the borrower has made all of its payments at the date the state of emergency was instated. The balance of principal and interest on rescheduled loans shall be recorded in suspense accounts.

For purposes of meeting the requirement indicating that the borrower shall meet all its payment obligations and not have any payment arrears at the date the state of emergency was instated, a borrower´s payment obligation shall be up to 15 calendar days past due at February 29, 2020.

Financial system companies may apply the accrual basis of accounting to recognize interest associated with retail loans that are subject to rescheduling. In the event these retail loans change to the past due status after the payment obligation is resumed per the new repayment schedule, the financial institution shall reverse the non-collected accrued income within a period of 6 months in a progressive manner.

For non-retail debtors with loans rescheduled on a mass basis, the interest on those loans shall be accounted for on a ca receipt basis. For rescheduling based on an individual analysis, the accrual method may be applied. It should be noted that the financial institution has not rescheduled, on a mass basis, any non-retail loan portfolio transaction.

From March 16, 2021, loans can be rescheduled in mass provided that the client has paid one installment in the last 6 months. Also, the debt rescheduling shall not exceed a 3-month period and interest shall be recognized when earned. Where loans are rescheduled without the client's corresponding payment, the entity shall recognize additional voluntary provisions for loans classified as Standard and Potential Problems equivalent to the Substandard classification.

Additionally, from March 2021, revolving loans related to credit card consumer loans may be rescheduled, including a grace period, provided that the full amount of the total payment or the full amount of the total debt is rescheduled.

Social conditions
During 2023, several political events in Peru caused a series of riots and social protests, and also natural disasters that have been occurring since May 2023 in different regions of the country, have resulted in a decrease in commercial activity in those regions and, therefore, a temporary liquidity restriction for certain retail debtors. The Peruvian Government instated a state of emergency in certain areas of the national territory, and as a result, the SBS implemented exceptional measures so that the companies of the financial system could modify the contractual conditions of the different types of loans given to retail debtors, without the modification becoming a refinancing. In this regard, SBS Official Letter N° 12174-2023 set out the conditions that should be taken into account to grant those facilities to debtors that were affected by the aforementioned events (rescheduling due to the State of Emergency), facilities that were granted at May 2023.

At March 31, 2024 and December 31, 2023, the Group showed a balance of S/ 10,207 thousand and S/ 18,487 thousand, respectively; for this type of rescheduled transactions. In Management's opinion, this situation has not affected the Group's operations nor has it had any significant impact on the consolidated financial statements at March 31, 2024 and December 31, 2023.

The Bank and the Financiera have unilaterally rescheduled those loans during May and June 2023. During 2023, CRAC has not made any unilateral rescheduling.

(b) Government guaranteed loans
In March and April 2020, the Ministry of Economy and Finance (MEF) launched the following government's financial-support schemes to cope with the economic crisis that impacted some sectors as a result of the COVID-19 pandemic:

i. Reactiva Peru program I and II
The loan guarantee scheme (Reactiva Peru program) aims to guarantee the loans for the working capital replenishment of entities facing short-term payment challenges with employees and suppliers of goods and services as a result of the COVID-19 outbreak. It consists of granting a government guarantee to secure loans in local currency that are placed by financial institutions.

The loans placed under the Reactiva Peru program have a 36-month term, including a 12-month grace period. Any interest accrued during the grace period shall not be capitalized and shall be charged on a straight-line basis over the remaining loan term from the 13th month. Interest rates are established through an auction.

The Peruvian government granted guarantees to cover between 80% and 97% of loans, depending on the amount of the loan, provided that the financial institutions meet the requirements of the Reactiva Peru program.

The funds of this program are auctioned by the Peruvian central bank (BCRP), for the amount equivalent to the guaranteed amount. Accordingly, repurchase agreements for the sale of the loan portfolio are entered into under a commitment to repurchase the loan portfolio at a later date. The cost of funds index provided by the BCRP is 0.5%.

As of March 31, 2024 and December 31, 2023, the Bank and CrediScotia placed loans under the Reactiva Peru program for S/ 344,576 thousand and S/ 391,555 thousand, respectively, which have a coverage ratio of 87% and 91%, respectively (note 8).

The guarantees under the Reactiva Peru program 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 granted under this program is past due and the Bank and the Financiera decide to honor its guarantee, the Peruvian government, through Corporación Financiera de Desarrollo S.A. (COFIDE), shall pay the loan for the guaranteed amount. Subsequently, the Bank and the Financiera shall continue collection efforts and shall pay COFIDE maintaining the coverage ratio.

ii. Fondo de Apoyo Empresarial - FAE-MYPE I, II and III

This fund's creation first aims at securing the working capital replenishment, rescheduled loans and debt restructuring as well as financing of micro and small businesses granted by financial institutions.

The guarantees under those programs have a weighted risk factor of 0% for the part of loans secured by the program, since it corresponds to a guarantee provided by the Peruvian government.

If a loan transactions meet the impairment conditions set under those programs, the guarantee is activated. Accordingly, the Peruvian government shall assume the part of loans covered by the FAE-MYPE. CrediScotia Financiera is responsible for the collection management of this loan portfolio, ensuring the refund for the amount received under the FAE-MYPE.

As of March 31, 2024, CrediScotia Financiera placed loans under the FAE-I, II and III for S/ 221 thousand, S/ 260 thousand and S/ 102 thousand, respectively, which have an average coverage ratio of 87% (S/ 226 thousand, S/ 262 thousand and S/ 104 thousand, respectively, which have an average coverage ratio of 87% as of December 31, 2023), note 8.

iii. Fondo Crecer

This Fund was set up to strengthen micro businesses as well as small and mid-sized entities using hedging, loans and investment instruments.

If a loan granted under the Fondo Crecer is past due and the Bank decides to honor its government guarantee, COFIDE shall pay the loan for the guaranteed amount. Subsequently, the Bank shall continue collection efforts and shall pay COFIDE to maintain the coverage ratio.

As of March 31, 2024 and December 31, 2023, the Group as loans under the Fondo Crecer for S/ 8,794 thousand and S/ 10,105 thousand, respectively, whith a coverage ratio of 67% on average.

iv. Repurchase agreements for securities-backed loan government guarantees

The program aims to participating entities being able to sell securities-backed loans to the BCRP, in exchange for the sale amount in local currency. Also, they are committed to repurchase the loan portfolio at a later date against the repurchase amount in local currency. The securities-backed loans shall not be included in any other credit guarantee scheme launched by the Peruvian government. The BCRP will disburse funds to the participating entity’s checking account held at the BCRP.

As of March 31, 2024 and December 31, 2023, the Bank has a loan portfolio of S/ 1,696,818 thousand and S/ 1,718,692 thousand, respectively, in guarantee of this program (note 17(a)(ii)).

Loan portfolio classification

The Bank and CrediScotia Financiera classify the loan portfolio debtors into: Wholesale Banking (corporate, large-business and medium-business loans) and Retail Banking (small-business, micro- business, revolving, non-revolving consumer and mortgage loans). 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 set 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 Financiera and CRAC are required to make general and specific provisions for loan losses. A 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. A specific provision is recorded for direct loans and credit risk equivalent of indirect loans of debtors rated in a risk rating higher than "standard."

The credit risk exposure 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	0.10
Large-business loans	0.40
Medium-business loans	0.60
Small-business loans	1.00
Micro-business loans	1.00
Revolving loans	1.50
Non-revolving loans	1.00
Mortgage loans	0.40

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 resulting credit risk exposure equivalent by applying a 20% factor to the unused amount of revolving lines of credit for micro-business, small-business and consumer loans. For the credit risk exposure, provision rates set in the "Regulation on Debtor Rating" shall be used.

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 requirement of the procyclical component if the average annual percentage of the Gross Domestic Product (GDP) is above or below 5%, respectively.

Also, other conditions for activation or deactivation are set out in Appendix I of SBS Resolution 11356-2008 and amendments. The requirement 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, earn profits from the reversal of such provisions, which should only be used to determine mandatory provisions.

Provisions for direct loan losses are recorded deducting the balance from the corresponding asset (note 8), and provisions for indirect loan losses are recorded as a liability (note 17).

(i) SBS Resolution 3922-2021, dated December 23, 2021, revoked Resolution 3155-2020 and established the following requirements for measuring provisions for rescheduled loans as a result of the COVID-19 pandemic:

- Rescheduled loans held by borrowers rated as Standard are considered borrowers with a credit rating higher than Standard; thus, they are classified as Potential Problems. Accordingly, the entity shall recognize a specific provision for loans classified as Potential Problems.

  However, borrowers rated as Standard and Potential Problems that did not pay at least one full installment, including principal, in the last six months at the end of the reporting period shall be rated as Substandard.

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

  Such provision is applicable to consumer loans, micro-business loans, small-business loans and medium-business loans.

- Unearned, accrued interest on current rescheduled consumer, micro-business, small-business and medium-business loans shall be rated as Substandard.

  However, accrued interest on loans of borrowers that did not pay at least one full installment, including principal, in the last six months at the end of the reporting period shall be subject to specific provisions under the classification of Loss.

  These requirements do not have an effect on the risk rating of the borrower.

The requirements issued in the Resolution are included in the consolidated financial statements as of March 31, 2024 and December 31, 2023.

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 statement of financial position only if they meet the definitions of an asset pt (accounts receivable) and a liability (accounts payable); otherwise, such balances are recorded within 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.

Transactions that are not settled by CAVALI are recorded in suspense accounts, until the related amounts are collected or paid.

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:

	Years
Property and premises	Between 40 and 10
Furniture, fixture and IT equipment	Between 10 and 4
Vehicles	Between 8 and 5

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 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.

l. 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 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 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 March 31, 2024 and December 31, 2023, 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); (ii) the acquisition and development of software, which are amortized on a straight-line basis over 5 years; and (iii) the 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.

As of March 31, 2024 and December 31, 2023, the Bank recorded a provision for impairment of intangible assets arising from the investment in Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A. for S/ 215,315 thousand (note 13).

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.

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 Bank 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.

As of March 31, 2024 and December 31, 2023, the Scotiabank Group recorded a provision for goodwill impairment, recognizing a loss amounting to S/ 46,503 thousand (note 11(b)).

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 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 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 statement of financial position and is included in 'provision for fringe benefits.' It is recognized in the consolidated statement of financial position in 'other liabilities.'

ii. Contingencies

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

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

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 March 31, 2024 and December 31, 2023, 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

Each entity of 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.

SBS Resolution 7036-2012 and amendments establish 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, the Financiera 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 classified as investments at FVTPL and available-for-sale investments, as well as recognition of discounts and premiums on financial instruments. Dividends are recorded as profit or loss when they are 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 statement of profit or loss. Dividends are recorded when declared.

Income from compensation for funds managed by the SAFM 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 Scotiabank Group 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 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 'accounts payable' 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 March 31, 2024 and December 31, 2023, the Scotiabank Group entered into repo transactions on securities and loan portfolio (notes 6, 7 and 17).

S. Consolidated statement of cash flows

For presentation purposes on this consolidated financial statement, as of March 31, 2024 and December 31, 2023, 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.

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 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 statement of profit or loss.

V. New accounting pronouncements

i. Accounting pronouncements currently effective

The following accounting pronouncements are effective for annual reporting periods beginning on or after January 1, 2024:

New IFRS	**Mandatory effective date**
IFRS 17 Insurance Contracts	Annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted for entities that adopt IFRS 9 and IFRS 1 on or before that date.
Amendments to IFRS	Mandatory effective date
Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	Annual reporting periods beginning on or after January 1, 2023.
Disclosure of accounting policy information (Amendments to IAS 1 and IFRS Practice Statement 2 Making material judge	Annual reporting periods beginning on or after January 1, 2023.
Definition of accounting estimates (Amendments to IAS 8).	Annual reporting periods beginning on or after January 1, 2023.
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).	Annual reporting periods beginning on or after January 1, 2023.
International tax reform Pillar II Model Rules (Amendments to IAS 12).	Annual reporting periods beginning on or after January 1, 2023.

ii. Accounting pronouncement not yet effective

The following accounting pronouncements are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in the preparation of these consolidated financial statements. The Scotiabank Group expects to adopt the applicable accounting pronouncements on their respective effective dates and not ear.

Amendments to IFRS	**Mandatory effective date**
Classification of Liabilities as Current and Non-current (Amendments to IAS 1)	Annual reporting periods beginning on or after January 1, 2024. Early application is permitted.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date has been postpone indefinitely.
Lease liabilities in a sale and leaseback (Amendments to IFRS 16)	Annual reporting periods beginning on or after January 1, 2024. Early application is permitted.
Classification of liabilities with covenants as current and non-current (Amendments to IAS 1)	Annual reporting periods beginning on or after January 1, 2024.

Amendments to IFRS	Mandatory effective date
Supplier and finance arrangements (Amendments to IAS 7 and IFRS 7)	Annual reporting periods beginning on or after January 1, 2024 (Early application is permitted) and amendments to IFRS 7 when amendments to IAS 7 are also applied.
Ausencia de convertibilidad (Modificación a la IAS 21)	Annual reporting periods beginning on or after January 1, 2025. Early application is permitted.

5. Foreign Currency Balances

The consolidated statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in soles (S/) at the Exchange rate set by the SBS. As of March 31, 2024 and December 31, 2023, the exchange rate was US$ 1 = S/ 3.718 and US$ 1 = S/ 3.709, 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 March 31, 2024, buy and sell exchange rates used were US$ 1 = S/ 3.714 and US$ 1 = S/ 3.721, respectively (US$ 1 = S/ 3.705 and US$ 1 = S/ 3.713, respectively as of December 31, 2023).

As of March 31, 2024 and December 31, 2023 foreign currency balances stated in thousands of U.S. dollars are as follows:

	03.31.2024			12.31.2023		
In thousands of	**U.S. dollars**	**Other currencies**	**Total**	**U.S. dollars**	**Other currencies**	**Total**
Assets						
Cash and due from banks	2,302,297	36,997	2,339,294	2,592,774	23,822	2,616,596
Interbank funds	-	-	-	20,009	-	20,009
Investments at fair value through profit or loss and available-for-sale investments	583	-	583	82,994	-	82,994
Loan portfolio, net	3,120,176	-	3,120,176	3,367,645	-	3,367,645
Held-for-trading and hedging instruments	23,739	-	23,739	21,372	-	21,372
Accounts receivable, net	8,984	-	8,984	7,079	-	7,079
Other assets, net	134,776	1,041	135,817	10,841	3,600	14,441
	5,590,555	**38,038**	**5,628,593**	**6,102,714**	**27,422**	**6,130,136**
Liabilities						
Deposits and obligations and other obligations	4,819,795	31,538	4,851,333	4,558,614	43,206	4,601,820
Interbank funds	25,017	-	25,017	-	-	-
Borrowings and debts	1,643,060	-	1,643,060	2,608,946	-	2,608,946
Held-for-trading and hedging instruments	21,496	-	21,496	19,038	-	19,038
Other liabilities	161,746	6,053	167,799	76,346	3,275	79,621
	6,671,114	**37,591**	**6,708,705**	**7,262,944**	**46,481**	**7,309,425**
Net liability position in the consolidate statement of financial position	**(1,080,559)**	**447**	**(1,080,112)**	**(1,160,230)**	**(19,059)**	**(1,179,289)**
Derivative transactions	**2,452,395**	**782**	**2,453,177**	**1,949,231**	**18,632**	**1,967,863**

During the three-month period ended in March 31, 2024 and 2023, the Scotiabank Group recorded net exchange gains on various transactions for S/ 54,891 thousand and S/ 149,238 thousand, respectively, in 'income from financial transactions' in the consolidated statement of profit or loss (note 24).

As of March 31, 2024, the Scotiabank Group has contingent foreign currency transactions for S/ 52,781,105 thousand equivalent to US$ 14,196,101 thousand (S/ 49,683,483 thousand equivalent to US$ 13,395,385 thousand as of December 31, 2023).

6. Cash and Due from Banks

This caption comprises the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Cash (a)	1,241,584	1,363,571
Peruvian central bank (a)	7,806,558	8,574,682
Local banks and other financial institutions (b)	86,092	75,826
Foreign banks and other financial institutions (b)	580,904	761,264
Clearing	37,811	47,425
Restricted cash and due from banks (c)	407,231	313,158
Other cash and due from banks	185	14
	10,160,365	**11,135,940**

(a) As of March 31, 2024, funds held in cash and deposits with the Peruvian central bank (BCRP) include US$ 843,031 thousand and S/ 908,250 thousand (US$ 1,373,236 thousand and S/ 1,026,200 thousand as of December 31, 2023), 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 amounts in local and foreign currency that exceeded the minimum cash reserve. As of March 31, 2024 and December 31, 2023, the excess of minimum reserve requirements in foreign currency accrued interest at an effective annual rate of 4.83% and 4.86% respectively; and generated accrued interest of US$ 5,134 thousand and US$ 5,410 thousand, respectively.

As of March 31, 2024, the Scotiabank Group includes US$ 1,309,100 thousand corresponding to overnight operations in the BRCP, which accrued interest at a rate of 5.34%, respectively (S/ 15,000 thousand and US$1,009,700 thousand that accrue interest at a 4.00% and 5.33% rate, respectively of December 31, 2023).

(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 March 31, 2024, deposits with foreign banks comprise deposits held at the Bank of Nova Scotia for CAN$ 366 thousand (CAN$ 1,134 thousand as of December 31, 2023).

As of March 31, 2024 and December 31,2023, the Scotiabank Group concentrates 84% and 86% of its deposits in five and three foreign financial institutions, respectively.

(c) At March 31, 2024 the restricted cash balance mainly consists of:

i) Funding held in specific resource account with the BCRP for the regular processing of immediate transfers under Circular N° 0030-2020-BCRP of US$ 15,576 thousand and S/ 331,222 thousand (US$ 12,293 thousand and S/ 255,358 thousand at December 31, 2023),
ii) Funding held to secure court actions brought against the Bank for S/ 21 thousand (S/ 45 thousand at December 31, 2023); and
iii) Other restrictions for US$ 14,355 thousand and S/ 1,001 thousand (US$ 1,119 thousand and S/ 5,671 thousand at December 31, 2023).

As of March 31, 2024 and 2023, interest income from cash and due from banks amounted to S/ 76,100 thousand and S/ 83,992 thousand, respectively. It is recorded in 'interest income' in the consolidated statement of profit or loss (note 21).

7. Investments at FVTPL and Available-for-Sale Investments

This caption comprises the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Investments at FVTPL		
Peruvian treasury bonds (a)	833,016	528,407
BCRP certificates of deposit (b)	143,795	355,294
Corporate bonds (c)	-	25,629
Interests in mutual funds	5,620	5,499
	982,431	**914,829**
Available-for-sale investments		
Peruvian treasury bonds (a)	5,349,669	4,557,730
BCRP certificates of deposit (b)	137,238	205,698
Corporate bonds (c)	-	102,515
Unlisted securities	4,074	4,146
Listed securities	640	640
	5,491,621	**4,870,729**
Total investments at FVTPL and available-for-sale investments	**6,474,052**	**5,785,558**

(a) Peruvian treasury bonds correspond to sovereign bonds issued in local currency by the MEF and represent internal public debt instruments of the Republic of Peru. As of March 31, 2024, these bonds accrue interest at annual rates ranging from 1.79% to 8.13% (from 1 .79% to 8.13% as of December 31, 2023) with maturities between August 2024 and February 2055 (between August 2024 and August 2037 as of December 31, 2023).

Likewise, as of March 31, 2024 the Scotiabank Group does not have Peruvian treasury bonds (S/ 1,260,703 thousand at December 31, 2023) (note 17(a)(iii)).

(b) 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 March 31, 2024, these certificates accrue interest based on the BCRP reference rate ranging from 4.72% to 6.38% annually (from 5.64% to 7.20% annually as of December 31, 2023) with maturities between July 2024 and February 2025 (between January 2024 and February 2024 as of December 31, 2023).

(c) The balance corresponds to corporate bonds issued in local currency by the MiVivienda Fund. As of March 31, 2024, the bank does not have these bonds (6.39% and mature in February 2024 as of December 31, 2023).

As of March 31, 2024 and 2023, the accrued interest on investments managed by the Scotiabank Group amounted to S/ 78,127 thousand and S/ 74,004 thousand, respectively. It is recorded as 'interest income' in the consolidated statement of profit or loss (note 21).

As of March 31, 2024 and 2023, the Scotiabank Group generated net gains on sale of available-for-sale investments for S/ 53,262 thousand and S/ 25,193 thousand, respectively (note 24).

As indicated in note 18.F, as of March 31, 2024, the Scotiabank Group generated unrealized net losses on measurement of available-for-sale investments for S/ 130,092 thousand (unrealized net gains for S/ 315,543 thousand as of December 31, 2023).

As of March 31, 2024 and December 31,2023 maturities of investments at FVTPL and available-for-sale investments are the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Up to 3 months	5,890,848	5,212,746
From 3 to 12 months	137,238	205,698
More than 1 year	445,966	367,114
	6,474,052	**5,785,558**

8. Loan Portfolio, Net

This caption comprises the following:

In thousands of soles	***Note***	**03.31.2024**		**12.31.2023**	
Direct loans (a)					
Current loans					
Loans		32,663,303	60%	33,455,997	61%
Mortgage loans		10,501,384	19%	10,617,531	19%
Credit cards		2,143,471	5%	2,137,052	5%
Finance lease		2,532,357	4%	2,527,572	4%
Factoring		1,066,143	2%	1,265,599	2%
Discounts		625,274	1%	722,617	1%
Overdrafts and advances in checking accounts		73,477	-	83,136	-
Refinanced loans		1,919,997	4%	1,886,173	3%
Past-due loans		1,166,972	2%	1,120,793	2%
Lawsuit loans		1,490,052	3%	1,438,588	3%
		54,182,430	**100%**	**55,255,058**	**100%**
Plus (less)					
Accrued interest on current loans		400,130	-	389,032	-
Deferred interest		(28,669)	-	(29,636)	-
Provision for loan losses (b)		(4,209,233)	-	(4,109,518)	-
		50,344,658	**-**	**51,504,936**	**-**
Contingent loans	*20*	**10,426,706**	**-**	**12,618,051**	**-**

As of March 31, 2024 and December 31, 2023, 51 % of the loan portfolio (direct and indirect loans) was concentrated in 837 and 641 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 the net realizable value in the market less costs to sell, as required under in SBS regulations.

Additionally, as indicated in note 4.E, the Bank and CrediScotia participated in the Reactiva Peru program I and II, placing government guaranteed loans. As of March 31, 2024 and December 31, 2023, the types of loans under this program are the following:

	03.31.2024		12.31.2023	
In thousands of soles	**Balance**	**Guaranteed (%)**	**Balance**	**Guaranteed (%)**
Type of loan				
Corporate loans	3,949	80%	4,782	80%
Large-business loans	90,893	82%	72,642	86%
Medium-business loans	204,420	83%	271,838	94%
Micro-business loans	1,342	93%	984	98%
Small-business loans	43,972	97%	41,309	97%
Loans from Reactiva Peru program	**344,576**	**87%**	**391,555**	**91%**

The payment obligations to the BCRP related to this program are presented within 'accounts payable'. As of March 31, 2024 and December 31, 2023, they amounted to S/ 279,236 thousand and S/ 356,688 thousand (note 17(a)(i)), respectively.

Also, as of March 31, 2024 and December 31, 2023, CrediScotia participated in the FAE-MYPE I, II and III, placing government guaranteed loans, as follows:

	03.31.2024							
	FAE-MYPE I		**FAE-MYPE II**		**FAE-MYPE III**		**Total average**	
In thousands of soles	**Guaranteed (%)**		**Guaranteed (%)**		**Guaranteed (%)**		**guaranteed (%)**	
Micro-business loans	46	70%	190	98%	78	98%	314	89%
Small-business loans	175	60%	70	98%	24	98%	269	85%
FAE-MYPE	**221**	**65%**	**260**	**98%**	**102**	**98%**	**583**	**87%**

	12.31.2023							
	FAE-MYPE I		**FAE-MYPE II**		**FAE-MYPE III**		**Total average**	
In thousands of soles	**Guaranteed (%)**		**Guaranteed (%)**		**Guaranteed (%)**		**guaranteed (%)**	
Micro-business loans	49	70%	179	98%	80	98%	308	89%
Small-business loans	177	60%	83	98%	24	98%	284	85%
FAE-MYPE	**226**	**65%**	**262**	**98%**	**104**	**98%**	**592**	**87%**

Balances payable to COFIDE related to the FAE I, II and III programs at March 31, 2024 and December 31, 2023, are shown within accounts payable and borrowings in note 16(a).

Annual interest rates are regulated by the market and may be determined at the discretion of the Bank, CrediScotia and CRAC. As of March 31, 2024 and December 31, 2023 effective interest rates on main assets were the following:

	03.31.2024		12.31.2023	
%	**Local currency**	**Foreign currency**	**Local currency**	**Foreign currency**
Overdrafts (*)	55.00 – 85.00	30.00 -55.00	55.00 – 85.00	30.00 -55.00
Discounts and commercial loans	6.00 – 36.30	4.75 – 14.87	5.85 – 35.40	3.00 – 14.04
Consumer loans	12.99 – 68.31	6.61 – 43.63	12.89 – 68.76	6.55 – 42.83

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

(a) As of March 31, 2024 and December 31, 2023, according to current SBS regulations, the credit risk rating of loan portfolio of the Bank, CrediScotia and CRAC is as follows:

	03.31.2024				12.31.2023			
In thousands of soles	**Number of debtors**	**Direct**	**Indirect**	**Total**	**Number of debtors**	**Direct**	**Indirect**	**Total**
Risk rating								
Standard	1,061,921	46,879,198	9,022,234	55,901,432	1,100,710	47,948,223	11,237,723	59,185,946
Potential problems	49,537	2,334,233	1,101,725	3,435,958	44,531	2,511,712	1,118,951	3,630,663
Substandard	47,460	1,055,169	71,956	1,127,125	45,694	1,034,697	68,268	1,102,965
Doubtful	95,439	1,501,358	140,561	1,641,919	96,856	1,429,948	143,549	1,573,497
Loss	113,620	2,412,472	90,230	2,502,702	93,753	2,330,478	49,560	2,380,038
	1,367,977	**54,182,430**	**10,426,706**	**64,609,136**	**1,381,544**	**55,255,058**	**12,618,051**	**67,873,109**

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

In thousands of soles	**Specific**	**Generic**	**Total**
Balance as of January 1, 2023	**2,579,569**	**1,275,043**	**3,854,612**
Additions charged to profit or loss	799,926	148,570	948,496
Recovery of provisions	(515,846)	(139,771)	(655,617)
Transfer of provisions and others	201	(169)	32
Write-off and forgiveness	(232,141)	-	(232,141)
Exchange difference	(10,662)	(1,934)	(12,596)
Balance as of March 31, 2023	**2,621,047**	**1,281,739**	**3,902,786**
Balance as of January 1, 2024	2,912,789	1,196,729	4,109,518
Additions charged to profit or loss	1,127,129	117,425	1,244,554
Recovery of provisions	(664,830)	(125,390)	(790,220)
Transfer of provisions and others	340	(273)	67
Write-off and forgiveness	(356,581)	-	(356,581)
Exchange difference	1,535	360	1,895
Balance as of March 31, 2024	**3,020,382**	**1,188,851**	**4,209,233**

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

In thousands of soles	**03.31.2024**	**03.31.2023**
Provision for loan losses	(1,244,554)	(948,496)
Recovery of provisions	790,220	655,617
Income from recovery of loan portfolio	25,287	30,021
Provision for loan losses, net of recoveries	**(429,047)**	**(262,858)**

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 March 31, 2024, the voluntary provisions of the Bank, CrediScotia and CRAC amount to S/ 548,789 thousand, S/ 60,298 thousand and S/ 10,200 thousand, respectively (S/ 547,222 thousand, S/ 60,298 thousand and S/ 10,200, respectively, as of December 31, 2023).

As of March 31, 2024 and December 31, 2023, the distribution of the provision for impairment loss on accounts receivable by type of loan is as follows:

	03.31.2024				12.31.2023			
En miles de soles	**General**	**Specific**	**Voluntary**	**Total**	**General**	**Specific**	**Voluntary**	**Total**
Type of loan								
Corporate loans	112,768	180,988	50,593	344,349	112,040	187,764	32,682	332,486
Large-business loans	44,723	168,061	146,656	359,440	47,840	158,893	146,656	353,389
Medium- business loans	61,084	927,125	132,549	1,120,758	64,475	902,241	142,549	1,109,265
Small-business loans	17,120	296,825	37,893	351,838	16,955	286,015	38,784	341,754
Micro-business loans	1,136	4,989	41,301	47,426	1,244	5,285	41,476	48,005
Consumer loans	120,803	1,054,868	166,531	1,342,202	123,386	1,006,998	171,764	1,302,148
Mortgage loans	80,475	503,643	43,765	627,883	81,619	482,560	43,809	607,988
Total	**438,109**	**3,136,499**	**619,288**	**4,193,896**	**447,559**	**3,029,756**	**617,720**	**4,095,035**

As indicated in note 4.E, from November 2014, the procyclical component for the calculation of the provision was deactivated. As of March 31, 2024 and December 31, 2023, the Scotiabank Group did not apply the procyclical component to record specific provisions. As of March 31, 2024, the Bank and CrediScotia have a balance of S/ 45,462 thousand (S/ 45,377 thousand as of December 31, 2023).

As of March 31, 2024, the Scotiabank Group's provision for exchange rate risk amounts to S/ 15,181 thousand and other provisions amount to S/ 156 thousand (S/ 12,944 thousand and S/ 1,539 thousand as of December 31, 2023).

(d) These easy payment terms included debt rescheduling applicable to gross and individual loan portfolio depending on the loans.

As of March 31, 2024 and December 31, 2023, the debt rescheduling of the Bank, CrediScotia and CRAC is as follows:

	03.31.2024			12.31.2023		
In thousands of soles	**Gross**	**Individual**	**Total**	**Gross**	**Individual**	**Total**
Type of loan						
Large-business loans	-	1,926	1,926	-	2,308	2,308
Medium-business loans	2,467	39,313	41,780	2,560	46,745	49,305
Small-business loans	4,971	14,573	19,544	5,497	16,326	21,823
Micro-business loans	164	69	233	195	52	247
Consumer loans	11,006	84,504	95,510	14,178	100,029	114,207
Mortgage loans	46,349	404,412	450,761	50,308	446,571	496,879
	64,957	**544,797**	**609,754**	**72,738**	**612,031**	**684,769**

Likewise, the Bank, CrediScotia and CRAC as of March 31, 2024 recognized provisions for rescheduled loans for S/ 4,871 thousand, S/ 125 thousand and S/ 9 thousand, respectively (S/ 5,638 thousand, S/ 188 thousand and S/ 12 thousand, respectively as of December 31, 2023).

(e) As of March 31, 2024 and December 31, 2023, maturities of direct loans are as follows:

	03.31.2024			12.31.2023		
In thousands of soles	**Currency local**	**Currency foreign**	**Total**	**Currency local**	**Currency foreign**	**Total**
Up to 1 month	2,522,377	2,168,871	4,691,248	2,271,347	2,369,773	4,641,120
1-3 months	3,376,866	2,156,410	5,533,276	3,386,345	3,259,620	6,645,965
3-6 months	3,490,971	2,485,023	5,975,994	3,885,780	2,181,153	6,066,933
6-12 months	5,410,482	1,884,667	7,295,149	4,871,944	1,703,223	6,575,167
More than 1 year	25,435,935	2,993,934	28,429,869	26,047,066	3,108,458	29,155,524
Past-due loans and lawsuit loans	1,941,130	715,894	2,657,024	1,878,548	680,833	2,559,381
Less: Accrued interest	(280,345)	(119,785)	(400,130)	(267,539)	(121,493)	(389,032)
	41,897,416	**12,285,014**	**54,182,430**	**42,073,491**	**13,181,567**	**55,255,058**

9. Held-for-Trading and Hedging Instruments

The Bank has commitments to buyforward contracts (“forwards”), cross-currency (swaps – “CCS”) and interest (rate swaps – “IRS”). As of March 31, 2024 and December 31, 2023, fair value of held-for-trading instruments and hedging instruments has generated accounts receivable and payable as follows:

	03.31.2024		12.31.2023	
In thousands of soles	**Accounts receivable**	**Accounts payable**	**Accounts receivable**	**Accounts payable**
Held-for-trading instruments (a)				
Foreign-exchange forward contracts	262,766	224,838	287,856	215,146
Interest rate swaps	88,331	79,924	79,430	70,612
Cross-currency swaps	50,765	215,478	63,869	177,176
Held-for-trading instruments	**401,862**	**520,240**	**431,155**	**462,934**

(a) During three-month ended in March 31, 2024 and 2023, held-for-trading instruments generated a loss for S/ 6,298 thousand and for S/ 107,364 thousand, respectively (note 24).

As of March 31, 2024, the Scotiabank Group did not hold hedging derivatives (as of March 31, 2023 it generated interest expense of S/ 20,812 thousand) (note 22).

10. Accounts Receivable, Net

This caption comprises the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Financial instruments		
Sale of investments (a)	1,410,083	906,880
Commissions receivable	15,279	15,309
Payments on behalf of third parties, net	27,027	17,233
Collection services	169	268
Sale of goods and services, trust, net	10,512	12,033
Advances to personnel	2,881	2,833
Accounts receivable from third parties	503	117
Other accounts receivable, net (b)	167,033	149,288
	1,633,487	**1,103,961**
Non-financial instruments		
Tax claims (c)	252,292	293,393
	1,885,779	**1,397,354**

(a) As of March 31, 2024 and December 31,2023, 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/ 1,087,039 thousand and S/ 680,593 thousand, respectively; ii) short sale of sovereign bonds for S/ 323,044 thousand and S/ 226,287 thousand, respectively.

(b) As of March 31, 2024, other receivables net of their respective allowance for doubtful accounts include mainly: i) unsettled transactions with debit and credit cards for S/ 96,501 thousand (S/ 72,559 thousand as of December 31, 2023); ii) finance leases for S/ 8,677 thousand (S/ 10,053 thousand as of December 31, 2023); iii) refund of travel expenses for S/ 3,809 thousand (S/ 3,329 thousand as of December 31, 2023); and iv) other accounts receivable for S/ 58,046 thousand (S/ 63,347 thousand as of December 31, 2023).

(c) As of March 31, 2024 and December 31, 2023, the balance comprises the following:

i) An amount of S/ 481,845 thousand corresponding to payments made under protest related to a tax claim before the Tax Authorities and the Tax Court, which was resolved in the year 2013 after more than 14 years at the administrative stage. At that stage, the Tax Authorities determined the existence of an alleged tax debt borne by the Bank derived from the sales tax credit related to purchase transactions of gold entered into between the years 1997 and 1998. Between December 2013 and February 2014, the Bank paid in full the debt under protest without recognizing the validity or legality of the debt. Such payment was recognized as an account receivable.

On November 2013, since the Bank considered irregular and illegal the alleged tax debt from a claim that was resolved after more than 14 years and resulted in accrued interest, the Bank filed two legal actions for review of the case and recovery of the payment under protest: (i) a writ of amparo (Amparo 1) to review the unconstitutionality of accrued interest due to the excess of the legal term of the tax administration in the resolution of the case, and (ii) an adversary administrative proceeding to discuss the alleged tax.

On November 9, 2021, the Constitutional Court issued a ruling on the legal proceeding referred to default interest (Amparo 1), declaring the claim inadmissible. in June 2018, regarding the adversary administrative proceeding referred to the alleged tax, the Supreme Court dismissed the claim. Consequently, in July 2018, the Bank initiated a new writ of amparo (Amparo 2) demanding the nullity of such ruling and the reopening of the adversary administrative proceeding. A favorable outcome would result in the reopening of the adversary administrative proceeding and in a new ruling from the Supreme Court and probably the other authorities. To date, such second proceeding is pending resolution by the Superior Court.

As of March 31, 2024 and December 31, 2023, it is the opinion of management and internal and external legal advisors that, although the adversary administrative proceeding and Amparo 1 were resolved, Amparo 2 is still in force and pending resolution, the Bank will achieve a favorable outcome given the procedural errors incurred in the ruling of the Supreme Court. Such outcome would result in the reopening of the adversary administrative proceeding, which will enable the Bank to obtain the refund of the payment under protest.

It should be noted that in March 2015 and 2022, the SBS, by means of Notices No. 10454-2015 and No. 1261 6-2022, requested the recording of provisions for the amount of the alleged tax (principal) amounting to S/ 48,031 thousand and S/ 72,430 thousand, respectively. The provision recorded in March 2022, resulted in the recording of an expense amounting to S/ 7,716 thousand.

On October 12, 2023, the SBS, by means of Notice No. 58666, required additional provisions to be recorded for the full balance of receivable. In this regard, on December 27, 2023, the Bank received SBS Notice No. 71859 authorizing the Bank to record a provision for the remaining balance of the account receivable of S/ 361,384 thousand against the additional capital (note 18.C). Therefore, at December 31, 2023, a 100% provision was made for this account receivable on a prudential basis.

It should be noted that these prudential provision requirements are regardless of the estimate for the expected favorable outcome mentioned in the preceding paragraphs.

ii) Comprising mainly payments made by the Bank under protest for S/ 230,094 thousand relating to the Temporary Tax on Net Assets (ITAN) for fiscal years 2005 and 2006; additionally, it includes S/ 25,760 thousand for the Income Tax for fiscal 2013. These payments are being challenged by the Bank in courts, considering them to be undue, and that they should be offset against income tax and other tax credits.

Bank Management and its legal advisors consider that these amounts will be returned to the Bank upon obtaining a Resolution in its favor.

iii) At December 31, 2022, the Bank reported payments made under protest of S/ 25,760 thousand for the income tax audit of fiscal 2013. On December 29, the Bank was notified with SUNAT's Resolution (RI) No. 012-180 - 0033095, which declared the refund request to be admissible and SUNAT proceeded to refund S/ 40,979 thousand for the amount paid under protest plus interest of S/ 15,220 thousand. As of 31, 2023 the Scotiabank Group recognized that interest balance within of Other income and expenses in the consolidated statement of profit or loss.

At December 31, 2022, Financiera reported payments under protest of S/ 21,072 on 2010 and 2011 income tax proceedings. In 2023 was notified with resolutions by SUNAT corresponding to tax refunds totaling S/ 35,754 thousand (Taxes of S/ 17,411 thousand and Interest for S/ 18,342 thousand). As of 31, 2023 the Scotiabank Group has recognized such interest under the caption Other income and expenses in the consolidated statement of profit or loss.

11. Goodwill

This caption comprises the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Citibank del Perú S.A.(a)	287,074	287,074
CrediScotia Financiera S.A. (b)	232,315	232,315
Unibanca S.A. (c)	4,772	4,772
	524,161	**524,161**

(a) Goodwill generated in the acquisition of the commercial retail and consumer banking business of Citibank del Perú.

(b) Goodwill arising on the acquisition of 100% of the capital stock of CrediScotia which amounts to S/ 232,315 thousand.

During 2022, the Bank recorded a provision for impairment of goodwill, recognizing a loss of S/ 46,503 thousand to it at its fair value at that date.

(c) Goodwill arising from the purchase of shares of Servicios Bancarios Compartidos S.A. amounted to S/ 4,772 thousand.

According to SBS regulations, goodwill has been assessed by management on an annual basis. The latter determined that there is no impairment as of March 31, 2024 and December 31, 2023, except as indicated in paragraph (b).

12. Property, Furniture and Equipment, Net

This caption comprises the following:

In thousands of soles	**Land**	**Property and premises**	**Furniture, fixture and IT equipment**	**Vehicles**	**Goods in-transit and work-in-progress**	**03.31.2024**	**03.31.2023**
Cost							
Balance as of January 1	128,236	766,479	443,188	2,999	37,268	1,378,170	1,353,377
Additions	-	25	2,391	-	2,527	4,943	2,147
Sales	(616)	(4,071)	(2,353)	-	-	(7,040)	-
Transfers	-	-	-	-	-	-	6,985
Disposals and others	-	(859)	(2,092)	(67)	(129)	(3,147)	(242)
Balance as of March 31	**127,620**	**761,574**	**441,134**	**2,932**	**39,666**	**1,372,926**	**1,362,267**
Accumulated depreciation							
Balance as of January 1	-	664,443	391,995	2,576	-	1,059,014	1,043,744
Additions	-	4,131	4,253	46	-	8,430	9,436
Sales	-	(3,502)	(2,321)	-	-	(5,823)	-
Disposals and others	-	(721)	(2,046)	(67)	-	(2,834)	(238)
Balance as of March 31	**-**	**664,351**	**391,881**	**2,555**	**-**	**1,058,787**	**1,052,942**
Net carrying amount	**127,620**	**97,223**	**49,253**	**377**	**39,666**	**314,139**	**309,325**

(a) According to current regulations, the Bank, CrediScotia and Caja Rural in Peru 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.

13. Intangible Assets, Net

This caption comprises the following:

In thousands of soles	Software and others	Work-in-progress	Goodwill	Other intangible assets	Exclusive agreement	Cencosud brand name	03.31.2024	03.31.2023
Cost								
Balance as of January 1	568,250	47,560	6,653	24,717	-	-	647,180	902,439
Additions	105	11,896	-	-	-	-	12,001	24,323
Transfers	18,209	(18,209)	-	-	-	-	-	(6,985)
Disposals and others	(7)	-	(1)	-	-	-	(8)	-
Balance as of March 31	**586,557**	**41,247**	**6,652**	**24,717**	**-**	**-**	**659,173**	**919,777**
Accumulated amortization								
Balance as of January 1	454,533	-	2,829	18,018	-	-	475,380	524,370
Additions	10,066	-	36	(216)	-	-	9,886	16,455
Disposals and others	-	-	-	-	-	-	-	-
Balance as of March 31	**464,599**	**-**	**2,865**	**17,802**	**-**	**-**	**485,266**	**540,825**
Net carrying amount	**121,958**	**41,247**	**3,787**	**6,915**	**-**	**-**	**173,907**	**378,952**

On March 1, 2019, the Bank purchased 51% of the shares of CRAC Cencosud Scotia Perú S.A., an entity engaged in issuing and managing credit and debit cards in Peru. This transaction gave rise to an exclusivity and trademark intangible asset for the Scotiabank Group of S/ 326,302 thousand and S/ 4,148 thousand, respectively; as well as a deferred income tax liability of S/ 99,136 thousand, which is being amortized over a period of 15 years.

In October 2023, the recoverable amount at that date arising from the updated projections of the CGU (cash generating unit) was lower than the net carrying amount at that date. As a result, an impairment loss was recognized for 100% of the intangible asset comprising the exclusivity contract, the intangible comprising the Cencosud brand and its related deferred taxes held at that date.

14. Other Assets, Net

This caption comprises the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Financial instruments		
Transactions in progress (a)	939,071	144,207
	939,071	**144,207**
Non-financial instruments		
Prepaid expenses (b)	158,946	150,166
Realizable and repossessed assets, net of accumulated depreciation and provision for impairment loss for S/ 234,615 thousand (S/ 230,718 thousand in 2023)	37,216	38,509
Tax credit	362,586	276,646
Others	8,651	9,376
	567,399	**474,697**
	1,506,470	**618,904**

(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 statement of financial position. These transactions do not have an impact on the Scotiabank Group's profit or loss. As of March 31, 2024, it includes treasury transactions for S/ 854,450 thousand (S/ 86,263 thousand as of December 31, 2023), transactions to be settled with Cámara de Compensación Electrónica for S/ 62,512 thousand (S/ 37,539 thousand as of December 31, 2023), and invoices-in-transit for S/ 6,533 thousand (S/ 6,002 thousand as of December 31, 2023).

(b) As of March 31, 2024, prepaid expenses mainly include: i) deferred loan origination costs related to fees paid to the external sales force for S/ 114,556 thousand (S/ 121,262 thousand as of December 31, 2023); ii) prepaid fees for loans received for S/ 5,251 thousand (S/ 5,145 thousand at December 31, 2023) y iii) prepaid leases for S/ 4,554 thousand (S/ 3,024 thousand at December 31, 2023).

15. Deposits and Obligations with Financial Institutions

This caption comprises the following:

In thousands of soles	**03.31.2024**		**12.31.2023**	
Corporate clients	20,276,459	43%	17,671,603	39%
Individuals	18,917,536	41%	20,276,239	46%
Non-profit entities	4,364,142	9%	3,943,923	9%
Others	3,468,922	7%	2,899,033	6%
	47,027,059	**100%**	**44,790,798**	**100%**

As of March 31, 2024 and December 31, 2023, deposits and other obligations in U.S. dollars represent 38% of total amount, respectively. As of March 31, 2024, deposits include accounts pledged in favor of the Bank and CrediScotia for credit transactions for S/ 262,891 thousand and US$ 142,544 thousand (S/ 268,562 thousand and US$ 141,856 thousand as of December 31, 2023).

As of March 31, 2024 and December 31, 2023, total deposits and obligations from individuals and nonprofit entities amount to S/ 13,858,235 thousand and S/ 14,750,632 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 March 31, 2024 and December 31, 2023, the maximum amount secured for each individual amounted to S/ 122 thousand and S/ 124 thousand, respectively.

The Bank, CrediScotia and CRAC freely establish interest rates for its liability transactions based on demand and supply, and type of deposit. As of March 31, 2024 and December 31, 2023 effective rates of main assets ranged as follows:

	03.31.2024		**12.31.2023**	
%	**Local currency**	**Foreign currency**	**Local currency**	**Foreign currency**
Savings deposits	1.15 - 2.66	0.11 – 0.38	0.98 – 2.51	0.10 – 0.37
Time deposits	4.24 – 8.82	0.02 – 4.68	6.54 – 8.69	0.03 – 4.62
Bank certificates	-	0.07 – 2.26	-	0.07 – 1.99
Length-of-service compensation deposits	2.75 - 5.69	0.86 – 1.05	2.83 - 5.68	0.86 – 1.11

As of March 31, 2024 and December 31, 2023, maturities of time deposits of clients and financial institutions were as follows:

	03.31.2024			**12.31.2023**		
In thousands of soles	**Local currency**	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Up to 1 month	3,109,720	2,002,578	5,112,298	3,543,984	1,609,817	5,153,801
1-3 months	2,105,107	1,528,472	3,633,579	2,383,142	1,718,621	4,101,763
3-6 months	1,900,747	975,178	2,875,925	1,519,296	882,212	2,401,508
6-12 months	1,717,668	928,597	2,646,265	1,606,455	1,160,929	2,767,384
More than 1 year	1,081,766	266,003	1,347,769	904,872	268,942	1,173,814
	9,915,008	**5,700,828**	**15,615,836**	**9,957,749**	**5,640,521**	**15,598,270**
Interest	200,418	53,950	254,368	257,987	66,922	324,909
	10,115,426	**5,754,778**	**15,870,204**	**10,215,736**	**5,707,443**	**15,923,179**

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

16. Borrowings and Debts

This caption comprises the following:

In thousands of soles	03.31.2024	12.31.2023
Borrowings and debts		
Obligations in the country		
COFIDE (a)	982,330	951,199
Other banks	70,000	20,000
Ordinary loans from abroad		
Related banks (b)	4,759,040	5,674,770
Other banks (c)	1,310,595	4,023,935
	7,121,965	**10,669,904**
Interest payable (b)	39,031	60,046
	7,160,996	**10,729,950**
Securities and obligations (d)	807,457	744,977
	7,968,453	**11,474,927**

(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 MiVivienda Fund, which accrue a fixed interest rate adjusted to the VAC index.

As of March 31, 2024 and December 31, 2023, the Bank and the Financiera hold obligations with COFIDE for S/ 761,046 thousand and S/ 754,306 thousand, respectively, which are guaranteed by a mortgage loan portfolio, as follows:

		03.31.2024		12.31.2023	
In thousands of	Moneda	Net loans	Backed debt	Net loans	Backed debt
Detail					
Mortgage loans –					
MiVivienda Fund (*)	Soles	795,572	755,443	787,618	747,774
Mortgage loans –					
MiVivienda Fund (*)	U.S. dollars	1,665	1,507	2,006	1,761

(*) 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.

Likewise, as of March 31, 2024 and December 31, 2023, the Bank entered into agreements to channel resources with COFIDE for S/ 221,284 thousand and S/ 196,893 thousand, respectively. Said resources will be used to fund corporate and medium-business loans.

As of March 31, 2024 and December 31, 2023, there are no balances payable to COFIDE linked to the FAE I, FAE II and FAE III program.

(b) As of March 31, 2024, ordinary loans with related banks include debts payable to Scotiabank Caribbean Treasury Limited for US$ 1,280,000 thousand, which accrue interest at annual rates ranging from 4.97% to 6.18% with maturities between April 2025 and June 2026 (US$ 1,530,000 thousand as of December 31, 2023, which accrue interest at annual rates ranging from 1.17% to 6.18 % with maturities between January 2024 and June 2025).

These loans do not have collaterals nor compliance terms.

(c) As of March 31, 2024, the Bank holds borrowings and debts with other foreign banks for US$ 352,500 thousand (US$ 1,061,994 thousand as of December 31, 2023), which accrue interest at annual rates ranging from 5.88% y 6.20% (5.89% y 6.44% as of December 31, 2023).

As of March 31, 2024 and December 31, 2023, these transactions contain standard terms of compliance with financial ratios and, in management's opinion, those terms do not affect the Bank's operations and are being met.

As of March 31, 2024 and December 31, 2023, maturities of borrowings from banks and other financial institutions were as follows:

In thousands of soles	**03.31.2024**	**12.31.2023**
Up to 1 month	220,528	2,734,064
1-3 months	283,946	1,240,722
3-6 months	264,189	278,311
6-12 months	37,907	146,418
More than 1 year	6,354,426	6,330,435
	7,160,996	**10,729,950**

(d) As of March 31, 2024 and December 31, 2023, securities and bonds are as follows:

In thousands of soles	**Annual interest**	**Maturity**	**03.31.2024**	**12.31.2023**
Issuance				
Redeemable subordinated bonds				
1st Issuance A – 1st Program - SBP (i)	7.34%	2025	535,560	535,560
1st Issuance A – 1st Program - CSF (ii)	7.41%	2027	-	130,000
			535,560	**665,560**
Negotiable certificates of deposit (iii)			255,423	70,006
			790,983	**735,566**
Interest payable and obligations			16,474	9,411
			807,457	**744,977**

i. 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.

ii. In July 2012, the CrediScotia Financiera issued subordinated bonds for S/ 130,000 thousand which, under SBS Resolution 4873-2012, qualify as tier 2 capital. Maturity of these bonds is in July 2027 and bear interest at an annual fixed rate of 9.41% from August 2022 (the previous rate was 7.41%); they also have a redemption option after ten years provided that the terms and conditions of the issue are met. The funds raised were used exclusively to finance credit transactions.

On January 31, 2024, the Financial CrediScotia redeemed the first Subordinated Bond program – First Issuance, which was issued on July 24, 2012 in the local market for a total of S/ 130,000 thousand (One Hundred and Thirty Million and 00 /100 Soles), equivalent to the face value of all the Subordinated Bonds in Circulation of the First Issue. This issuance was authorized by the Superintendency of Banking, Insurance and AFP (SBS) through Resolution No. 4273-2012 dated July 20, 2012.

iii. At the Board meeting of the CrediScotia held on October 31, 2018, the Fifth Program of Negotiable Certificates of Deposit (CDN) was approved for up to S/ 500,000 thousand or its equivalent in U.S. dollars. Furthermore, by means of SBS Resolution No. 1663-2019 dated April 17, 2019, the SBS issued its favorable opinion on this issuance.

On January 25, 2024, the CrediScotia carried out the auction of the fifth program of the Negotiable Deposit Certificate (CDN) Second Series B issue for the amount of S/ 94,256, thousand with a maturity date of January 20, 2025, which accrues at a rate of 6.09375%.

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

The maturity of outstanding securities is as follows:

In thousands of soles	**03.31.2024**	**12.31.2023**
Up to 3 months	929	871
3-6 months	256,085	69,412
6-12 months	750	4,953
More than 1 year	549,693	669,741
	807,457	**744,977**

(e) During the three-month ended in March 31, 2024 and 2023, interest expenses on borrowings and debts contracted by the Scotiabank Group totaled S/ 135,515 thousand and S/ 150,907 thousand, respectively (note 22).

17. Provisions and Other Liabilities

This caption comprises the following:

In thousands of soles	**03.31.2024**	**12.31.2023**
Accounts payable		
Repurchase agreements (a)	1,375,635	2,593,133
Other accounts payable	1,666,285	574,546
Short sale	357,176	201,708
Vacations, remunerations and profit sharing payable	759,886	24,115
	4,158,982	**3,393,502**
Provisions		
Provision for litigations and claims (b)	38,461	36,070
Provision for various contingencies (c)	3,050	2,702
Provision for indirect loan losses and country risk	143,158	150,565
Other provisions (d)	127,072	130,772
	311,741	**320,109**
Other liabilities		
Transactions in progress (e)	1,161,258	345,582
Deferred income (f)	182,182	167,394
	1,343,440	**512,976**
	5,814,163	**4,226,587**

(a) As of March 31, 2024, the balance of obligations for repurchase agreements includes:

  (i) Repurchase agreements with certificates of participation in the Reactiva Peru program I and II entered into with the BCRP for S/ 279,236 thousand (S/ 356,688 thousand as of December 31, 2023). They accrue interest at an interest rate of 0.5% with a maturity of 3 years from the date of issuance.

  (ii) Repurchase agreements on credit portfolio represented by securities for S/ 1,038,452 thousand as of March 31, 2024 and December 31, 2023. They accrue interest at an interest rate ranging from 1.25% to 3.5% with a maturity of 3 years from the date of issuance.

  (iii) It did not maintain purchase operations with a repurchase commitment on Peruvian Public Treasury Bonds, carried out with the BCRP (S/ 1,137,500 thousand and accrue interest at an interest rate ranging from 7.00% to 7.5% with a maturity ranging from March 2024 to December 2024, as of December 31, 2023) (note 7 (a)).

(b) As of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, the balance amounted mainly comprises reversals or recoveries of provisions recorded in prior years against equity accounts, which according to SBS Official Letter 23797-2003, shall be reclassified to deficits in other asset accounts of the Bank.

During March 2022, upon approval of the SBS, one hundred percent of this balance was reallocated at that date to record a provision requested by this entity by means of Official Letter No. 12616-2022 (see note 10(c)(i)).

(d) As of March 31, 2024, the balance of other provisions mainly includes: i) provisions for personnel expenses for S/ 59,736 thousand (S/ 92,365 thousand as of December 31, 2023); ii) provisions for marketing campaigns of liability products for S/ 4,664 thousand (S/ 4,734 thousand as of December 31, 2023); and iii) provisions related to credit and debit card transactions for S/ 28,513 thousand (S/ 27,462 thousand as of December 31, 2023).

(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 statement of financial position. These transactions do not affect the Scotiabank Group's profit or loss. As of March 31, 2024, liability transactions in progress mainly include: i) S/ 852,316 thousand for treasury transactions (S/ 83,310 thousand as of December 31, 2023); ii) S/ 221,919 thousand for credit card transactions (S/ 178,857 thousand as of December 31, 2023); and iii) S/ 54,685 thousand for client deposits in transit (S/ 38,682 thousand as of December 31, 2023).

(f) As of March 31, 2024, it mainly includes income for (i) S/ 24,950 thousand for exclusive right fees (S/ 25,446 thousand as of December 31, 2023); (ii) S/ 42,892 thousand for indirect loan fees (S/ 30,187 thousand as of December 31, 2023); and S/ 8,614 thousand for structuring and trust service fees (S/ 9,959 thousand as of December 31, 2023), which are recorded in the Scotiabank Group's profit or loss during the term of the contract that originates them.

During May 2023, a deferred gain was recorded of S/ 50,315 thousand arising from the sale of the financed portfolio to an unrelated third party, authorized by the SBS under Resolution No.01594-2023, which will be recognized in income based on the cash flows collected.

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. At March 31, 2024, the regulatory capital of such entities totals S/ 10,447,260 thousand, S/ 690,228 thousand and S/ 122,404 thousand, respectively (S/ 10,831,700 thousand, S/ 836,845 thousand and S/ 111,343 thousand, respectively, at December 31, 2023).

The Bank has a favorable opinion from the SBS for issuing redeemable subordinated debt instruments, computable as Tier 2 regulatory capital, for up to US$ 1,000,000 thousand (one billion and 00/100 US dollars) or its equivalent in Soles. This favorable opinion was issued on June 7, 2023 by means of SBS Resolution No. 02002-2023. At the reporting date, the Bank's Management does not expect to issue any bonds.

As of March 31, 2024, 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/ 64,901,421 thousand, S/ 3,002,394 thousand and S/ 690,169 thousand, respectively (S/ 66,265,610 thousand, S/ 3,047,529 thousand and S/ 846,405 thousand, respectively, as of December 31, 2023).

As of March 31, 2024 and December 31, 2023, the Banking Law established as a global limit that the regulatory capital shall be equal to or greater than 8.5%, respectively, 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 March 31, 2024, the regulatory capital of the Bank, CrediScotia and CRAC represents 14.59%, 20.90% and 14.46% respectively, of the minimum capital requirements per market, operational and credit risk (14.95%, 25.02% and 13.15%, respectively, as of December 31, 2023).

SBS Resolution 2115-2009, approved the "Regulation on Regulatory Capital Requirement for Operational Risk." As of March 31, 2024 and December 31, 2023, 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 17024-201 6-SBS and 17016-201 6-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.

SBS Resolution 1265-2020, issued March 26, 2020, extended the application period of the alternative standard method for the Bank and CrediScotia Financiera until September 2022. In the case of CRAC, the basic indicator approach is applied.

SBS Resolution 03435-2022, issued November 11, 2022, extended the application period of the alternative standard method for the Bank until September 2025.

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 March 31, 2024, additional regulatory capital of the Bank, CrediScotia and CRAC amounted to S/ 1,817,595 thousands, S/ 53,655 thousand and S/ 16,650 thousand, respectively, and CrediScotia does not have an additional regulatory capital (S/ 1,848,306 thousand, S/ 54,345 thousand and S/ 16,513 thousand as of December 31, 2023, respectively).

B. Share capital

As of March 31, 2024 and December 31, 2023 the Bank's authorized, subscribed and paid-in share capital comprise 822,677,853 common. All shares have voting rights and a par value of S/ 10.00 each. As of March 31, 2024 and December 31, 2023, the quotation value of common shares of the Bank was S/ 12.90 and S/ 11.95 per share, respectively.

General Stockholders' Meeting, held March 29, 2023, approved the increase in share capital for S/ 200,000 thousand thorough the capitalization of the 2022 profits. As a result, from the capitalization, the share capital increased to S/ 8,226,777 thousand represented by 822,677,853 common shares with a par value of S/ 10.00 each as of December 31, 2023.

Shareholding on the Bank's share capital is as follows:

	03.31.2024		12.31.2023	
	Number of shareholders	%	Number of shareholders	%
From 0.01 to 1	1,243	0.69	1,244	0.69
From 50.01 to 100	1	99.31	1	99.31
	1,244	**100.00**	**1,245**	**100.00**

Under the Banking Law, as of March 31, 2024, the share capital is required to reach the minimum amount of S/ 33,554 thousand (S/ 33,949 thousand as of December 31, 2023), at a constant value. This amount is 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 capital

This caption comprises the following:

In thousands of soles	03.31.2024	12.31.2023
Issuance Premium	31,775	31,775
Gain on treasury shares	1,304	1,304
	33,079	**33,079**

As of March 31, 2024 and December 31, 2023, the Bank holds 277 treasury shares.

On December 27, 2023, by means of Official Notice No. 71589, the SBS authorized the Bank to record an allowance for doubtful accounts receivable reflecting tax claims applied to additional capital for a total of S/ 361,384 thousand ((10(c)(i)).

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 26, 2024, applied to legal reserve an amount of S/ 73,692 thousand, corresponding to 10% of net profit for the year 2023.

General Shareholders' Meeting, held March 29, 2023, applied to legal reserve an amount of S/ 142,552 thousand, corresponding to 10% of net profit for the year 2022.

E. Retained earnings

The General Shareholders' Meeting, held March 26, 2024, a the distribution of 2023 net profit for S/ 736,925 thousand, as follows:

i Allocate 10% of net profit, amounting to S/ 73,692 thousand, to increase the legal reserve.

ii Cash dividend payment for S/ 663,233 thousand. Such payment was made in May 2024.

General Shareholders' Meeting, held March 29, 2023, approved the distribution of 2022 net profit for S/ 342,552 thousand, as follows:

i Allocate 10% of the net profit, amounting to S/ 142,552 thousand, to increase the legal reserve.

ii Capitalize a total of S/ 200,000 thousand and maintain the remaining balance, for an amount of S/ 1,082,964 thousand in retained earnings.

F. Unrealized gains and losses

As of March 31, 2024 and December 31, 2023, it mainly includes unrealized gains and losses on available-for-sale investments, hedging instruments and interests in other comprehensive income of associates, net of deferred tax effect.

Movement in the Scotiabank Group's unrealized gains and losses during the three-month periods ended March 2024 and 2023, net of deferred tax, was as follows:

In thousands of soles	***Note***	**03.31.2024**	**03.31.2023**
Balance as of January 1		44,923	(269,860)
Net unrealized profit (loss) on available-for-sale investments	*7*	(130,092)	120,491
Cash flow hedges	*9*	-	(1)
Adjustments to other comprehensive income of associates		(524)	(4,703)
Balance as of March 31		**(85,693)**	**(154,073)**

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).

20. Contingent Risks and Commitments

In the normal course of business, the Bank, the Financiera and CRAC perform contingent transactions under off-consolidated statement of financial position (contingent assets). These transactions expose the Bank, the Financiera and CRAC to additional credit risks, beyond the amounts recorded in the consolidated statement of financial position. Credit risk for contingent transactions that are recorded in suspense accounts in the consolidated 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, the Financiera and CRAC would assume for credit losses on contingent transactions. The Bank, the Financiera 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, the Financiera, and CRAC. Also, documentary credits, such as letters of credit issued, guarantees and letters of guarantee are contingent commitments issued by the Bank and the Financiera to guarantee a client's obligation before a third party.

As of March 31,2024 and December 31, 2023; contingent accounts comprise the following:

In thousands of soles	***Note***	**03.31.2024**	**12.31.2023**
Indirect loans	*8*		
Guarantees and letters of guarantee		9,503,201	11,766,995
Letters of credit issued		738,995	632,437
Outstanding banker's acceptance		184,510	218,619
		10,426,706	**12,618,051**
Unused credit lines		23,715,314	18,782,968
Derivative instruments		39,571,143	38,139,720
		73,713,163	**69,540,739**

21. Interest Income

This caption comprises the following:

In thousands of soles	***Note***	**03.31.2024**	**03.31.2023**
Direct loan portfolio		1,305,180	1,282,657
Cash and due from banks and deposits with banks	*6*	76,100	83,992
Available-for-sale investments	*7*	67,443	68,610
Investments at FVTPL	*7*	10,684	5,394
Interbank funds		2,817	3,141
Other finance income		164	381
		1,462,388	**1,444,175**

22. Interest Expenses

This caption comprises the following:

In thousands of soles	***Note***	**03.31.2024**	**03.31.2023**
Deposits and obligations		351,255	336,466
Borrowings and debts	*16(e)*	135,515	150,907
Repurchase agreements		14,252	29,176
Deposits with financial institutions		7,791	12,164
Profit or loss from hedging instruments	*9*	-	20,812
Fees for borrowings and debts		4,342	4,999
Interbank funds		7,395	3,843
		520,550	**558,367**

23. Financial Service Income, Net

This caption comprises the following:

In thousands of soles	**03.31.2024**	**03.31.2023**
Income		
Income from fees for collections services	84,078	90,608
Income from bank service commissions	66,009	59,569
Other income and fees for banking services	43,347	42,466
Income from services and maintenance of liability transactions and transfer fees	22,761	23,062
Income from compensation for mutual funds and fees for redemption of shares	13,815	11,979
Income from structuring and management services	18,519	14,041
Income from teleprocessing services	7,799	8,351
Income from recovery of loan portfolio	2,335	2,879
Income from fees and intermediation services	1,646	920
Other income	21,634	15,821
	281,943	**269,696**
Expenses		
Credit/debit card expenses	(47,699)	(46,729)
Deposit insurance fund premiums	(16,107)	(16,825)
Expenses for insurance services	(419)	(1,840)
Other expenses	(80,427)	(77,302)
	(144,652)	**(142,696)**
	137,291	**127,000**

24. Profit or Loss from Financial Transactions

This caption comprises the following:

In thousands of soles	***Note***	**03.31.2024**	**03.31.2023**
Net exchange gain	*5*	54,891	149,238
Gain on sale of available-for-sale investments	*7*	53,262	25,193
Net gain on sale and measurement of investments at FVTPL		2,722	20,369
Gain on interests		1,922	2,305
Net loss on measurement of held-for- trading instruments	*9(a)*	(6,298)	(107,364)
Others, net (a)		4,662	(1,826)
		111,161	**87,915**

25. Administrative Expenses

This caption comprises the following:

In thousands of soles	**03.31.2024**	**03.31.2023**
Personnel and board of directors expenses	218,613	219,735
Expenses for third-party services	206,342	201,556
Taxes and contributions	25,962	23,422
	450,917	**444,713**

26. Other Income, Net

This caption comprises the following:

In thousands of soles	**03.31.2024**	**03.31.2023**
Sale of non-financial services	1,287	1,186
Lease of own assets	861	707
Gain on sale of realizable and repossessed assets	491	4,742
Reimbursements and refunds	49	1,714
Gain (loss) on sale of property, furniture and equipment	4,933	(45)
Interest on tax refund (a)	752	17,005
Other expenses, net	(5,032)	(3,619)
	3,341	**21,690**

(a) CrediScotia Financiera in March 2023 received interest on tax refunds from SUNAT.

27. Tax Matters

Consolidation

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 March 31, 2024 and 2023, 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 24, 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%. Currently the agreement is not in force.

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.

C. In accordance with current Peruvian tax lawn, 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, Japan and South Korea.

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

The Scotiabank Group computed its tax base for the three-month periods ended March 31, 2024 and 2023, and determined income tax for S/ 56,933 thousand and S/ 83,896 thousand, respectively.

The Scotiabank Group's current tax has been determined for fiscal years 2024 and 2023, net of prior years, as follows:

In thousands of soles	**03.31.2024**	**03.31.2023**
Scotiabank Perú S.A.A.	57,616	77,569
CrediScotia Financiera S.A.	(1,167)	4,830
Scotia Fondos Sociedad Administradora de Fondos S.A.	3,059	2,722
Servicios, Cobranzas e Inversiones S.A.C.	411	533
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	-	46
Scotia Sociedad Agente de Bolsa S.A.	-	-
Scotia Sociedad Titulizadora S.A.	136	124
	60,055	**85,824**

Income tax expense comprises the following:

In thousands of soles	**03.31.2024**	**03.31.2023**
Current tax		
Current year	59,075	83,775
Prior year adjustments	980	2,049
	60,055	**85,824**
Deferred tax	**(3,123)**	**(1,928)**
Net income tax expense	**56,932**	**83,896**

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

In thousands of soles	03.31.2024		03.31.2023	
Net profit before tax	**282,258**	**100.00%**	**381,359**	**100.00%**
Income tax (theoretical)	83,266	29.50%	112,502	29.50%
Tax effect on additions and deductions				
Permanent differences	(27,317)	(9.68%)	(31,931)	(8.37%)
Prior year income tax adjustment	983	0.35%	3,325	0.87%
Current and deferred tax recorded as per effective rate	**56,932**	**20.17%**	**83,896**	**22.00%**

Tax Loss

D. In accordance with article 50 of the Income Tax Law, a Peruvian company may carry losses forward in one of the two ways:

System A: It consists of the use of the tax loss generated from the year in which it was accrued and with a term of up to 4 years for its use. After such term, the tax loss is considered as expired.

System B: It establishes that the tax loss carryforward can be used until its depletion, offsetting only 50% of the tax base generated in the year.

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

As of December 31, 2023, CrediScotia incurred in a tax loss of S/ 271,844 thousand. Accordingly, it chose System B.

In thousands of soles	03.31.2024	12.31.2023
2020	10,633	10,633
2021	261,211	261,211
Accumulated balance	**271,844**	**271,844**

As of March 31, 2024, CrediScotia recognized deferred tax assets for S/ 115,457 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.

As of December 31, 2021, the CRAC elected the System B and determined its tax loss carryforward for S/ 96,172 thousand. As of March 31, 2024, the unused tax losses have not expired and maintains a balance of S/ 110,513 thousand.

The CRAC recognized as of March 31, 2024 a deferred tax assets for S/ 32,601 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.

Temporary tax on net assets

E. 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 2023 and 2022 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. In 2024, the Bank, CrediScotia, CRAC, SAB, SAFM, Titulizadora and SCI determined that the temporary tax on net assets amounts to S/ 260,356 thousand, S/ 11,716 thousand, S/ 2,648 thousand, S/ 153 thousand, S/ 332 thousand, S/ 18 thousand and S/ 338 thousand, respectively (S/ 265,208 thousand, S/ 11,561 thousand, S/ 2,181 thousand, S/ 164 thousand, S/ 371 thousand, S/ 22 thousand and S/ 399 thousand in 2023).

Tax on financial transactions

F. Tax on financial transactions for fiscal periods 2024 and 2023 was 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

G. 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 thousand or € 750,000 thousand). 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.

In 2023, the Scotiabank Group presented the Local File for the year 2022, excluding the Titulizadora, which was not required to present such file according to the provisions.

The deadline for the presentation of the Local File for the year 2022 was in June 2023, in accordance with the maturity schedule published by the Tax Authorities.

The Master File for the year 2023 shall be presented in October 2024 according to the schedule of monthly tax obligations agreed for the tax period of September published by the Tax Authorities. The Bank, CrediScotia, CRAC, SAB and SCI presented the file for the year 2022.

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 2021 will no longer be presented by the Scotiabank Group since such agreement is effective from the year 2019.

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.

According to Tax Authorities' Resolution 163-2018-SUNAT, published June 29, 2018, the Electronic Form 3561 was approved for presentation of the Master File and the Electronic Form 3562 for presentation of the Country-by-Country Reporting, establishing the deadlines for its presentation and the content and format that should be therein included.

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

Tax assessment by Tax Authorities

H. 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 sales tax returns for the years 2018 through 2022 are open for review by the Tax Authorities, excluding the Bank’s sales tax returns for the year 2016 and 2017as a result of a correction made in the year 2021. As of the date of this report, the Tax Authorities have completed the review of the corporate income tax for fiscal year 2019, and has begun the review of the corporate income tax for the fiscal year 2020.

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

In thousands of soles	**Tax returns to audit**	**Tax returns under audit**
Scotiabank Perú S.A.A.	From 2021 to 2023	From 2016 to 2017 and 2020
CrediScotia Financiera S.A.	From 2019 to 2023	2021
Servicios, Cobranzas e Inversiones S.A.C.	From 2019 to 2023	-
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	From 2019 to 2023	-
Scotia Sociedad Agente de Bolsa S.A.	From 2019 to 2023	-
Scotia Sociedad Titulizadora S.A.	From 2019 to 2023	-
Caja Rural de Ahorro y Crédito Cencosud Scotia Perú S.A.	From 2019 to 2023	-
Fideicomiso sobre Bienes Inmuebles Depsa	From 2019 to 2022	-

Concerning tax returns for fiscal years 2007 through 2010 and 2013 through 2015, 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 appeals which are pending resolution of Tax Courts and Judicial Authority respectively. The years 2009, 2010, 2013 and 2014 were resolved by the Tax Court and are awaiting some judicial action by the Tax Authority. The year 2009 is currently being sued before the judiciary.

The Tax Authorities have sent Tax Assessment and Fine Resolutions to the Bank, which are related to non-domiciled income tax for the periods 2008 and 2011 and related to Essalud contributions for the periods 2011 and 2012, which are being appealed.

Concerning CrediScotia, the Tax Authorities have completed the audits for fiscal years 2008 to 2011 and 2020, issuing Tax Assessment and Fine Resolutions on the determination of income tax for such years, which were challenged by CrediScotia. For the years 2008 to 2011, the values were challenged. The years 2008 and 2009 had results before the Tax Court and are currently defendants and 2011 in the Tax Court. For the year 2020 the values were compensated and later the claim will be presented.

Concerning the CRAC, it was audited by the Tax Authorities in 2012. The CRAC filed an appeal in 2017, which was resolved by the Tax Court. Currently, is sued before the Judiciary. 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. To date, recovery of tax losses is pending before the Judiciary. In 2022, the Tax Authorities concluded the process of auditing the Income Tax of the period 2019, issuing Tax Assessment and Fine Resolution which were paid under protest. In 2023, the Tax Authorities concluded the process of auditing the Income Tax of the period 2020, issuing Tax Assessment and Fine Resolution which were paid under protest.

The Tax Authorities conducted a partial audit to the SCI corresponding to the year 2016. Currently, this case is in judicial authority. Also, the Tax Authorities conducted a partial audit to the SCI corresponding to the year 2017. Currently, The process is discussed in the tax administration.

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 March 31, 2024 and 2023.

Uncertainty over Income Tax Treatments

I. In accordance with IFRIC 23, the Scotiabank Group assessed its uncertain tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authorities will accept its uncertain tax treatment. The Interpretation did not have an effect on the Scotiabank Group's consolidated financial statements as of March 31,2024 and 2023.

Sales tax regime

J. As of March 31, 2024 and 2023, the sales tax is calculated on the basis of 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.

Income tax exemptions and exceptions

K. Since 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.

Law 31662, published on December 30, 2022, establish that as of January 2023, domiciled legal entities and non- resident legal entities that were included until 2022 are excluded from the exemption of Law 30341, since from January 2023 to December 31, 2023 the exemption is applicable to natural persons and undivided estates or conjugal partnership that chose to be taxed as such and up to the first 100 Tax Units (UIT) of the gain of capital in each taxable year.

Law 31106 extends the exemptions contained in the Income Tax Law until December 31, 2023.

Major amendments to tax laws effective for periods beginning in 2021

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

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

Supreme Decree No. 402-2021, published December 30 and effective December 31, 2021, modified the Regulation on the Income Tax Law that regulates the calculation of tax-EBITDA for the purpose of setting interest rate limits.

For the years 2019 and 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.

N. **Other significant changes**

On December 30, 2021, as part of the delegation of powers to make tax, financial and economic recovery laws given to the executive branch (Law 31380), the first tax laws were published, including the the price standardization for tax stability and the extension of the sales tax exemptions.

The validity of some tax exemptions and benefits are extended, specifically the following:

- The term of tax exemptions included in Appendixes I and II of the Sales Tax Law was extended until December 31, 2025.

- The issuance of e-money will not be subject to sales tax until December 31, 2024.

- The refund of taxes on acquisitions through foreign donations from and imports from diplomatic missions will be effective until December 31, 2024.

Supreme Decree No. 1516, published December 30, 2021 and effective December 31, 2021, required the price standardization for tax stability under legal stability agreements according to Legislative Decrees 662 and 757. Therefore, such Decree modified the Article 1 of Law 27342 that regulates such agreements. Accordingly, under those legal stability agreements entered into between entities that receive investment and the Peruvian government, the income tax is stabilized. Such tax is applicable in accordance with the current laws and corresponds to the tax rate (plus 2%) referred to in the first paragraph of Article 55 of the Income Tax Law.

Legislative Decree 1529 published March 03, 2022, and effective April 01, 2022, modified Law 28194, Law for the Fight against Evasion and for the Formalization of the Economy, referring to the cases in which means of payment will be used, the amount from which it is required to use the means of payment and the obligation to notify the Tax Authority about payments made to third parties other than the creditor.

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. Tax Authorities' Resolution 00278-2022-SUNAT, extends the obligation presentation of information related of the ultimate beneficiaries for legal entities (trusts, consortiums, investment funds and similar entities). The legal entities registered in the Single Taxpayer Registry until December 31, 2023, and that are not deregistered on the date that corresponds to present the information, must preset the information in the tax period of December 2023, with expiration in January 2024.

Legislative Decree 1545, published March 15, 2023, modified the article 26 of the Income Tax Law regarding presumed interest income. In this sense, the reference of the Libor rate is eliminated, and it is modified to the TAMEX, likewise, it is provided that loans in national and foreign currency accrue interest not less than the active monthly average market rate in national currency (TAMN) and monthly average market lending rate in foreign currency (TAMEX) respectively, which will have to be multiplied by an adjustment factor.

- TAMN: The adjustment factor is 0,42.
- TAMEX: The adjustment factor is 0,65.

Legislative Decree 1549, published April 24, 2023, extended until 31 December 2026 the validity of the exemptions contained in article 19 of the Income Tax Law. The Decree will enter into force on 1 January 2024.

Law 31735, published on May 4, 2023, amended Law 29230 that promotes regional and local public investment with the participation of the private sector, as detailed below:

- The Certificate "Regional and Local Public Investment - Public Treasury" (CIPRL) may be used to cancel any tax liability of the Public Treasury.

- The limit of the CIPRL for its application against the Income Tax is increased up to 80%.

- The CIPRL update rate will now be the average inflation rate for the past 12 months.

International Convention, published on May 15, 2023, published the Convention to approve the tax treatment provided for in the Double Taxation Conventions signed between the States Parties to the Framework Agreement of the Pacific Alliance. With regard to Peru, the agreements with Chile and Mexico are amended, and a protocol with Colombia is signed.

Superintendence Resolution N°000020-2023, published on 28 June 2023, approved the discretionary power not to sanction the violation referred to the obligation to record the number of RUC in the advertising material of goods or services for the period from July 1, 2023, to December 31, 2023.

Supreme Decree No.137-2023-EF, published on June 29, 2023, amended Article 30 of the Regulation of the Income Tax Law, which regulates the fees applicable for transactions with non-domiciles. For purposes of applying the 4.99% rate in the case of interest from external credits:

- It is established as the predominant preferential rate at the average SOFR rate at 30 days plus four points, whatever the credit, currency or agreed maturity.

- For these purposes, the comparison of the external credit rate with the SOFR rate plus three points shall be made only when the credit interest rate is agreed, modified or extended.

28. Deferred Tax

Deferred tax assets have been calculated applying the diminishing balance method per entity (note 4.O). The consolidated deferred tax asset as of March 31, 2024 and 2023 mainly comprises:

In thousands of soles	**Balances as of 01.01.2023**	**(Debit) credit Profit or loss**	**Balances as of 03.31.2023**	**Balances as of 01.01.2024**	**(Debit) credit Profit or loss**	**Balances as of 31.03.2024**
General provision for direct/indirect loan losses	394,200	2,629	396,829	365,894	(7,387)	358,507
Provision for accounts receivable	38,462	28	38,490	39,092	552	39,644
Provision for repossessed assets	45,557	1,636	47,193	45,818	1,125	46,943
Provision for vacations	12,057	41	12,098	12,179	(4)	12,175
Provision for credit and debit card rewards	5,551	-	5,551	5,551	-	5,551
Tax loss	108,304	(1,685)	106,619	113,676	3,949	117,625
Investment in subsidiaries	941	-	941	941	-	941
Finance leases, net	135	-	135	135	-	135
Intangible assets	(96,149)	3,131	(93,018)	(12,265)	2,874	(9,391)
Leveling of assets and liabilities	(26,009)	-	(26,009)	(16,240)	-	(16,240)
Sales Commissions	(28,432)	(920)	(29,352)	(28,578)	1,725	(26,853)
Others	25,895	(2,932)	22,963	53,774	289	54,063
Deferred tax assets, net	**480,512**	**1,928**	**482,440**	**579,977**	**3,123**	**583,100**

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 that are part of the Scotiabank Group. This profit sharing is considered as a deductible expense for income tax calculation purposes. As March 31, 2024 legal employees' profit sharing was determined for S/ 13,614 thousand (S/ 58,430 thousand as of December 31, 2023), which is included in 'administrative expenses' in the consolidated 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 financial statements. The Scotiabank Group is responsible for the appropriate management of these trusts based on the limits established by the applicable laws and the respective agreement. As of March 31, 2024, the allocated value of assets in trusts and trust fees amounts to S/ 6,651,355 thousand (S/ 5,517,934 thousand as of December 31,2023).

31. Related Party Transactions

As of March 31, 2024 and December 31, 2023, the consolidated 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 statement of financial position arising from transactions with related parties as of March 31, 2024 and December 31, 2023 were as follows:

	03.31.2024					12.31.2023				
In thousands of soles	**Parent Company**	**Related parties (i)**	**Associates**	**Key Management personnel and directors**	**Total**	**Parent Company**	**Related parties (i)**	**Associates**	**Key Management personnel and directors**	**Total**
Assets										
Cash and due from banks	-	1,001	-	-	1,001	-	3,179	-	-	3,179
Loan portfolio, net	-	103,967	9,307	22,295	135,569	-	58,500	10,752	22,778	92,030
Held-for-trading and hedging instruments	-	278,693	-	-	278,693	-	289,909	-	-	289,909
Other assets, net	34	11,477	142,895	41	154,447	-	35,496	76,498	31	112,025
Total assets	**34**	**395,138**	**152,202**	**22,336**	**569,710**	**-**	**387,084**	**87,250**	**22,809**	**497,143**
Liabilities										
Obligations with the public and ds from financial institutions	773,763	439,712	82,694	16,142	1,312,311	774,596	477,226	84,221	20,223	1,356,266
Borrowings and debts	234,450	4,548,037	-	-	4,782,487	232,903	5,465,050	-	-	5,697,953
Held-for-trading and hedging instruments	-	141,827	-	-	141,827	-	130,704	-	-	130,704
Provisions and other liabilities	-	64,233	1,095	34	65,362	-	87,137	1,134	26	88,297
Total liabilities	**1,008,213**	**5,193,809**	**83,789**	**16,176**	**6,301,987**	**1,007,499**	**6,160,117**	**85,355**	**20,249**	**7,273,220**
Off-balance sheet accounts										
Indirect loans	-	261,853	39,925	-	301,778	-	391,792	39,860	-	431,652
Derivative instruments	-	16,817,698	-	-	16,817,698	-	16,870,039	-	-	16,870,039

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

B. The effects of related party transactions in the Scotiabank Group's consolidated statement of profit or loss for the three-month periods ended March 31, 2024 and 2023 are detailed below:

	03.31.2024					03.31.2023				
In thousands of soles	**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	-	2,273	163	365	2,801	-	2,763	93	376	3,232
Interest expenses	(4,197)	(67,438)	(1,236)	(188)	(73,059)	(4,197)	(63,036)	(1,558)	(157)	(68,948)
	(4,197)	**(65,165)**	**(1,073)**	**177**	**(70,258)**	**(4,197)**	**(60,273)**	**(1,465)**	**219**	**(65,716)**
Financial service income	35	1,143	124	75	1,377	6	798	151	75	1,030
Financial service expenses	-	(174)	(6,048)	(6)	(6,228)	-	(617)	(6,740)	(7)	(7,364)
	35	**969**	**(5,924)**	**69**	**(4,851)**	**6**	**181**	**(6,589)**	**68**	**(6,334)**
Net profit or loss from financial transactions	-	41,254	1,922	-	43,176	-	103,288	2,243	-	105,531
Administrative expenses (ii)	-	(4,007)	(286)	(26)	(4,319)	-	(3,116)	(245)	(21)	(3,382)
Other income, net	-	3,485	-	13	3,498	-	3,417	-	-	3,417
Net profit or loss	**(4,162)**	**(23,464)**	**(5,361)**	**233**	**(32,754)**	**(4,191)**	**43,497**	**(6,056)**	**266**	**33,516**

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

(ii) Excluding personnel expenses.

C. Remuneration of key management and directors for the three-month periods ended March 31 was as follows:

In thousands of soles	**03.31.2024**	**03.31.2023**
Remuneration of key management	9,720	9,232
Expense allowance for Board of Directors	406	1,773
	10,126	**11,005**

As of March 31, 2024 and 2023, the outstanding remuneration to key management personnel amounted to S/ 4,174 thousand and S/ 2,930 thousand, respectively.

32. Classification of Financial Instruments

Management classifies its financial assets and financial liabilities into the categories described in note 4.B. As of March 31, 2024 and December 31, 2023 financial assets and financial liabilities are classified as follows:

		03.31.2024						
				Available-for-sale				
In thousands of soles	*Note*	At FVTPL	Loans and items receivable	At amortized cost (a)	At fair value	Liabilities at amortized cost	Other liabilities (b)	Total
Assets								
Cash and due from banks	*6*	-	10,160,365	-	-	-	-	10,160,365
Interbank funds		-	250,211	-	-	-	-	250,211
Investments at FVTPL								
Equity instruments	*7*	5,620	-	-	-	-	-	5,620
Debt instruments	*7*	976,811	-	-	-	-	-	976,811
Available-for-sale investments								
Equity instruments (c)	*7*	-	-	4,074	640	-	-	4,714
Debt instruments	*7*	-	-	-	5,486,907	-	-	5,486,907
Loan portfolio	*8*	-	50,344,658	-	-	-	-	50,344,658
Held-for-trading and hedging instruments	*9*	401,862	-	-	-	-	-	401,862
Accounts receivable	*10*	-	1,633,487	-	-	-	-	1,633,487
Other assets	*14*	-	939,071	-	-	-	-	939,071
		1,384,293	**63,327,792**	**4,074**	**5,487,547**	**-**	**-**	**70,203,706**
Liabilities								
Deposits and obligations and other obligations	*15*	-	-	-	-	-	45,852,711	45,852,711
Interbank funds		-	-	-	-	-	253,149	253,149
Deposits with financial institutions and international financial institutions	*15*	-	-	-	-	-	1,174,348	1,174,348
Borrowings and debts	*16*	-	-	-	-	7,968,453	-	7,968,453
Held-for-trading and hedging instruments	*9*	520,240	-	-	-	-	-	520,240
Accounts payable		-	-	-	-	-	3,399,096	3,399,096
Other liabilities	*17*	-	-	-	-	-	1,161,258	1,161,258
		520,240	**-**	**-**	**-**	**7,968,453**	**51,840,562**	**60,329,255**

(a) Including financial assets measured at cost.

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

(c) Including unlisted securities (note 7).

		12.31.2023						
			Loans and	Available-for-sale				
			items	At amortized		Liabilities at	Other liabilities	
In thousands of soles	***Note***	**At FVTPL**	**receivable**	**cost (a)**	**At fair value**	**amortized cost**	**(b)**	**Total**
Assets								
Cash and due from Banks	*6*	-	11,135,940	-	-	-	-	11,135,940
Interbank funds		-	118,737	-	-	-	-	118,737
Investments at FVTPL		-	-	-	-	-	-	-
Equity instruments	*7*	5,499	-	-	-	-	-	5,499
Debt instruments	*7*	909,330	-	-	-	-	-	909,330
Available-for-sale investments		-	-	-	-	-	-	-
Equity instruments (c)	*7*	-	-	4,146	640	-	-	4,786
Debt instruments	*7*	-	-	-	4,865,943	-	-	4,865,943
Loan portfolio	*8*	-	51,504,936	-	-	-	-	51,504,936
Held-for-trading and hedging instruments	*9*	431,155	-	-	-	-	-	431,155
Accounts receivable	*10*	-	1,103,961	-	-	-	-	1,103,961
Other assets	*14*	-	144,207	-	-	-	-	144,207
		1,345,984	**64,007,781**	**4,146**	**4,866,583**	**-**	**-**	**70,224,494**
Liabilities								
Deposits and obligations and other obligations	*15*	-	-	-	-	-	43,994,137	43,994,137
Interbank funds		-	-	-	-	-	37,020	37,020
Deposits with financial institutions and international financial institutions	*15*	-	-	-	-	-	796,661	796,661
Borrowings and debts	*16*	-	-	-	-	11,474,927	-	11,474,927
Held-for-trading and hedging instruments	*9*	462,934	-	-	-	-	-	462,934
Accounts payable		-	-	-	-	-	3,369,387	3,369,387
Other liabilities	*17*	-	-	-	-	-	345,582	345,582
		462,934	**-**	**-**	**-**	**11,474,927**	**48,542,787**	**60,480,648**

(a) Including financial assets measured at cost.

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

(c) Including unlisted securities (note 7).

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, and risk diversification across different lines of business, products and industries is a critical component. 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.

Risk management comprises the management of the following major risks:

A. Credit risk: It is the risk of loss due to debtor, 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 a debtor´s inability to meet borrowing requirements and use 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 more v value for the shareholders. In order to ensure that strategic objectives are met, risk management is governed by the Risk Appetite Framework, as approved by the entity, ensuring an appropriate risk–return spectrum. The purpose of the Risk Appetite Frameworkis 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

The Board is responsible for setting the main guidelines to maintain an effective risk management function supported by the Parent Company, establishing an overall risk management framework and providing an internal environment that facilitates the implementation of risk management actions, 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.

Senior Vice President Office of Risk Management
It is responsible for proposing and implementing the policies, methodologies and procedures for an overall risk management approach 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, which sets 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 via 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 customers, products, markets and fully understanding of risks inherent to each activity.

(iii) Risk monitoring
The Risk Division has implemented 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.

- ***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 carrying amount of collaterals is updated by means of appraisals conducted regularly to consider changes in the market. Such valuations are performed by qualified independent experts, who shall previously meet the required standards and best practices. Additionally, when prices are volatile, margins are applied to offset 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" and amendments, 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 is used 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 determined for each one.

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

- ***Regulatordebtor's y credit rating***
  The regulatory debtor credit rating is conducted in accordance with the criteria and parameters established by SBS Resolution 11356-2008 "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)

- ***Loan portfolio impairment loss***
  As of March 31, 2024 and December 31, 2023, based on SBS Resolution 7036-2012, the Bank, CrediScotia and CRAC have classified impaired and not impaired loans considering the following criteria:

  - ***Neither is 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 Banking comprises loans past-due of more than 90 days, rated as 'substandard,' 'doubtful' or 'loss,' and refinanced, restructured and loans under court actions.

B. Market risk

This 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.

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 market prices.

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 the local Market Risk Unit to Treasury and Parent Company. Monthly reports are submitted to ALCO.

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 models are 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 of the trading portfolios is conducted 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 by monitoring interest rate mismatches and setting limits by currency for each term. ALCO monitors compliance with these limits and is assisted by the 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, especially 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.

Gap analysis is used to assess the sensitivity of repricing mismatches in the non-trading portfolio. Assets, liabilities and other off-balance-sheet positions 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 interest rate risk of net income, as well as the equity value.

An 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 (notes 8 and 17). 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
This 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, considering professionally and cautiously adequate risk levels and changes in market variables.

The associated market risks are managed 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 the 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.

As of March 31, 2024 and December 31, 2023, the Scotiabank Group records a net asset position in foreign currency in the consolidated statement of financial position for US$ 1,080,112 thousand and a net asset position for US$ 1,179,289 thousand, respectively (note 5).

As of March 31, 2024, the global overbought position taken by the Bank amounted to S/ 219,614 thousand (oversold position amounted to S/ 373,318 thousand as of December 31, 2023).

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 the investment 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.

Regular liquidity stress tests are conducted regularly 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 March 31, 2024, the Bank's ratios in local and foreign currencies were 25.56%and 47.56% respectively (20.61% and 38.44% respectively, as of December 31, 2023).

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 March 31, 2024, CrediScotia's ratios in local and foreign currency were 19.16% and 115.89% respectively (22.91% and 118.99% respectively, as of December 31, 2023).

The CRAC shall hold local and foreign currency ratios of 10% and 25%, respectively. In this regard, it held adequate levels of 22.04% in local currency and 1,785.36% in foreign currency (26.78% in local currency and 1,946.36% in foreign currency at the closing of year 2023).

Liquidity Coverage Ratio (LCR) is an indicator of liquidity level in a hypothetical stress scenario. It indicates whether 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 March 31, 2024 and December 31,2023, the minimum ratio required by the regulator was 80% for local currency and 100% for foreign currency. The Bank presented levels of liquidity reaching 98.03% in local currency,149.07% in foreign currency and 116.85% consolidated (115.50% in local currency and 141.80% in foreign currency as of December 31, 2023).

As of March 31, 2024, CrediScotia presented ratios in local currency, foreign currency and consolidated reaching 100.86%, 610.88% and 110.77%, respectively (121.74% and 512.26%, respectively, as of December 31, 2023).

As of March 31, 2024, the CRAC presented ratios in local currency, foreign currency and consolidated reaching 120.26%, 9,163.85% and 122.00%, respectively (124.35% in local currency and 213.31% in foreign currency at the end of 2023).

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.

During the three-month period ended March 31, 2024 and December 31,2023, 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 March 31, 2024 and December 31, 2023, the operational risk appetite was determined based on limits of losses for operational risk at the level of the entire Scotiabank Group, which was in turn distributed at the level of the entities that compose it, among them, the Bank and CrediScotia. Likewise, a distribution of this loss limit was made to the main Vice Chairs of the Bank and first-line Management of CrediScotia.

Major operational risk management methodologies are the following:

(a) Operational risk loss event methodology.
(b) Key risk indicators – (KRIs) methodology.
(c) Business Continuity Management – BCM methodology.
(d) Operational Risk and Controls Assessment methodology; Risk Control Assessment and Risk Control Self-Assessment (RCSA) methodology.
(e) Risk assessment methodology of new initiatives and/or significant changes, among others.
(f) Methodology of risk management with third parties, among others.

(a) Operational risk loss 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.

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.

As of March 31,2024, the activities implemented were:

- Monitoring the 27 executive risk indicators of the Bank and 21 of CrediScotia. KRIs have risk thresholds, which, in case where the accepted risk levels were exceeded, generated the implementation of action plans and corrective measures.

- Additionally, 7 informative indicators have been monitored in the Bank and 8 in CrediScotia.

- 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) Business Continuity Management - BCM methodology

The Scotiabank Group has 117 Business Continuity Plans (SBP, CF, SC and subsidiaries) and they are updated and activated to the reporting date. This includes performing tests and exercises such as call chain & communication groups, review exercises and validation of resources available for work in hybrid mode (home office and alternative business site).

(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 throughout the organization by promoting an understanding of business risks and responsibilities in the risk-mitigation process.

- It promotes continuing critical thinking, motivating the support and business units to design, construct and maintain more effective control systems.

- It contributes to increase the quantity and quality of reliable information on the control status of the existing risks.

- It contributes to strengthening the internal control system; thus, minimizing distrust of subsequent audits.

- It allows to focus on the most significant risks entity-wide and to reduce costs in recurring reviews.

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

- Lines of Business: 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 three-month period ended March 31, 2024, as part of the risk and control assessment, 77 risk and control matrices were assessed at the Bank, 23, at CrediScotia and 27, at CRAC.

During the three-month period ended March 31, 2024, a program was implemented to assess the design and the operating effectiveness of internal control.

(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.

Accordingly, the risk assessments of initiatives continued under the traditional approach, and 35 initiatives in the Bank and 2 in CrediScotia were addressed within the scope of the risk assessment methodology at the end of March 31, 2024.

During the three-month period ended March 31, 2024 and December 31, 2023, 8 initiatives in the Bank and 1 initiative in CrediScotia were addressed.

(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 identification, measurement and management of the risk of dealing with third parties.

From March 2021, the Scotiabank Group made changes under the Third Party Risk Management (TPRM) transformation in order to make significant improvements to the TPRM program. They include most noticeably the implementation of two new IT tools that support both TPRM and contract lifecycle management, new operational policies and procedures for TPRM, development of KPIs and KRIs, risk appetite statement related to third parties, responsibilities of individuals within the second line of defense, increasing new risk domains a more involvement of the control functions.

In July 2021, new regulatory requirements dictated by the SBS and referred to "Goods and/or Services Provided by Third Parties" were implemented; these requirements are aligned and in accordance with the TPRM Program.

During the three-month period ended March 31, 2024 and December 31, 2023, the TPRM program made continuous improvements to strengthen the control framework and maintain appropriate risk, as well as simplifications in the risk assessment process to improve the Coupa Risk Assess user experience. Implemented effective questioning through local QC (Quality Control) reviews.

Training and awareness

During the three-month period ended March 31, 2024 and December 31, 2023, 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.

Cybersecurity risk management

The Bank relies on IT to deliver financial products and services to its clients. The IT systems and related processes used to plan, build, run and monitor are exposed to risks of failure, degradation, theft, loss, damage, and destruction. Such risks shall be managed to ensure the generation of opportunities for value creation.

The IT risk management involves the Risk Management Framework to identify the expected and necessary roles, responsibilities, supervisory authorities, risk appetite, tools, practices and deliverables.

Further, the Bank has a cybersecurity program aligned with the organizational strategy that aims at reducing the occurrence of events that compromise the confidentiality, integrity and availability of information that derive from the degradation or cybersecurity posture of services, technology and information assets in order to protect against emerging risks and evolving threats.

During the three-month period ended March 31, 2024 and December 31, 2023, the main activities include the following:

- Alignment to Letter 36482-2022-SBS "Web and mobile applications in production through which any action requiring strong authentication is performed".
- Providing training in Cybersecurity and raising awareness a in employees and clients.
- Security incident response process, procedures and simulations.
- Continuing access control and change management.
- Continuous vulnerability management in systems, software applications, servers, databases, IT equipment and others to identify and remediate security vulnerabilities.
- Cybersecurity assurance for information assets.
- Information security, cybersecurity and security architectural risk management for new business and technology initiatives and projects.
- Information security and cybersecurity risk management for suppliers.
- PCI Acquiring Certification is maintained.
- Continues monitoring of activities to comply with the PCI Issuer evaluation.
- Closing of GAPS PCI DSS Version 4.0 was achieved.
- Assessment and objective inquiry of the main risk activities.
- Monitoring, control and reporting of IT key risk indicators, security and cybersecurity.
- Validation of integrity, accuracy and effectiveness of key IT, security and cybersecurity controls.

34. Fair Value

The table below shows a comparison between the carrying amounts and fair values of the Scotiabank Group's financial instruments per item in the consolidated statement of financial position as of March 31, 2024 and December 31, 2023:

	Carrying amount		Fair value	
In thousands of soles	**03.31.2024**	**12.31.2023**	**03.31.2024**	**12.31.2023**
Assets				
Cash and due from banks	10,160,365	11,135,940	10,160,365	11,135,940
Interbank funds	250,211	118,737	250,211	118,737
Investments at FVTPL				
Equity instruments	5,620	5,499	5,620	5,499
Debt instruments	976,811	909,330	976,812	909,330
Available-for-sale investments				
Equity instruments	4,714	4,786	4,714	4,786
Debt instruments	5,486,907	4,865,943	5,486,889	4,865,943
Loan portfolio	50,344,658	51,504,936	50,344,658	51,504,936
Held-for-trading and hedging instruments	401,862	431,155	401,862	431,155
Accounts receivable	1,633,487	1,103,961	1,633,487	1,103,961
Other assets	939,071	144,207	939,071	144,207
	70,203,706	**70,224,494**	**70,203,689**	**70,224,494**

	Carrying amount		Fair value	
In thousands of soles	**03.31.2024**	**12.31.2023**	**03.31.2024**	**12.31.2023**
Liabilities				
Deposits and obligations	45,852,711	43,994,137	45,852,711	43,994,137
Interbank funds	253,149	37,020	253,149	37,020
Deposits with financial institutions and international financial institutions	1,174,348	796,661	1,174,348	796,661
Borrowings and debts	7,968,453	11,474,927	7,930,323	11,378,765
Held-for-trading and hedging instruments	520,240	462,934	520,240	462,934
Accounts payable	3,399,096	3,369,387	3,423,599	3,365,195
Other liabilities	1,161,258	345,582	1,161,258	345,582
	60,329,255	**60,480,648**	**60,315,628**	**60,380,294**

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.

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.

v. 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 March 31, 2024 and December 31, 2023, 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 fair value hierarchy 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.

The table below shows the valuation levels applied as of March 31, 2024 and December 31, 2023 to determine the fair value of financial instruments:

In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Total**
03.31.2024				
Assets				
Investments at FVTPL				
Equity instruments	-	5,620	-	5,620
Debt instruments	-	976,811	-	976,811
Available-for-sale investments				
Equity instruments	640	-	4,074	4,714
Debt instruments	-	5,486,907	-	5,486,907
Held-for-trading and hedging instruments	401,862	-	-	401,862
	402,502	**6,469,338**	**4,074**	**6,875,914**
Liabilities				
Held-for-trading instruments	-	520,240	-	520,240
	-	**520,240**	**-**	**520,240**
12.31.2023				
Assets				
Investments at FVTPL				
Equity instruments -	-	5,499	-	5,499
Debt instruments -	-	909,330	-	909,330
Available-for-sale investments				
Equity instruments	640	-	4,146	4,786
Debt instruments -	-	4,865,943	-	4,865,943
Held-for-trading and hedging instruments	431,155	-	-	431,155
	431,795	**5,780,772**	**4,146**	**6,216,713**
Liabilities				
Held-for-trading instruments	-	462,934	-	462,934
	-	**462,934**	**-**	**462,934**

35. Subsequent Events

El Banco

(a) On May 6, 2024, the Bank entered into an agreement with Banco Santander S.A. for the transfer of 100% of the capital stock of CrediScotia Financiera S.A. Further, as usual in this type of agreements, completion of the transaction is subject to the fulfillment of certain conditions, such as, obtaining authorization from the SBS, the Peruvian Agency for free competition and Intellectual Property protection (Indecopi, the Spanish acronym) and the European Central Bank for the acquisition of the shares by Banco Santander S.A. At the reporting date, the process to obtain the aforementioned authorizations is in progress.

(b) On May 31, 2024, the Constitutional Court published on its website the judgment regarding the process called Amparo 2, declaring the claim filed by Scotiabank Peru unfounded (see note 10.c). This ruling, based on the legal provisions in force, is a final resolution for the undeclared taxes under claim plus the interest calculated within the regular resolution period of such claim, which totals S/ 92,375 thousand. Therefore, in May 2024, the Bank proceeded to write off the account receivable that it had fully provisioned for those items. Still pending in the account receivable balance is the claim related to the amount of interest calculated for the period in excess of the regular resolution period and up to the settlement date, considering that the Bank is within the regulatory period to apply for a refund.

(c) On May 28 Scotiabank Peru S.A.A. recognized impairment of its investment in its subsidiary CrediScotia Financiera S.A. based on the fair value obtained for such investment considering the sales price received by CrediScotia Financiera S.A. Consequently, SBP recognized the impairment of goodwill of S/ 232,315 thousand which resulted from acquisition of CrediScotia Financiera S.A., the effect of the impairment of the investment determined based on the sales price received of S/ 163,335 thousand and the costs involved in that sales transaction of S/ 29,912 thousand.