

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

(including Independent Auditors' Report)

**(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN SPANISH)**

Scotiabank Perú S.A.A and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

Contents	Page
Consolidated Statement of Financial Position	1
Consolidated Statement of Profit or Loss	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 107

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2023 and 2022

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Assets			
Cash and due from banks	6		
Cash		1,363,571	1,458,549
Deposits with Peruvian central bank (BCRP)		8,574,682	8,714,741
Deposits with local and foreign banks		837,090	221,319
Clearing		47,425	46,243
Restricted cash and due from banks and others		313,172	166,524
		11,135,940	10,607,376
Interbank funds		118,737	12,619
Investments at fair value through profit or loss and available-for-sale investments	7	5,785,558	5,059,092
Loan portfolio, net	8	51,504,936	56,354,673
Held-for-trading and hedging instruments	9	431,155	425,951
Accounts receivable, net	10	1,397,354	954,013
Investments in associates		33,336	34,326
Goodwill	11	524,161	524,161
Property, furniture and equipment, net	12	319,156	309,633
Deferred tax	28	579,977	480,512
Intangible assets, net	13	171,800	378,069
Other assets, net	14	618,904	495,862
Total assets		72,621,014	75,636,287
Contingent risks and commitments	20	69,540,739	81,685,314

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Liabilities			
Obligations with the public and deposits			
From financial institutions:	15		
Demand deposits		15,432,832	15,699,890
Savings deposits		12,632,369	14,331,724
Time deposits		15,923,179	13,495,091
Other obligations		802,418	829,292
		44,790,798	44,355,997
Interbank funds		37,020	553,222
Borrowings and debts	16	11,474,927	14,057,318
Held-for-trading and hedging instruments	9	462,934	651,787
Provisions and other liabilities	17	4,226,587	5,123,155
Total liabilities		60,992,266	64,741,479
Equity	18		
Share capital		8,226,777	8,026,777
Additional capital		33,079	394,463
Legal reserve		1,630,645	1,488,093
Equity-related adjustments		(127,937)	(442,720)
Retained earnings		1,798,442	1,350,593
Equity attributable to shareholders of Scotiabank Perú S.A.A.		11,561,006	10,817,206
Non-controlling interests	2	67,742	77,602
Total equity		11,628,748	10,894,808
Total equity and liabilities		72,621,014	75,636,287
Contingent risks and commitments	20	69,540,739	81,685,314

The accompanying notes on pages 6 to 107 are part of these consolidated financial statements.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Statement of Profit or Loss

For the years ended December 31, 2023 and 2022

<i>In thousands of soles</i>	Note	2023	2022
Interest income	21	5,988,517	4,893,578
Interest expenses	22	(2,360,379)	(1,405,548)
Gross profit margin		3,628,138	3,488,030
Provision for loan losses, net of recoveries	8(c)	(1,396,682)	(729,058)
Net profit margin		2,231,456	2,758,972
Financial service income, net	23	525,668	574,790
Net profit margin of financial service income and expenses		2,757,124	3,333,762
Income from financial transactions	24	344,772	525,009
Operating margin		3,101,896	3,858,771
Administrative expenses	25	(1,817,227)	(1,733,248)
Depreciation of property, furniture and equipment	12	(37,458)	(29,131)
Amortization of intangible assets	13	(61,507)	(65,803)
Net operating margin		1,185,704	2,030,589
Provisions for realizable, received as payment, recovered and obsolete assets		(26,028)	(23,579)
Net provisions for indirect loan losses, impairment loss on other accounts receivable, and others		(226,877)	(65,404)
Operating income		932,799	1,941,606
Other income, net	26	69,145	44,967
Profit before income tax		1,001,944	1,986,573
Deferred tax	28	99,559	34,908
Current tax	27.D	(321,991)	(605,616)
Net profit		779,512	1,415,865
Profit attributable to:			
Shareholders of Scotiabank Perú S.A.A.		789,440	1,413,903
Non-controlling interests	2	(9,928)	1,962
		779,512	1,415,865

The accompanying notes on pages 6 to 107 are part of these consolidated financial statements.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2023 and 2022

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Net profit		779,512	1,415,865
Other comprehensive income			
Net loss (gain) on available-for-sale investments	18.F	315,611	(94,335)
Cash flow hedges	9.b	(2,116)	(228)
Net unrealized gain on associates	18.F	1,356	475
Other comprehensive income for the year, net of income tax		314,851	(94,088)
Total comprehensive income for the year		1,094,363	1,321,777
Other comprehensive income attributable to:			
Shareholders of Scotiabank Perú S.A.A.		1,104,223	1,319,800
Non-controlling interests	2	(9,860)	1,977
		1,094,363	1,321,777

The accompanying notes on pages 6 to 107 are part of these consolidated financial statements.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Statement of Changes in Equity

For the years ended December 31, 2023 and 2022

	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		Total	Non-controlling interests	Total equity
						Unrealized gains and losses (note 18.F)	Other adjustments (note 18.G)			
<i>In thousands of soles</i>										
Balance as of January 1, 2022	802,677,853	8,026,777	394,463	1,383,913	1,273,498	(175,756)	(172,860)	10,730,035	75,623	10,805,658
Net profit	-	-	-	-	1,413,903	-	-	1,413,903	1,962	1,415,865
Other comprehensive income										
Net unrealized loss (gains) on available-for-sale investments	-	-	-	-	-	(94,350)	-	(94,350)	15	(94,335)
Cash flow hedges	-	-	-	-	-	(228)	-	(228)	-	(228)
Net unrealized gain on associates	-	-	-	-	-	475	-	475	-	475
Total comprehensive income	-	-	-	-	1,413,903	(94,103)	-	1,319,800	1,977	1,321,777
Allocation to legal reserve	-	-	-	104,180	(104,180)	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,232,065)	-	-	(1,232,065)	-	(1,232,065)
Other adjustments	-	-	-	-	(563)	-	-	(563)	2	(560)
Balance as of December 31, 2022	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
Balance as of January 1, 2023	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	-	-	-	-	789,440	-	-	789,440	(9,928)	779,512
Other comprehensive income										
Net unrealized loss (profit) on available-for-sale investments	-	-	-	-	-	315,543	-	315,543	68	315,611
Cash flow hedge	-	-	-	-	-	(2,116)	-	(2,116)	-	(2,116)
Net unrealized gain on associates	-	-	-	-	-	1,356	-	1,356	-	1,356
Total comprehensive income	-	-	-	-	789,440	314,783	-	1,104,223	(9,860)	1,094,363
Allocation to legal reserve	-	-	-	142,552	(142,552)	-	-	-	-	-
Capitalization of retained earnings	20,000,000	200,000	-	-	(200,000)	-	-	-	-	-
Provisions recorded	-	-	(361,384)	-	-	-	-	(361,384)	-	(361,384)
Other adjustments	-	-	-	-	961	-	-	961	-	961
Balance as of December 31, 2023	822,677,853	8,226,777	33,079	1,630,645	1,798,442	44,923	(172,860)	11,561,006	67,742	11,628,748

The accompanying notes on pages 6 to 107 are part of these consolidated financial statements.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Consolidated Statement of Cash Flows

For the years ended December 31, 2023 y de 2022

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Cash flows from operating activities			
Net profit		779,512	1,415,865
Adjustments to reconcile net profit to net cash used in operating activities			
Provision for loan losses, net of recoveries	8.(c)	1,396,682	729,058
Provision for realizable, repossessed and other assets, net		18,121	22,296
Provision for accounts receivable, net		9,527	4,005
Depreciation and amortization		98,965	94,934
Provision for fringe benefits		48,372	45,846
Provision for current and deferred income tax	27D, 28	222,432	570,708
Provision for indirect loan losses and country risk, net of recoveries		(20,126)	4,506
Other provisions		316,864	(94,231)
Gain on sale of property, furniture and equipment		(7,652)	(5,271)
Gain on sale of realizable and repossessed assets		(22,988)	(14,860)
Net changes in assets and liabilities:			
Loan portfolio		3,428,031	(1,814,159)
Investments at fair value through profit or loss		(691,727)	(124,395)
Available-for-sale investments		49,550	113,708
Accounts receivable		(452,594)	157,873
Other assets		(781,778)	(876,408)
Non-subordinated financial liabilities		(1,107,437)	(1,314,685)
Accounts payable		278,146	(954,852)
Provisions and other liabilities		(1,972,381)	218,280
Net loss after net changes in assets, liabilities and adjustments		1,589,519	(1,821,782)
Income tax paid		(545,877)	(310,177)
Net cash flows applied from (used in) operating activities		1,043,642	(2,131,959)
Cash flows from investing activities			
Dividends received		146,955	82,721
Acquisition of property, furniture and equipment	12	(50,309)	(27,167)
Acquisition of intangible assets	13	(85,146)	(78,409)
Sale of property, furniture and equipment and repossessed assets		8,951	8,359
Net cash flows used in investing activities		20,451	(14,496)
Cash flows from financing activities			
Dividends paid		-	(1,232,066)
Net cash flows used financing activities		-	(1,232,066)
Net increase (decrease) in cash and cash equivalents before effects of exchange rate fluctuations		1,064,093	(3,378,521)
Effects of exchange rate fluctuations on cash and cash equivalents		(341,143)	103,065
Net increase (decrease) in cash and cash equivalents		722,950	(3,275,456)
Cash and cash equivalents at the beginning of period		10,228,438	13,503,895
Cash and cash equivalents at the end of period		10,951,388	10,228,438
Non-cash transactions			
Capitalization of retained earnings		200,000	-
Net unrealized loss on available-for-sale investments		315,543	(94,349)
Repurchase agreements	17(a)	2,593,133	3,796,329

The accompanying notes on pages 6 to 107 are part of these consolidated financial statements.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022 respectively.

During July 2022, Scotia Perú Holdings increased its shareholding in the Bank by 1.26%, reaching 99.31 % of the Bank's share capital. This increase was due to the acquisition of certain positions from institutional investors put up for sale.

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 December 31, 2023, the Scotiabank Group operates through a national network of 412 branches (444 branches as of December 31, 2022).

As of December 31, 2023 and 2022, 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.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

<i>In thousands of soles</i>	Activity	Shareholding percentage	Assets	Liabilities	Equity
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	Caja rural de ahorro y crédito	51.00	660,941	522,692	138,249
Scotia Perú S.A.	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
2022					
Scotiabank Perú S.A.A.	Banking	-	73,854,776	62,962,568	10,892,208
CrediScotia Financiera S.A.	Financing	100.00	2,855,587	2,050,665	804,922
Caja Rural de Ahorro y Crédito Cencosud	Caja rural de ahorro y crédito	51.00	601,681	443,310	158,371
Scotia Perú S.A.	Crédito	51.00	601,681	443,310	158,371
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	87,791	26,740	61,051
Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A.	Administration of mutual funds	100.00	77,139	109	77,030
Scotia Sociedad Agente de Bolsa S.A.	Intermediation in stock market	100.00	36,194	582	35,612
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	6,600	1,707	4,893

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

The consolidated financial statements as of December 31, 2023 and 2022 include the impacts resulting from the implementation of such measures that were in force as of that date, as detailed in the corresponding notes to the consolidated financial statements below.

D. Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2023 were approved by management on February 15, 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 financial statements without amendments. The General Shareholders' Meeting, held March 29, 2023, approved the consolidated financial statements as of December 31, 2022.

2. Non-controlling Interests

The following table summarizes the financial information of CRAC as of December 31, 2023 and 2022 which has a significant non-controlling interest before the eliminations required in preparing the consolidated financial statements of the Scotiabank Group:

<i>In thousands of soles</i>	2023	2022
Total assets	660,941	601,681
Total liabilities	(522,692)	(443,310)
Total assets, net	138,249	158,371
Net assets attributable to non-controlling interests 49%	67,742	77,602
Net (loss) gain	(20,260)	4,005
Other comprehensive income	139	32
Total comprehensive income	(20,121)	4,037
Net (loss) gain allocated to non-controlling interests 49%	(9,928)	1,962
Other comprehensive income allocated to non-controlling interests 49%	68	15

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 5.12% and 4.73%, respectively, of the total Bank's assets before eliminations as of December 31, 2023 and 2022.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

Held-for-trading instruments

Held-for-trading instruments are initially recognized in the consolidated 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023, the Bank has contracts designated as cash flow hedges (note 9(b)) (the Bank does not hold financial hedging instruments as of December 31, 2022).

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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%.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022, the Bank 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.

In 2023 and 2022, 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 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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-19 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 months 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 cash 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023, the Group showed a balance of S/ 18,487 thousand 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 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 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

The funds of this program are auctioned by the 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 December 31, 2023 and 2022, the Bank and the Financiera placed loans under the Reactiva Peru program for S/ 391,555 thousand and S/ 1,742,503 thousand, respectively, which have a coverage ratio of 91% and 92%, 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.

In 2022, the computation of days in arrears for loans granted under this program was not suspended; in June 2021, the counting of days past due of loans granted under this program was stopped. Therefore, the loans in such month were not impaired. The counting of days past due was resumed on July 1, 2021. The counting of days past due of loans that were not rescheduled was resumed from the oldest unpaid installment.

ii. Fondo de Apoyo Empresarial -FAE- I and II

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 December 31, 2023, CrediScotia Financiera placed loans under the FAE- I, II and III for S/ 226 thousand, S/ 262 thousand, and S/ 104 thousand, respectively, which have an average coverage ratio of 87% (S/ 773 thousand, S/ 2,029 thousand and S/ 1,732 thousand, respectively, which have an average coverage ratio of 82% as of December 31, 2022).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022, the Group as loans granted under the Fondo Crecer program for S/ 10,105 thousand and S/ 38,849 thousand, respectively, with 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 December 31, 2023 and 2022, the Bank has a loan portfolio of S/ 1,718,692 thousand and S/ 1,531,330 thousand, respectively, in guarantee of this program (note 1 7(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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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 t 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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. As of December 31, 2023 and 2022, the balance of voluntary provisions set up in the event of a possible activation of the procyclical rule by the Bank, the Financiera and CRAC amounts to S/ 109,852 thousand, S/ 20,804 thousand and S/ 7,600 thousand (S/ 97,585 thousand; S/ 19,343 thousand and S/ 7,600 thousand, respectively, as of December 31, 2022).

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022.

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 (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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- 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.

I. Impairment of non-financial assets

When events or circumstantial economic changes indicate that the value of long-lived assets might not be recoverable, management reviews at each date of consolidated 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 December 31, 2023 and 2022, 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

At 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.

At December 31, 2023 and 2022, 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022, 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

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

P. Employees' profit sharing

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

Q. Income and expense recognition

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

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

At December 31, 2023, the Scotiabank Group entered into repo transactions on securities and loan portfolio securities (currency, securities, and loan portfolio repo transactions at December 31, 2022); notes 6, 7 and 17.

S. Consolidated statement of cash flows

For presentation purposes on this consolidated financial statement, as of December 31, 2023 and 2022, 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).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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, 2023:

New IFRS	Mandatory effective date
<i>IFRS 17 Insurance Contracts</i>	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.
<i>Amendments to IFRS</i>	Mandatory effective date
<i>Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)</i>	Annual reporting periods beginning on or after January 1, 2023.
<i>Disclosure of accounting policy information (Amendments to IAS 1 and IFRS Practice Statement 2 Making material judgment)</i>	Annual reporting periods beginning on or after January 1, 2023.
<i>Definition of accounting estimates (Amendments to IAS 8).</i>	Annual reporting periods beginning on or after January 1, 2023.
<i>Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).</i>	Annual reporting periods beginning on or after January 1, 2023.
<i>International tax reform Pillar II Model Rules (Amendments to IAS 12).</i>	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, 2023 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 earlier.

Amendments to IFRS	Mandatory effective date
<i>Classification of Liabilities as Current and Non-current (Amendments to IAS 1)</i>	Annual reporting periods beginning on or after January 1, 2024. Early application is permitted.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Amendments to IFRS	Mandatory effective date
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.
<i>Lease liabilities in a sale and leaseback</i> (Amendments to IFRS 16)	Annual reporting periods beginning on or after January 1, 2024. Early application is permitted.
<i>Classification of liabilities with covenants as current and non-current</i> (Amendments to IAS 1)	Annual reporting periods beginning on or after January 1, 2024.
<i>Supplier and finance arrangements</i> (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.
<i>Ausencia de convertibilidad</i> (Modificación a la IAS 21)	Annual reporting periods beginning on or after January 1, 2025. Early application is permitted.

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

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

- Resolution N° 004-2023-EF/30 issued on December 08, 2023 Amendments to several international financial reporting standards approved.
- Resolution 003-2023-EF/30 issued on August 19, 2023 Peruvian Financial Reporting Standard for Microbusinesses is approved for pre-publication.
- Resolution N° 002-2023-EF/30 issued on July 05, 2023 Approving the Complete Set of International Financial Reporting Standards version 2023 including the Conceptual Framework for Financial Reporting.
- Resolution N° 001-2023-EF/30 issued on April 08, 2023. Approving the amendments to International Accounting Standard - IAS 1 Presentation of Financial Statements and International Financial Reporting Standard - IFRS 16 Leases.

As indicated in note 2.A, the standards and interpretations described in i) and ii) will only be applicable to the Bank in the absence of applicable SBS regulations for situations not included in the Accounting Manual. Management has not determined their effect on the preparation of its consolidated financial statements since those standards have not been adopted by the SBS.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

iv. IFRSs issued by the IASB for annual periods beginning on or after January 1, 2019

Clarifications to the application of IFRS 16 Leases

Likewise, through Official Letter 467-201 9-SBS, dated January 7, 2019, the SBS stated that IFRS 16 Leases shall not be applied to supervised entities until the corresponding provisions are established; therefore, supervised entities shall continue to be applying IAS 17 Leases.

IFRIC 23 Uncertainty over Income Tax Treatments

The Scotiabank Group has applied IFRIC 23 Uncertainty over Income Tax Treatments from January 1, 2019, assessing all income taxes for which there could be uncertainty about the accounting treatment. As a result of the assessment, the Bank determined that it is not required to recognize any provision for future events as of December 31, 2023 and 2022.

v. Major pronouncement issued by the SBS in 2023

- Resolution SBS 00053 – 2023, on January 6, 2023, approves the regulatory framework that set the guidelines and minimum requirements to address the main elements for model risk management such as the development, validation, implementation, use, monitoring and contracting of model vendors.
- Resolution SBS 00058 – 2023, on January 6, 2023; sets extending exceptional treatment for the postponement of assets foreclosed and recovered contained in Resolution SBS No 1535-2005, as amended, until December 31, 2023, for those companies that require it, without the need for a request for authorization or a Resolution from the SBS.
- Resolution SBS 00066 – 2023, on January 9, 2023, sets changes in the limits to the global position in foreign currency, contained in article 34 of Resolution SBS 4096-2017. Also, changes are introduced in Report 13 Control of Global and Individual Limits involving the global position.
- Resolution SBS 00467 – 2023, on February 10, 2023 sets forth the accounts to be used for reporting balances of transactions with related parties, separating balances with parent company, branches and subsidiaries, as well as provisions for pending items that exceed 30 days without having been resolved. This standard becomes effective in January 2024.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

- Resolution SBS 00468 – 2023, dated February 10, 2023, sets forth the modification of the Special Rules for the Implementation of Law No. 30607 to adapt them to the provisions of the Regulations for Subordinated Debt applicable to Financial System Companies, the Regulations for the Regulatory Capital (“patrimonio efectivo”) requirement for the Additional Risks and the Regulations for the Requirement for Capital Conservation Buffers by Economic Cycle and by Market Concentration Risk. In addition, Report 13 on Control of Global and Individual Limits includes those relating to investments in debt instruments issued by the U.S. Treasury, by another foreign government with a risk rating in the Risk I category, by a foreign government with a risk rating in the Risk II or Risk III categories and by a foreign government with a risk rating in the Risk IV category, or higher risk.
- Circular SBS B - 2264 – 2023, dated February 10, 2023, sets forth the limits on exposure to foreign government debt instruments in order to seek adequate diversification, taking into account their risk classification. It also adequately sets that the limit applicable to the holding of debt securities issued by the U.S. Treasury be higher than that of those issued by other foreign governments, so that the companies of the financial system cover their needs for High Quality Liquid Assets in foreign currency for purposes of calculating the Liquidity Coverage Ratio in foreign currency, taking into account the dollarization of the liabilities of the country's financial system.
- Resolution SBS 00478 – 2023, dated February 13, 2023, sets forth the modification of the Rules for the coverage, resources and payment of covered deposits of the Deposit Insurance Fund approved under SBS Resolution No. 657-99, as amended.
- Resolution SBS 00511 – 2023, dated February 15, 2023, approves the procedure for the prior control of business concentration transactions involving companies of the financial system that take deposits from the public or insurance companies, whether they participate as acquirers or transferors in such transactions, for which the SBS has not contemplated any specific authorization procedure.
- Resolution SBS 01828-2023, dated May 26, 2023, introduces amendments related to the coverage of the rescheduling of the Reactiva Program loans under Emergency Decree 026-2022. It also introduces changes in the accounting manual related to the control accounts implemented for the Reactiva Program.

Changes are also made to the methodological notes of Annex 5B and the new items mentioned above are included in the RCD.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

- Resolution SBS No. 03594-2023, dated October 31, 2023, introduces changes in the accounting manual mainly relating to the control account implemented to report the government-secured loans given to guarantee repo transactions with the BCRP. Additionally, a control account is included for reporting of those loans given under Impulso MYPERU program and reporting these accounts in the RCD.
- Resolution SBS No. 03421-2023, dated October 16, 2023, sets forth that whenever using models categorized in the supervision of different levels to the highest risks, certain functions may be assumed by other risk committees that do not have directors among their members; however, the resolutions adopted must be reported to the Risk Committee on a quarterly basis.
- Resolution SBS No. 03240-2023; dated October 2, 2023, introduces amendments to the Market Conduct Management Regulations of the Financial System, as well as the Financial System Commissions and Expenses Regulations. Also, the Credit and Debit Card Regulations are amended.
- Resolution SBS No. 03795-2023; dated November 15, 2023, introduces amendments to Report 36 "A" called Detail of application of interest rates for non-revolving transactions of consumer, microenterprise and small business loans.
- Resolution SBS No. 04221-2023, dated December 20, 2023, introduces amendments to the Liquidity Risk Management Regulations and to the Accounting Manual involving the inclusion of the Net Stable Funding Ratio (NSFR) as part of the regulatory requirements set in the Liquidity Risk Management Regulations, in order to promote better liquidity risk management of companies, and to continue adapting the regulatory framework to the Basel III standard, as well as including Exhibit No.16 "C" Net Stable Funding Ratio.

Also, the Resolution specifies that, within the short-term liabilities that are part of the calculations of the liquidity ratios and the adjusted liquidity ratios, the balance of unrestricted employee' severance indemnity (CTS in Peru) deposits should be considered. In this regard, it was necessary to modify the methodological notes of Exhibit No. 15 "A" Treasury report and daily liquidity position and Exhibit No. 15 "C" "Monthly liquidity position".

- Resolution SBS No. 04210-2023, dated December 20, 2023, introduces amendments related to the ISIC (International Standard Industrial Classification), involving changes needed to be made to the methodological notes for Exhibit 3 Stock and credit flow by type of credit and economic sector, and Report No. "4B2" "Cash Equity Requirement by Concentration Risk by Economic Sector". Finally, Exhibit No. 22 "Financial Lease Agreements by Type of Asset" is removed.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- Resolution SBS No. 04312-2023, dated December 28, 2023; introduces an extension in the exceptional treatment relating to the holding of foreclosed and repossessed assets until December 31, 2024, for those companies that so require, without the need for an authorization request or an express resolution from the SBS.

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 December 31, 2023 and 2022, the exchange rate was US\$ 1 = S/ 3.709 and US\$ 1 = S/ 3.814, 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 December 31, 2023, buy and sell exchange rates used were US\$ 1 = S/ 3.705 and US\$ 1 = S/ 3.713, respectively (US\$ 1 = S/ 3.808 and US\$ 1 = S/ 3.820, respectively as of December 31, 2022).

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

In thousands of	2023			2022		
	U.S. dollars	Other currencies	Total	U.S. dollars	Other currencies	Total
Assets						
Cash and due from banks	2,592,774	23,822	2,616,596	2,401,056	22,030	2,423,086
Interbank funds	20,009	-	20,009	1,000	-	1,000
Investments at fair value through profit or loss and available-for-sale investments	82,994	-	82,994	15,924	-	15,924
Loan portfolio, net	3,367,645	-	3,367,645	3,698,229	-	3,698,229
Held-for-trading and hedging instruments	21,372	-	21,372	31,245	-	31,245
Accounts receivable, net	7,079	-	7,079	16,837	-	16,837
Other assets, net	10,841	3,600	14,441	18,349	2,588	20,937
	6,102,714	27,422	6,130,136	6,182,640	24,618	6,207,258
Liabilities						
Deposits and obligations and other obligations	4,558,614	43,206	4,601,820	4,751,685	48,278	4,799,963
Borrowings and debts	2,608,946	-	2,608,946	3,244,328	-	3,244,328
Held-for-trading and hedging instruments	19,038	-	19,038	28,641	-	28,641
Other liabilities	76,346	3,275	79,621	78,071	5,404	83,475
	7,262,944	46,481	7,309,425	8,102,725	53,682	8,156,407
Net liability position in the consolidated statement of financial position	(1,160,230)	(19,059)	(1,179,289)	(1,920,085)	(29,064)	(1,949,149)
Derivative transactions	1,949,231	18,632	1,967,863	1,924,732	29,418	1,954,150

In 2023, the Scotiabank Group recorded net exchange gains on various transactions for S/ 329,380 thousand (net exchange losses for S/ 650,113 thousand as of December 31, 2022) in 'income from financial transactions' in the consolidated statement of profit or loss (note 24).

As of December 31, 2023, the Scotiabank Group has contingent foreign currency transactions for S/ 49,683,483 thousand equivalent to US\$ 13,395,385 thousand (S/ 60,427,013 thousand equivalent to US\$ 15,843,475 thousand as of December 31, 2022).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

6. Cash and Due from Banks

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Cash (a)	1,363,571	1,458,549
Peruvian central bank (a)	8,574,682	8,714,741
Local banks and other financial institutions (b)	75,826	60,049
Foreign banks and other financial institutions (b)	761,264	161,270
Clearing	47,425	46,243
Restricted cash and due from banks (c)	313,158	166,431
Other cash and due from banks	14	93
	11,135,940	10,607,376

- (a) As of December 31, 2023, funds held in cash and deposits with the Peruvian central bank (BCRP) include US\$ 1,373,236 thousand and S/ 1,026,200 thousand (US\$ 2,149,141 thousand and S/ 1,017,207 thousand as of December 31, 2022), 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 December 31, 2023, the excess of minimum reserve requirements in foreign currency accrued interest at an effective annual rate of 4.86% and generated accrued interest of US\$ 5,410 thousand (as of December 31, 2022, the Scotiabank Group accrue interest on the excess of minimum legal reserve requirements in foreign currency at an annual effective rate of 3.79% and generated accrued interest of US\$ 4,345).

As of December 31, 2023, the Scotiabank Group includes S/ 15,000 thousand and US\$ 1,009,700 thousand corresponding to overnight operations in the BCRP, which accrued interest at a rate of 4.00% and 5.33%, respectively (S/ 8,000 thousand and US\$ 190,300 thousand that accrue interest at a 5.25% and 4.39% rate, respectively at December 31, 2022).

- (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 December 31, 2023, deposits with foreign banks comprise deposits held at the Bank of Nova Scotia for CAN\$ 1,134 thousand (CAN\$ 72 thousand as of December 31, 2022).

As of December 31, 2023 and 2022, the Scotiabank Group concentrates 86% and 80% of its deposits in five and three foreign financial institutions, respectively.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- (c) At December 31, 2023 the restricted cash balance mainly consists of: i) No reserve funding held to meet foreign exchange repo transactions with the BCRP (US\$ 23,358 thousand at December 31, 2022) (note 17.a), ii) funding held in specific resource account with the BCRP for the regular processing of immediate transfers under Circular N° 0030-2020-BCRP of US\$ 12,923 thousand and S/ 255,358 thousand (US\$ 2,700 thousand and S/ 60,488 thousand at December 31, 2022), iii) funding held to secure court actions brought against the Bank for S/ 45 thousand (S/ 54 thousand at December 31, 2022); and iv) other restrictions for US\$ 1,119 thousand and S/ 5,671 thousand (US\$ 1,099 thousand and S/ 2,313 thousand at December 31, 2022).

During the course of 2023 and 2022, cash inflows obtained from interest on cash totaled S/ 300,372 thousand and S/ 133,817, thousand, respectively, and are stated within the interest income balance in the statement of income (note 21).

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

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Investments at FVTPL		
Peruvian treasury bonds (a)	528,407	157,473
Corporate bonds (c)	25,629	-
Interests in mutual funds (e)	5,499	6,965
US Treasury Bonds (d)	-	58,664
BCRP certificates of deposit (b)	355,294	-
	914,829	223,102
Available-for-sale investments		
BCRP certificates of deposit (b)	205,698	565,726
Peruvian treasury bonds (a)	4,557,730	4,165,156
Corporate bonds (c)	102,515	100,949
Unlisted securities (f)	4,146	3,519
Listed securities	640	640
	4,870,729	4,835,990
Total investments at FVTPL and available-for-sale investments	5,785,558	5,059,092

- (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 December 31, 2023, these bonds accrue interest at annual rates ranging from 1.79% to 8.13% (from 1.78% to 8.32 as of December 31, 2022) with maturities between August 2024 and August 2037 (between August 2024 and February 2055 as of December 31, 2022).

Likewise, as of December 31, 2023 and 2022, the Scotiabank Group has Peruvian treasury bonds for S/ 1,260,703 thousand and S/ 875,794 thousand granted in repurchase agreements (note 17 (a)(v)).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- (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 December 31, 2023, these certificates accrue interest based on the BCRP reference rate ranging from 5.64% to 7.20% annually (from 2.38% to 7.30% annually as of December 31, 2022) with maturities between January 2024 and February 2024 (between January 2023 and May 2023 as of December 31, 2022).

Likewise, as of December 31, 2023, the Bank does not maintain holds negotiable certificates of deposits issued by the BCRP granted under repo agreements (S/ 257,885 thousand at December 31, 2022) (note 17(a)(iv)).

- (c) The balance corresponds to corporate bonds issued in local currency by the MiVivienda Fund. As of December 31, 2023, these bonds accrue interest at an annual rate of 6.39% and 8.20% and mature in February 2024 (6.39% and mature in February 2024 as of December 31, 2022).
- (d) As of December 31, 2023, the Scotiabank Group does not maintain holds U.S. treasury bond (at December 31, 2022, that type of bonds bore interest at an interest rate of 4.6% and with maturity in August 2042).
- (e) As of December 31, 2023, the Scotiabank Group holds interests in mutual funds in local and foreign currency for S/ 4,794 thousand and US\$ 190 thousand, respectively (S/ 6,315 thousand and US\$ 170 thousand as of December 31, 2022).
- (f) As of December 31, 2023 and 2022, it includes S/ 213 thousand and S/ 127 thousand, respectively, corresponding to shares held by CrediScotia in Pagos Digitales Peruanos S.A., equivalent to 2.07% of share capital. The investment is measured at cost. As of December 31, 2023 and 2022, CrediScotia recognized a provision for impairment loss on this investment. Accordingly, it recognized an impairment loss for S/ 85 thousand and S/ 436 thousand, respectively, to measure it at fair value on that date.

As of December 31, 2023 and 2022, the accrued interest on investments managed by the Scotiabank Group amounted to S/ 295,996 thousand and S/ 209,980 thousand, respectively. It is recorded as 'interest income' in the consolidated statement of profit or loss (note 21).

As of December 31, 2023 and 2022, the Scotiabank Group generated net gains on sale of available-for-sale investments for S/ 59,463 thousand and S/ 30,351 thousand, respectively (note 24).

As indicated in note 18.F, as of December 31, 2023, the Scotiabank Group generated unrealized net gains on measurement of available-for-sale investments for S/ 315,543 thousand (unrealized net losses for S/ 94,350 thousand as of December 31, 2022).

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

<i>In thousands of soles</i>	2023	2022
Up to 3 months	5,212,746	4,698,862
From 3 to 12 months	205,698	290,442
More than 1 year	367,114	69,788
	5,785,558	5,059,092

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

8. Loan Portfolio, Net

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	2023		2022	
Direct loans (a)					
Current loans					
Loans		33,455,997	61%	38,379,927	65%
Mortgage loans		10,617,531	19%	10,249,250	17%
Credit cards		2,137,052	5%	1,890,890	3%
Finance lease		2,527,572	4%	2,549,475	4%
Factoring		1,265,599	2%	1,622,895	3%
Discounts		722,617	1%	854,268	1%
Overdrafts and advances in checking accounts		83,136	-	33,566	-
Refinanced loans		1,886,173	3%	1,816,526	3%
Past-due loans		1,120,793	2%	1,069,405	2%
Lawsuit loans		1,438,588	3%	1,399,885	2%
		55,255,058	100%	59,866,087	100%
Plus (less)					
Accrued interest on current loans		389,032	-	371,965	-
Deferred interest		(29,636)	-	(28,767)	-
Provision for loan losses (b)		(4,109,518)	-	(3,854,612)	-
		51,504,936	-	56,354,673	-
Contingent loans	20	12,618,051	-	12,008,695	-

As of December 31, 2023 and 2022, 51 % of the loan portfolio (direct and indirect loans) was concentrated in 641 and 685 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 the Financiera participated in the Reactiva Peru program I and II, placing government guaranteed loans. As of December 31, the types of loans under this program are the following:

<i>In thousands of soles</i>	2023		2022	
	Balance	Guaranteed (%)	Balance	Guaranteed (%)
Type of loan				
Corporate loans	4,782	80%	25,551	80%
Large-business loans	72,642	86%	459,477	87%
Medium-business loans	271,838	94%	987,276	96%
Micro-business loans	984	98%	10,671	97%
Small-business loans	41,309	97%	259,528	98%
Loans from Reactiva Peru program	391,555	91%	1,742,503	92%

The payment obligations to the BCRP related to this program are presented in 'accounts payable.' As of December 31, 2023 and 2022, they amounted to S/ 356,688 thousand and S/ 2,030,503 thousand (note 1 7(a)(i)), respectively.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Likewise, as of December 31, 2023 and 2022, CrediScotia participated in the FAE-MYPE I, II and III, placing government guaranteed loans, as follows:

<i>In thousands of soles</i>	2023							
	FAE-MYPE I Guaranteed (%)		FAE-MYPE II Guaranteed (%)		FAE-MYPE III Guaranteed (%)		Total average guaranteed (%)	
Medium size-business loans	-	-	-	-	-	-	-	-
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%

<i>In thousands of soles</i>	2022							
	FAE-MYPE I Guaranteed (%)		FAE-MYPE II Guaranteed (%)		FAE-MYPE III Guaranteed (%)		Total average guaranteed (%)	
Medium-business loans	18	70%	-	-	-	-	18	70%
Micro-business loans	133	69%	1,056	98%	755	98%	1,944	88%
Small-business loans	622	69%	973	98%	977	98%	2,572	88%
FAE-MYPE	773	69%	2,029	98%	1,732	98%	4,534	82%

Balances payable to COFIDE related to the FAE I, II and III programs at December 31, 2023 and 2022, 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 December 31, effective interest rates on main assets were the following:

%	2023		2022	
	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	5.85 – 35.40	3.00 – 14.04	4.30 – 48.90	2.65 – 20.26
Consumer loans	12.89 – 68.76	6.55 – 42.83	12.32 – 67.97	6.45 – 39.06

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

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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

<i>In thousands of soles</i>	2023				2022			
	Number of debtors	Direct	Indirect	Total	Number of debtors	Direct	Indirect	Total
Risk rating								
Standard	1,100,710	47,948,223	11,237,723	59,185,946	1,198,293	53,219,225	10,716,542	63,935,766
Potential problems	44,531	2,511,712	1,118,951	3,630,663	43,144	2,145,443	1,011,213	3,156,656
Substandard	45,694	1,034,697	68,268	1,102,965	41,092	905,425	92,900	998,325
Doubtful	96,856	1,429,948	143,549	1,573,497	84,619	1,274,341	85,825	1,360,166
Loss	93,753	2,330,478	49,560	2,380,038	41,091	2,321,653	102,215	2,423,868
	1,381,544	55,255,058	12,618,051	67,873,109	1,408,239	59,866,087	12,008,695	71,874,781

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

<i>In thousands of soles</i>	Specific	Generic	Total
Balance as of January 1, 2022	2,730,148	1,160,304	3,890,452
Additions charged to profit or loss	1,962,845	415,096	2,377,941
Recovery of provisions	(1,209,210)	(291,349)	(1,500,559)
Transfer of provisions and others	3,769	(3,339)	430
Write-off and forgiveness	(873,177)	(4)	(873,181)
Exchange difference	(34,806)	(5,665)	(40,471)
Balance as of December 31, 2022	2,579,569	1,275,043	3,854,612
Additions charged to profit or loss	2,554,312	288,601	2,842,913
Recovery of provisions	(1,003,349)	(337,788)	(1,341,137)
Transfer of provisions and others	1,737	(1,316)	421
Write-off and forgiveness	(1,196,604)	(24,000)	(1,220,604)
Exchange difference	(22,876)	(3,811)	(26,687)
Balance as of December 31, 2023	2,912,789	1,196,729	4,109,518

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

<i>In thousands of soles</i>	2023	2022
Provision for loan losses	(2,842,913)	(2,377,941)
Recovery of provisions	1,341,137	1,500,559
Income from recovery of loan portfolio	105,094	148,324
Provision for loan losses, net of recoveries	(1,396,682)	(729,058)

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 December 31, 2023, the voluntary provisions of the Bank, CrediScotia and CRAC amount to S/ 547,222 thousand, S/ 60,298 thousand and S/ 10,200 thousand, respectively (S/ 561,153 thousand, S/ 103,680 thousand and S/ 10,200, respectively, as of December 31, 2022).

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

As of December 31, 2023 and 2022, the distribution of the provision for impairment loss on accounts receivable by type of loan is as follows:

<i>In thousands of soles</i>	2023				2022			
	General	Specific	Voluntary	Total	General	Specific	Voluntary	Total
Type of loan								
Corporate loans	112,040	187,764	32,682	332,486	126,369	294,964	56,804	478,137
Large-business loans	47,840	158,893	146,656	353,389	54,283	126,596	120,656	301,535
Medium- business loans	64,475	902,241	142,549	1,109,265	69,280	809,834	137,549	1,016,663
Small-business loans	16,955	286,015	38,784	341,754	16,602	265,035	34,646	316,283
Micro-business loans	1,244	5,285	41,476	48,005	717	7,346	62,888	70,951
Consumer loans	123,386	1,006,998	171,764	1,302,148	121,680	753,009	219,262	1,093,951
Mortgage loans	81,619	482,560	43,809	607,988	79,621	442,062	43,228	564,911
Total	447,559	3,029,756	617,720	4,095,035	468,552	2,698,846	675,033	3,842,431

As indicated in note 4.E, from November 2014, the procyclical component for the calculation of the provision was deactivated. As of December 31, 2023 and 2022, the Scotiabank Group did not apply the procyclical component to record specific provisions. As of December 31, 2023, the Bank and CrediScotia have a balance of S/ 45,377 thousand (S/ 46,369 thousand as of December 31, 2022).

As of December 31, 2023, the Scotiabank Group's provision for exchange rate risk amounts to S/ 12,944 thousand and other provisions amount to S/ 1,539 thousand (S/ 10,583 thousand and S/ 1,598 thousand as of December 31, 2022).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

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

<i>In thousands of soles</i>	2023			2022		
	Gross	Individual	Total	Gross	Individual	Total
Type of loan						
Large-business loans	-	2,308	2,308	-	28,724	28,724
Medium-business loans	2,560	46,745	49,305	5,352	98,098	103,450
Small-business loans	5,497	16,326	21,823	10,823	37,225	48,048
Micro-business loans	195	52	247	527	193	720
Consumer loans	14,178	100,029	114,207	32,569	209,875	242,444
Mortgage loans	50,308	446,571	496,879	75,809	595,544	671,353
	72,738	612,031	684,769	125,080	969,659	1,094,739

Likewise, the Bank, CrediScotia and CRAC recognized provisions for rescheduled loans for S/ 5,638 thousand, S/ 188 thousand and S/ 12 thousand, respectively (S/ 12,992 thousand, S/ 587 thousand and S/ 185 thousand, respectively as of December 31, 2022).

- (e) As of December 31, maturities of direct loans are as follows:

<i>In thousands of soles</i>	2023			2022		
	Currency	Currency	Total	Currency	Currency	Total
	Local	Foreign		Local	Foreign	
Up to 1 month	2,271,347	2,369,773	4,641,120	2,284,338	2,699,926	4,984,264
1-3 months	3,386,345	3,259,620	6,645,965	4,302,442	3,086,281	7,388,723
3-6 months	3,885,780	2,181,153	6,066,933	4,730,603	2,395,198	7,125,801
6-12 months	4,871,944	1,703,223	6,575,167	4,629,796	1,720,200	6,349,996
More than 1 year	26,047,066	3,108,458	29,155,524	27,695,197	4,233,679	31,928,876
Past-due loans and lawsuit loans	1,878,548	680,833	2,559,381	1,559,531	909,755	2,469,286
Less: Accrued interest	(267,539)	(121,493)	(389,032)	(284,672)	(96,187)	(380,859)
	42,073,491	13,181,567	55,255,058	44,917,235	14,948,852	59,866,087

9. Held-for-Trading and Hedging Instruments

The Bank has commitments to buy forward contracts ("forwards"), cross-currency (swaps – "CCS") and interest (rate swaps – "IRS"). As of December 31, 2023 and 2022, fair value of held-for-trading instruments and hedging instruments has generated accounts receivable and payable as follows:

<i>In thousands of soles</i>	2023		2022	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Held-for-trading instruments (a)				
Foreign-exchange forward contracts	287,856	215,146	223,409	90,776
Interest rate swaps	79,430	70,612	119,621	109,238
Cross-currency swaps	63,869	177,176	77,027	392,313
	431,155	462,934	420,057	592,327

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

<i>In thousands of soles</i>	2023		2022	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Hedging instruments (b)				
Interest rate swaps	-	-	5,894	59,460
	-	-	5,894	59,460
Held-for-trading and hedging instruments	431,155	462,934	425,951	651,787

- (a) In 2023 and 2022, held-for-trading instruments generated a loss for S/ 116,637 thousand and for S/ 390,581 thousand, respectively (note 24).
- (b) As of December 31, 2023 and 2022, these derivatives resulted in interest expenses of S/ 41,226 thousand and S/ 67,215 thousand, respectively (note 22).

As of December 31, 2023 and 2022 these hedging derivatives resulted in unrealized net losses of S/ 2,116 thousand and S/ 228 thousand; respectively, recognized within other comprehensive income in the statement of changes in equity (note 18.F).

10. Accounts Receivable, Net

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Financial instruments		
Sale of investments (a)	906,880	46,493
Commissions receivable	15,309	13,495
Payments on behalf of third parties, net	17,233	11,230
Collection services	268	854
Sale of goods and services, trust, net	12,033	10,267
Advances to personnel	2,833	5,598
Accounts receivable from third parties	117	321
Other accounts receivable, net (b)	149,288	201,782
	1,103,961	290,040
Non-financial instruments		
Tax claims (c)	293,393	663,973
	1,397,354	954,013

- (a) As of December 31, 2023 and 2022, 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/ 680,593 thousand and S/ 26,183 thousand, respectively; ii) short sale of sovereign bonds for S/ 226,287 thousand and S/ 20,310 thousand, respectively.
- (b) As of December 31, 2023, other receivables net of their respective allowance for doubtful accounts include mainly: i) unsettled transactions with debit and credit cards for S/ 72,559 thousand (S/ 65,645 thousand as of December 31, 2022); ii) finance leases for S/ 10,053 thousand (S/ 55,286 thousand as of December 31, 2022); iii) refund of travel expenses for S/ 3,329 thousand (S/ 2,129 thousand as of December 31, 2022); and iv) other accounts receivable for S/ 63,347 thousand (S/ 78,722 thousand as of December 31, 2022).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- (c) As of December 31, 2023 and 2022, 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 December 31, 2023 and 2022, 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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. At December 31, 2023 the Scotiabank Group recognized that interest balance within of Other income and expenses in the consolidated statement of profit or loss (note 26).

At December 31, 2022, the 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) the Scotiabank Group has recognized such interest under the caption Other income and expenses in the consolidated statement of profit or loss (note 26).

11. Goodwill

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
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.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

- (b) In May 2022, the Bank entered into an agreement with Grupo Unicomer Corp. for the transfer of 100% of the shares representing the capital stock of CrediScotia Financiera S.A. Dated September 6, 2023 both parties ended the agreement.

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 December 31, 2023 and 2022, except as indicated in paragraph b).

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

12. Property, Furniture and Equipment, Net

This caption comprises the following:

<i>In thousands of soles</i>	Land	Property and premises	Furniture, fixture and IT equipment	Vehicles	Goods in-transit and work-in-progress	2023	2022
Cost							
Balance as of January 1	128,369	772,461	433,186	18,518	843	1,353,377	1,380,513
Additions	-	24	18,039	(14,991)	47,237	50,309	27,167
Sales	(31)	(4,738)	(2,737)	(462)	-	(7,968)	(16,111)
Transfers	-	5,428	5,241	-	(10,669)	-	1,731
Disposals and others	(102)	(6,696)	(10,541)	(66)	(143)	(17,548)	(39,923)
Balance as of December 31	128,236	766,479	443,188	2,999	37,268	1,378,170	1,353,377
Accumulated depreciation							
Balance as of January 1	-	656,591	384,243	2,910	-	1,043,744	1,067,526
Additions	-	17,583	19,690	185	-	37,458	29,131
Sales	-	(4,112)	(3,394)	(462)	-	(7,968)	(14,364)
Disposals and others	-	(5,619)	(8,544)	(57)	-	(14,220)	(38,549)
Balance as of December 31	-	664,443	391,995	2,576	-	1,059,014	1,043,744
Net carrying amount	128,236	102,036	51,193	423	37,268	319,156	309,633

- (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.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

13. Intangible Assets, Net

This caption comprises the following:

<i>In thousands of soles</i>	Software and others	Work-in-progress	Goodwill	Other intangible assets	Exclusive agreement (a)	Cencosud brand name	2023	2022
Cost								
Balance as of January 1	496,544	44,075	6,653	24,717	326,302	4,148	902,439	832,227
Additions	1,344	83,802	-	-	-	-	85,146	78,408
Transfers	71,393	(71,393)	-	-	-	-	-	(1,731)
Disposals and others	(1,031)	(8,924)	-	-	(326,302)	(4,148)	(340,405)	(6,465)
Balance as of December 31	568,250	47,560	6,653	24,717	-	-	647,180	902,439
Accumulated amortization								
Balance as of January 1	413,178	-	2,663	24,081	83,387	1,061	524,370	466,076
Additions	41,355	-	166	1,628	18,128	230	61,507	65,803
Disposals and others	-	-	-	(7,691)	(101,515)	(1,291)	(110,497)	(7,509)
Balance as of December 31	454,533	-	2,829	18,018	-	-	475,380	524,370
Net carrying amount	113,717	47,560	3,824	6,699	-	-	171,800	378,069

- (a) 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.
- (b) 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

14. Other Assets, Net

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Financial instruments		
Transactions in progress (a)	144,207	113,499
	144,207	113,499
Non-financial instruments		
Prepaid expenses (b)	150,166	148,919
Realizable and repossessed assets, net of accumulated depreciation and provision for impairment loss for S/ 230,718 thousand (S/ 236,088 thousand in 2022)	38,509	47,753
Tax credit	276,646	177,698
Others	9,376	7,993
	474,697	382,363
	618,904	495,862

- (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 December 31, 2023, it includes treasury transactions for S/ 86,263 thousand (S/ 53,461 thousand as of December 31, 2022), transactions to be settled with Cámara de Compensación Electrónica for S/ 37,539 thousand (S/ 49,356 thousand as of December 31, 2022), and invoices-in-transit for S/ 6,002 thousand (S/ 6,613 thousand as of December 31, 2022).
- (b) As of December 31, 2023, prepaid expenses mainly include: i) deferred loan origination costs related to fees paid to the external sales force for S/ 121,262 thousand (S/ 127,395 thousand as of December 31, 2022); ii) prepaid fees for loans received for S/ 5,145 thousand (S/ 4,967 thousand at December 31, 2022); iii) prepaid leases for S/ 3,024 thousand (S/ 2,912 thousand at December 31, 2022); and iv) advertising and marketing services (S/ 986 thousand at December 31, 2022), among others.

15. Deposits and Obligations with Financial Institutions

This caption comprises the following:

<i>In thousands of soles</i>	2023		2022	
Corporate clients	17,671,603	39%	19,163,362	43%
Individuals	20,276,239	46%	19,452,426	44%
Non-profit entities	3,943,923	9%	4,028,164	9%
Others	2,899,033	6%	1,712,045	4%
	44,790,798	100%	44,355,997	100%

As of December 31, 2023 and 2022, deposits and other obligations in U.S. dollars represent 38 % and 41% of total amount, respectively. As of December 31, 2023, deposits include accounts pledged in favor of the Bank and CrediScotia for credit transactions for S/ 268,562 thousand and US\$ 141,856 thousand (S/ 350,230 thousand and US\$ 171,309 thousand as of December 31, 2022).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

As of December 31, 2023 and 2022, total deposits and obligations from individuals and non-profit entities amount to S/ 14,750,632 thousand and S/ 14,820,065 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 December 31, 2023 and 2022, the maximum amount secured for each individual amounted to S/ 124 thousand and S/ 126 thousand, respectively. The SBS, exceptionally, postponed the transfer of deposits, with an aging of more than 10 years corresponding to the six-month period from January to June 2020, to the Peruvian Deposit Insurance Fund. Consequently, depositors can use their deposits with an aging of more than 10 years during this period.

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

%	2023		2022	
	Local currency	Foreign currency	Local currency	Foreign currency
Savings deposits	0.98 - 2.51	0.10 - 0.37	0.72 - 1.85	0.11- 0.16
Time deposits	6.54 - 8.69	0.03 - 4.62	3.71 - 6.31	0.13 - 1.64
Bank certificates	-	0.07 - 1.99	-	0.09 - 0.26
Length-of-service compensation deposits	2.83 - 5.68	0.86 - 1.11	2.28 - 4.67	0.6 - 0.86

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

	2023			2022		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
<i>In thousands of soles</i>						
Up to 1 month	3,543,984	1,609,817	5,153,801	2,009,721	1,935,163	3,944,884
1-3 months	2,383,142	1,718,621	4,101,763	2,037,057	650,593	2,687,650
3-6 months	1,519,296	882,212	2,401,508	1,764,828	518,929	2,283,757
6-12 months	1,606,455	1,160,929	2,767,384	2,054,250	862,628	2,916,878
More than 1 year	904,872	268,942	1,173,814	1,059,658	473,056	1,532,714
	9,957,749	5,640,521	15,598,270	8,925,514	4,440,368	13,365,883
Interest	257,987	66,922	324,909	116,458	12,751	129,208
	10,215,736	5,707,443	15,923,179	9,041,972	4,453,119	13,495,091

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

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

16. Borrowings and Debts

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Borrowings and debts		
Obligations in the country		
COFIDE (a)	951,199	948,878
Other banks	20,000	15,000
Ordinary loans from abroad		
Related banks (b)	5,674,770	7,628,200
Other banks (c)	4,023,935	3,189,701
	10,669,904	11,781,779
Interest payable (b)	60,046	66,340
	10,729,950	11,848,119
Securities and obligations (d)	744,977	2,209,199
	11,474,927	14,057,318

- (a) The credit lines of COFIDE in the Bank and the Financiera 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 December 31, 2023 and 2022, the Bank and the Financiera hold obligations with COFIDE for S/ 754,306 thousand and S/ 617,025 thousand, respectively, which are guaranteed by a mortgage loan portfolio, as follows:

<i>In thousands of</i>	Currency	2023		2022	
		Net loans	Backed debt	Net loans	Backed debt
Detail					
Mortgage loans –					
MiVivienda Fund (*)	Soles	787,618	747,774	645,692	604,873
Mortgage loans –					
MiVivienda Fund (*)	U.S. dollars	2,006	1,761	3,597	3,186

(*) 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 December 31, 2023 and 2022, the Bank entered into agreements to channel resources with COFIDE for S/ 196,893 thousand and S/ 328,950 thousand, respectively. Said resources will be used to fund corporate and medium-business loans.

At December 31, 2023, there are no balances payable to COFIDE related to the FAE I, FAE II and FAE III programs (S/ 34 thousands, S/ 1,431 thousands and S/ 1,439 thousand, respectively at December 31, 2022)

- (b) As of December 31, 2023, ordinary loans with related banks include debts payable to Scotiabank Ltd. Bahamas for US\$ 1,530,000 thousand, which accrue interest at annual rates ranging from 1.17% to 6.18% with maturities between January 2024 and June 2025 (US\$ 2,000,000 thousand as of December 31, 2022, which accrue interest at annual rates ranging from 0.59% to 4.86% with maturities between January 2023 and January 2024).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

These loans do not have collaterals nor compliance terms.

- (c) As of December 31, 2023, the Bank holds borrowings and debts with other foreign banks for US\$ 1,061,994 thousand (US\$ 823,204 thousand as of December 31, 2022), which accrue interest at annual rates ranging from 5.89% to 6.44% (1.75% to 5.38% as of December 31, 2022). As of December 31, 2023 and 2022, 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 December 31, maturities of borrowings from banks and other financial institutions were as follows:

<i>In thousands of soles</i>	2023	2022
Up to 1 month	2,734,064	1,390,126
1-3 months	1,240,722	4,745,618
3-6 months	278,311	2,022,707
6-12 months	146,418	2,584,002
More than 1 year	6,330,435	1,105,666
	10,729,950	11,848,119

- (d) As of December 31, securities and bonds are as follows:

<i>In thousands of soles</i>	Annual interest	Maturity	2023	2022
Issuance				
Redeemable subordinated bonds				
1st Issuance, single series (i)	4.50%	2027	-	1,525,600
1st Issuance A – 1st Program - SBP (ii)	7.34%	2025	535,560	535,560
1st Issuance A – 1st Program - CSF (iii)	7.41%	2027	130,000	130,000
			665,560	2,191,160
Negotiable certificates of deposit			70,006	2,560
			70,006	2,560
			735,566	2,193,720
Interest payable and obligations			9,411	15,479
			744,977	2,209,199

- i. In December 2012, the Bank issued subordinated bonds for US\$ 400,000 thousand, which under SBS Resolution 8093-2012, qualify as tier 2 capital. These bonds mature in December 2027 and accrue interest at an annual fixed rate of 4.500% during the first ten years; from the eleventh year, they accrue interest at a variable LIBOR rate of 3-month plus a spread of 3.856% to be paid each six months. After the eleventh year, all these bonds can be redeemed without penalties. This issuance was performed in the international market and contains certain standard clauses of compliance with financial ratios and other operating matters, which in management's opinion, do not affect the Bank's business and are being met.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- ii. SBS Resolution 2315-2015, dated April 24, 2015, authorized the issuance of the Scotiabank Peru's First Subordinated Bonds Program up to US\$ 400,000 thousand or the equivalent in soles. These bonds qualify as a tier 2 capital. In May 2015, the Bank issued 53,556 subordinated bonds in local currency with a par value of S/ 10,000 each and a 10-year term from the issuance date. These bonds accrue an annual interest rate of 7.34375% to be paid each semester. This issuance was private and held in the local market.
- iii. In July 2012, the 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.
- iv. At the Board meeting of the Financiera 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 December 21, 2023, by means of a public offering, the Financiera issued CDNs for up to S/ 68,180 thousand (Second Series A Issue), with maturity in December 2024 and bearing interest at an annual rate of 6.43750%.

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

As of December 31, the maturity of outstanding securities is as follows:

<i>In thousands of soles</i>	2023	2022
Up to 3 months	871	6,003
3-6 months	69,412	102
6-12 months	4,953	1,416
More than 1 year	669,741	2,201,678
	744,977	2,209,199

- (e) As of December 31, 2023 and 2022, interest expenses on borrowings and debts contracted by the Scotiabank Group totaled S/ 600,943 thousand and S/ 350,137 thousand, respectively (note 22).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

17. Provisions and Other Liabilities

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Accounts payable		
Repurchase agreements (a)	2,593,133	3,796,329
Other accounts payable	574,546	472,117
Short sale	201,708	31,731
Vacations, remunerations and profit sharing payable	24,115	23,678
	3,393,502	4,323,855
Provisions		
Provision for litigations and claims (b)	36,070	33,452
Provision for various contingencies (c)	2,702	648
Provision for indirect loan losses and country risk	150,565	174,683
Other provisions (d)	130,772	151,030
	320,109	359,813
Other liabilities		
Transactions in progress (e)	345,582	350,362
Deferred income (f)	167,394	89,125
	512,976	439,487
	4,226,587	5,123,155

- (a) As of December 31, 2023, 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/ 356,688 thousand (S/ 2,030,503 thousand as of December 31, 2022). 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 December 31, 2023 and 2022. 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) Repurchase agreements on currencies with the BCRP as of December 31, 2022 for S/ 89,000 thousand. They accrue interest at an interest rate of 0.08% with a maturity in January 2023.
 - (iv) Repurchase agreements with certificates of deposit with the BCRP as of December 31, 2022 for S/ 252,532 thousand. They accrue interest at an interest rate of 8.0% with a maturity in January 2023 (note 7(b)).
 - (v) Repurchase agreements on Peruvian treasury bonds with the BCRP for S/ 1,137,500 thousand. They accrue interest at an interest rate ranging from 7.00% to 7.50% with a maturity between March 2024 and December 2024 (S/ 829,251 thousand and accrue interest at an interest rate ranging from 0.50% to 8.98% with a maturity ranging from March 2023 to December 2023, as of December 31, 2022) (note 7(a)).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

- (b) As of December 31, 2023 and 2022, 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 December 31, 2023 and 2022, 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 December 31, 2023, the balance of other provisions mainly includes:
 - i) provisions for personnel expenses for S/ 92,365 thousand (S/ 116,690 thousand as of December 31, 2022); ii) provisions for marketing campaigns of liability products for S/ 4,734 thousand (S/ 5,817 thousand as of December 31, 2022); and iii) provisions related to credit and debit card transactions for S/ 27,462 thousand (S/ 25,232 thousand as of December 31, 2022).
- (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 December 31, 2023, liability transactions in progress mainly include: i) S/ 83,310 thousand for treasury transactions (S/ 108,449 thousand as of December 31, 2022); ii) S/ 178,857 thousand for credit card transactions (S/ 136,449 thousand as of December 31, 2022); and iii) S/ 38,682 thousand for client deposits in transit (S/ 44,375 thousand as of December 31, 2022).
- (f) As of December 31, 2023, it mainly includes income for (i) S/ 25,446 thousand for exclusive right fees (S/ 27,428 thousand as of December 31, 2022); (ii) S/ 30,187 thousand for indirect loan fees (S/ 27,129 thousand as of December 31, 2022); and S/ 9,959 thousand for structuring and trust service fees (S/ 17,055 thousand as of December 31, 2022), which are recorded in the Scotiabank Group's profit or loss during the term of the contract that originates them.
- (g) 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023, the regulatory capital of such entities totals S/ 10,831,700 thousand, S/ 836,845 thousand and S/ 111,343 thousand, respectively (S/ 10,353,517 thousand, S/ 780,801 thousand and S/ 170,131 thousand, respectively, at December 31, 2022).

The Bank has a favorable opinion from the SBS for issuing redeemable subordinated debt instruments, computable as level 2 regulatory capital, for up to US\$ 1,000,000,000.00 (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 December 31, 2023, 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/ 66,265,610 thousand, S/ 3,047,529 thousand and S/ 846,405 thousand, respectively (S/ 69,341,115 thousand, S/ 3,738,411 thousand and S/ 946,423 thousand, respectively, as of December 31, 2022).

As of December 31, 2023 and 2022, 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 December 31, 2023, the regulatory capital of the Bank, CrediScotia and CRAC represents 14.95%, 25.02% and 13.15% respectively, of the minimum capital requirements per market, operational and credit risk (13.97%, 19.29% and 14.78%, respectively, as of December 31, 2022).

SBS Resolution 2115-2009, approved the "Regulation on Regulatory Capital Requirement for Operational Risk." As of December 31, 2023 and 2022, the Bank and CrediScotia have applied the alternative standard method for the calculation of the regulatory capital requirement for operational risk. According to Official Letter 17024-2016-SBS and 17016-2016-SBS, the Bank and CrediScotia shall use the alternative standard method for the calculation of the regulatory capital requirement, which shall be equivalent to 50% of the difference between the requirements calculated using the basic indicator method and the alternative standard method.

SBS Resolution 1265-2020, issued March 26, 2020, extended the application period of the alternative standard method for the Bank and the 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023, additional regulatory capital of the Bank, the Financiera and CRAC amounted to S/ 1,848,306 thousands, S/ 54,345 thousand and S/ 16,513 thousand, respectively, and CrediScotia does not have an additional regulatory capital (S/ 1,094,075 thousand, S/ 61,534 thousand and S/ 43,367 thousand as of December 31, 2022, respectively).

B. Share capital

As of December 31, 2023, the Bank's authorized, subscribed and paid-in share capital comprise 822,677,853 common shares (802,677,853 common shares as of December 31, 2022). All shares have voting rights and a par value of S/ 10.00 each. As of December 31, 2023 and 2022, the quotation value of common shares of the Bank was S/ 11.95 and S/ 17.00 per share, respectively.

General Stockholders' Meeting, held March 29, 2023, approved the increase in share capital for S/ 200,000 thousand through 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 as of December 31, is as follows:

	2023		2022	
	Number of shareholders	%	Number of shareholders	%
From 0.01 to 1	1,244	0.69	1,267	0.69
From 50.01 to 100	1	99.31	1	99.31
	1,245	100.00	1,268	100.00

Under the Banking Law, as of December 31, 2023, the share capital is required to reach the minimum amount of S/ 33,949 thousand (S/ 34,026 thousand as of December 31, 2022), 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:

<i>In thousands of soles</i>	2023	2022
Issuance Premium	31,775	393,159
Gain on treasury shares	1,304	1,304
	33,079	394,463

As of December 31, 2023 and 2022, the Bank holds 277 treasury shares.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

General Shareholders' Meeting, held March 30, 2022, applied to legal reserve an amount of S/ 104,180 thousand, corresponding to 10% of net profit for the year 2021.

E. Retained earnings

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

- i Allocate 10% of net profit, amounting to S/ 142,552 thousand, to increase the legal reserve.
- ii Capitalize a total of S/ 200,000 thousand and hold the remaining balance of S/ 1,082,964 thousand within retained earnings

General Shareholders' Meeting, held March 30, 2022, approved the distribution of 2021 net profit for S/ 1,041,796 thousand, as follows:

- i Allocate S/ 937,616 thousand to pay cash dividends.
- ii Allocate 10% of net profit, amounting to S/ 104,180 thousand, to increase the legal reserve.

In relation to the application of net income from previous years, it was agreed as follows:

- i Allocate S/ 241,185 thousand to pay cash dividends, for the balance of the net profit for the fiscal year 2019.
- ii Allocate S/ 53,264 thousand to pay cash dividends, for the remainder of the net income for the year 2020.

F. Unrealized gains and losses

As of December 31, 2023 and 2022, 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Movement in the Scotiabank Group's unrealized gains and losses for the years 2023 and 2022, net of deferred tax, was as follows:

<i>In thousands of soles</i>	Note	2023	2022
Balance as of January 1		(269,860)	(175,756)
Net unrealized profit (loss) on available-for-sale investments	7	315,543	(94,350)
Cash flow hedges	9(b)	(2,116)	(228)
Net unrealized gain on associates		1,356	475
Balance as of December 31		44,923	(269,860)

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 December 31, contingent accounts comprise the following:

<i>In thousands of soles</i>	Note	2023	2022
Indirect loans	8		
Guarantees and letters of guarantee		11,766,995	10,945,169
Letters of credit issued		632,437	822,872
Outstanding banker's acceptance		218,619	240,654
		12,618,051	12,008,695
Unused credit lines		18,782,968	36,440,284
Derivative instruments		38,139,720	33,236,335
		69,540,739	81,685,314

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

21. Interest Income

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Direct loan portfolio		5,378,379	4,543,383
Cash and due from banks and deposits with banks	6	300,372	133,817
Available-for-sale investments	7	262,746	204,253
Investments at FVTPL	7	33,250	5,727
Interbank funds		12,707	4,365
Other finance income		1,063	2,033
		5,988,517	4,893,578

22. Interest Expenses

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Deposits and obligations		1,499,652	778,167
Borrowings and debts	16(e)	600,943	350,137
Repurchase agreements		139,362	143,245
Deposits with financial institutions		45,548	13,690
Profit or loss from hedging instruments	9(b)	41,226	67,215
Fees for borrowings and debts		17,292	19,837
Interbank funds		16,356	33,257
		2,360,379	1,405,548

23. Financial Service Income, Net

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Income		
Income from fees for collections services	342,620	342,415
Income from bank service commissions	109,261	100,270
Other income and fees for banking services	172,091	157,998
Income from services and maintenance of liability transactions and transfer fees	92,132	89,606
Income from compensation for mutual funds and fees for redemption of shares	47,861	60,618
Income from structuring and management services	59,522	60,968
Income from teleprocessing services	30,472	35,228
Income from recovery of loan portfolio	11,114	17,563
Income from fees and intermediation services	4,038	6,175
Other income	243,525	254,969
	1,112,636	1,125,810
Expenses		
Credit/debit card expenses	(186,498)	(165,531)
Deposit insurance fund premiums	(66,340)	(65,059)
Expenses for insurance services	(4,403)	(6,940)
Other expenses	(329,727)	(313,490)
	(586,968)	(551,020)
	525,668	574,790

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

24. Profit or Loss from Financial Transactions

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	2023	2022
Net exchange gain	5	329,380	650,113
Gain on sale of available-for-sale investments	7	59,463	30,351
Net gain (loss) on sale and measurement of investments at FVTPL		41,705	(6,678)
Gain on interests		9,975	16,929
Dividends from available-for-sale investments		29	5
Net loss on measurement of held-for- trading instruments	9(a)	(116,637)	(390,581)
Others, net (a)		20,857	224,870
		344,772	525,009

- (a) On April 13, 2022, the Bank closed the sale transaction of the shares it held in the company Procesos Medios de Pago S.A. (PMP), which represent 50% of the capital stock of said entity. The sale price established in the contract for the purchase/sale of the PMP shares amounted to US\$ 80,000 thousand dollars, the parties having agreed on a price adjustment clause for variation in the net equity value, which is resolved within 60 days after the sale date. Likewise, it should be noted that the book value of these shares amounts to thousands of S/ 88,900 soles as of March 31, 2022.

25. Administrative Expenses

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Personnel and board of directors expenses	879,089	862,999
Expenses for third-party services	837,090	778,600
Taxes and contributions	101,048	91,649
	1,817,227	1,733,248

26. Other Income, Net

This caption comprises the following:

<i>In thousands of soles</i>	2023	2022
Sale of non-financial services	10,726	39,596
Lease of own assets	3,040	1,554
Gain on sale of realizable and repossessed assets	22,988	14,860
Reimbursements and refunds	145	4,055
Gain on sale of property, furniture and equipment	7,652	5,271
Interest on refund of net interest (a)	33,562	208
Other expenses, net	(8,968)	(20,577)
	69,145	44,967

- a) In 2023, this item includes S/ 15,220 thousand and S/ 18,342 thousand of interest on tax refunds made by SUNAT to the Bank and Crediscotia (S/ 209 thousand in 2022) (note 10 (c) (iii)).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

Legal stability agreement

- B. 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 (10) years following its execution. Consequently, the 2021 income tax rate is 30%.

Income tax regime

- C. The Scotiabank Group is subject to the Peruvian tax regime. As of December 31, 2023 and 2022, 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 (10) years following its execution. Consequently, the 2021 income tax rate is 30%.

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

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

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

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

Income tax determination

- E. The Scotiabank Group computed its tax base for the years ended December 31, 2023 and 2022, and determined income tax for S/ 321,991 thousand and S/ 605,616 thousand, respectively.

The Scotiabank Group's current tax has been determined for fiscal years 2023 and 2022, net of prior years, as follows:

<i>In thousands of soles</i>	2023	2022
Scotiabank Perú S.A.A.	303,306	551,309
CrediScotia Financiera S.A.	3,765	31,175
Scotia Fondos Sociedad Administradora de Fondos S.A.	11,439	16,192
Servicios, Cobranzas e Inversiones S.A.C.	2,240	3,302
Caja Rural de Ahorro y Crédito Cencosud Scoti Perú S.A.	799	2,878
Scotia Sociedad Agente de Bolsa S.A.	-	366
Scotia Sociedad Titulizadora S.A.	442	394
	321,991	605,616

Income tax expense comprises the following:

<i>In thousands of soles</i>	2023	2022
Current tax		
Current year	319,245	599,312
Prior year adjustments	2,746	6,304
	321,991	605,616
Deferred tax	(99,559)	(34,908)
Net income tax expense	222,432	570,708

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

<i>In thousands of soles</i>	2023		2022	
Net profit before tax	1,001,944	100.00%	1,986,573	100.00%
Income tax (theoretical)	295,573	29.50%	586,039	29.50%
Tax effect on additions and deductions				
Permanent differences	(4,849)	(0.48%)	(5,177)	(0.26%)
Prior year income tax adjustment	(68,292)	(6.82%)	(10,154)	(0.51%)
Current and deferred tax recorded as per effective rate	222,432	22.20%	570,708	28.73%

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Tax Loss

- F. In accordance with Article 50 of the Income Tax Law, there are 2 systems to offset tax loss carryforward:

System A: Offsetting them year by year, until the amount is exhausted, against the third category net income obtained in the four fiscal years immediately following the fiscal year in which it was earned. The balance that is not offset once this period has elapsed may not be offset in subsequent years.

System B: Offsetting them year by year, until their amount is exhausted, against 50% of the third category (corporate) income obtained in the immediately following years.

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.

<i>In thousands of soles</i>	2023	2022
2020	10,633	18,085
2021	261,211	261,211
Accumulated balance	271,844	279,296

At December 31, 2023 and 2022, CrediScotia recognized deferred tax assets 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, 2023, the CRAC elected the System B and determined its tax loss carryforward for S/ 25,274 thousand. At December 31, 2023 the tax losses have not expired and show a balance of S/ 112,963 thousand.

<i>In thousands of soles</i>	Per year	Accumulated balance
2023	25,274	112,963
2022 – tax losses applied	(8,483)	87,689
2021	96,172	96,172

CRAC recognized the deferred income tax asset related to the tax loss carryforward that is considered to be recoverable against the taxable profits to be obtained in the following fiscal years, a total of S/ 33,324 thousand at December 31, 2023.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Temporary tax on net assets

- G. The Scotiabank Group is subject to Temporary Tax on Net Assets with a tax base comprising 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 fiscal 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 tax credit against Income Tax on-account payments for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the on-account payments, and against the income tax regularization payments for the related taxable period. In the event a remaining balance is not applied, a refund could be requested. In 2023, the Bank, CrediScotia, CRAC, SAB, SAFM, Titulizadora and SCI determined that the temporary tax on net assets amounted to 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, respectively (S/ 259,680 thousand, S/ 11,162 thousand, S/ 2,250 thousand, S/ 165 thousand, S/ 504 thousand, S/ 24 thousand and S/ 370 thousand in 2022).

Tax on financial transactions

- H. Tax on financial transactions for fiscal periods 2023 and 2022 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

- I. 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 U IT); and (iii) presentation of a Country-by-Country Reporting (if 2017 accrued, consolidated revenue of the multinational group's Parent Company exceeds S/ 2,700,000,000 or € 750,000,000). The presentation of the Master File and the Country-by-Country Reporting is mandatory for transactions corresponding to the year 2018 onwards.

According to Tax Authorities' Resolution 014-2018-SUNAT, published January 18, 2018, the Electronic Form 3560 was approved for presentation of the Local File, establishing the deadlines for its presentation and the content and format that must be included according to Annexes I, II, III and IV.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

In 2022, the Scotiabank Group presented the Local File, excluding the Tituladora and SAF, 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 will be June 2023, in accordance with the maturity schedule published by the Tax Authorities. The Bank, CrediScotia, CRAC, SAB and SCI presented the file for the year 2022.

The Master File for the year 2022 shall be presented in October 2023 according to the schedule of monthly tax obligations agreed for the tax period of September published by the Tax Authorities. The Bank, CrediScotia and CRAC presented the file for the year 2021.

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. Therefore, the Country-by-Country Report as of fiscal year 2019 is not delivered by the Scotiabank Peru Group.

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.

Tax Authorities' Resolution 163-2018-SUNAT, published on June 29, 2018, approved the Electronic Form 3561 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 shall be included therein.

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

Based on the business analysis, it is the opinion of management and its legal advisors that no significant contingencies will arise as of December 31, 2023 and 2022 from the application of such regulations.

Tax assessment by Tax Authorities

- J. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Scotiabank Group within the four years following the year of the tax return filing. The Scotiabank Group's income tax and sales tax returns for the years 2017 through 2021 are open for review by the Peruvian Tax Authorities. The year 2016 is subject to audit because the Bank filed a rectification in 2021.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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

<i>In thousands of soles</i>	Tax returns subject 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 an appeal which is pending resolution.

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, 2011 and 2020, issuing Tax Assessment and Fine Resolutions on the determination of income tax for such years. For the years 2008 to 2011, the values were challenged. In 2008 and 2009 had results before the Tax Authorities and are currently being sued and 2011 in the Tax Authorities. In 2020 the values were compensated and the claim will be filed at a later date.

With respect to CRAC, it should be noted that the 2017 fiscal year expired on December 31, 2022. Also, over December 2022 the Tax Administration completed the income tax audit process for fiscal 2019 and Management made the payment under protest of the resolutions of tax determination and tax penalties arising from such tax audit; however, Management has decided to take the Company's case to the next appeal level before the tax authorities because it considers that a favorable outcome is likely to be obtained. In 2023, the Tax Administration concluded the income tax audit process for fiscal 2020 issuing Tax Settlement and Tax Penalty Resolution that were paid under protest.

Regarding SCI, the fiscal year 2016 has been partially audited by the Tax Authorities, this case was resolved before the Tax Authorities and is currently before the Judiciary. For the fiscal year 2017 the Tax Authorities carried out a partial audit of Expenses, having culminated its review within the current fiscal year 2023, issuing Values, which are in the process of Claim.

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022.

Uncertainty over Income Tax Treatments

- K. 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 December 31, 2023 and 2022.

Sales tax regime

- L. As of December 31, 2023 and 2022, the sales tax is calculated on the basis of the taxable income determined by the Scotiabank Group monthly at a rate of 18%.

It should be added that commissions and interest derived from the transactions of banks, Financieras (credit unions), Cajas Municipales de Ahorro y Crédito, Cajas Municipales de Crédito Popular, Small entity and Micro business development entities – EDPYME (the Spanish acronym), Cooperativas de Ahorro y Crédito y Cajas Rurales de Ahorro y Crédito are not subject to the Peruvian General Sales Tax.

Income tax exemptions and exceptions

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

Emergency Decree No. 005-2019 extended the term of the exemption of Law No. 30341 until December 31, 2022 and included as new exempted cases: 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.

Through Law 31662, published on December 30, 2022, as of January 2023, domiciled legal entities and non-domiciled legal entities that were included until 2022 will no longer be exempted from the exemption of Law 30341, since from January 2023 until December 31, 2023 the exemption is applicable to individuals and undivided estates or marital partnerships that opted to be taxed as such and up to the first 100 Tax Units of the capital gain generated in each taxable year.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Likewise, Law 31106 extends until December 31, 2023 the exemptions contained in Article 19 of the Income Tax Law.

Major changes in tax laws and regulations effective from 2019

N. Legal definition of accrual

Legislative Decree No. 1425 introduced the definition of legal accrual for income tax purposes stating that income that is obtained from: a) transfer of goods occurs when: i) change of control occurs (under IFRS 15); or ii) the transfer of risk to the acquirer occurs (Risk Theory under the Peruvian Civil Code), whichever occurs first; and b) in the case of service rendering, the degree of completion of the agreed service has been determined.

The legal definition of accrual is applicable to lessees for purposes of determining the tax treatment of the expenses associated with leases under IFRS 16 (i.e. operating leases for tax purposes).

This shall not be applicable to those entities that accrue their income or expenses for income tax purposes under tax regulations that set a special (sector-specific) accrual regime.

O. Deductible expenses or costs incurred in transactions with non-domiciled parties

Legislative Decree No. 1369 requires that costs and/or expenses (including outbound interest) incurred with non-domiciled counterparties should have been effectively paid in order to be deductible in the year in which they were incurred. Otherwise, their impact on the determination of taxable profits will be deferred to the year in which they are effectively paid, at which time the related withholding will be applied.

This rule removed the obligation to pay the amount equivalent to the withholding tax on the amount recorded as a cost and/or expense.

P. Indirect credit

Under certain requirements, at January 1, 2019, domiciled entities that obtain foreign source (inbound) dividends may deduct as a direct tax credit the income tax that would have been levied on the dividends abroad and the corporate income tax (indirect credit) paid by the non-domiciled first and second tier company (provided they are in the same jurisdiction) that would have distributed the dividends from abroad.

Q. Measures to apply the Tax Avoidance General Clause contained in Standard XVI, Preliminary Title of the Peruvian Tax Code

Legislative Decree No. 1422 has set forth the procedure for the application of the General Anti-Tax Avoidance Clause (CAG, the Spanish acronym), which basically states that: (i) it is applicable only in final audit procedures in which acts, facts or situations that occurred since July 19, 2012 are reviewed; (ii) for application there must be a prior favorable opinion of a review committee made up of SUNAT officials, and such opinion cannot be appealed; (iii) final audit procedures in which the GAC is applied are not subject to the one (1) year time limit for requesting information from the auditees.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

On May 6, 2019, Supreme Decree No. 145-2019-EF was enacted in the Official Gazette El Peruano, whereby the substantive and formal parameters for the application of the general anti-avoidance rule contained in Rule XVI of the Tax Code ("TC") were approved; with which the requirement to lift the suspension set under Law 30230 for the application of such a rule is understood to be fulfilled. Also, SUNAT's Regulations on Tax Procedures have been adapted for such a purpose.

By means of SBS Resolution No. 000184-2021/SUNAT published on December 13, 2021, the members of the Review Committee of the Peruvian tax and customs regulator- SUNAT were appointed, as referred to in Article 62-C of the Texto Ordenado of the Peruvian Tax Code, which states that when applying the Anti-tax avoidance rule in an audit procedure, a report must be submitted together with the audit file to the relevant Review Committee.

R. Joint liability of the legal representative and directors of companies

Effective September 14, 2018, Legislative Decree No. 1422 has established that whenever an audited party is subject to the General Anti-Tax Avoidance Clause (CAG), it shall be understood, by default, that there is fraud, gross negligence or abuse of powers on the part of its legal representatives, unless otherwise demonstrated. The aforementioned joint and several liability shall be assigned to such representatives whenever they have collaborated with the design or approval or implementation of acts, situations or economic relations with a tax avoidance purpose.

The aforementioned rule also involves the members of the Board of Directors of companies, by stating that these individuals are responsible for defining the tax strategy of the companies in which they serve as directors, and that they must decide whether or not to approve acts, situations or economic relations to be carried out within the framework of tax planning. Directors are not allowed to delegate this power according to the rule in such a standard.

The members of the Board of Directors of domiciled companies were granted a term expiring on March 29, 2019 to ratify or modify the acts, situations or economic relationships carried out within the framework of tax planning, and implemented at September 14, 2018 that continue to have tax effect up to the present date.

Notwithstanding the aforementioned maximum term indicated for compliance with such formal obligation, and considering the aforementioned joint and several liability attributable to both legal representatives and directors, as well as the lack of definition of the term tax planning, it will be critical to review any act, situation or economic relationship that has (i) increased tax attributes; and/or, (ii) resulted in a lower payment of taxes for the aforementioned years, in order to avoid the attribution of joint and several tax liability, both at an administrative and even criminal level, depending on the tax agent's judgment, in the event the CAG is applied to the company that is subject to a tax audit by SUNAT.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

S. Disclosure about beneficial owner

In the framework of the rules to strengthen the fight against tax evasion and tax avoidance as well as against money laundering and financing of terrorism, the provisions introduced under Legislative Decree No. 1372 are effective August 3, 2018, and require entities to provide the competent authorities information about beneficial owners in the form of a sworn statement, including information related to such parties, that is, to disclose via such a statement who are the individuals who actually hold ownership or control over legal persons or legal entities. Additionally, it is mandatory to report aspects such as (i) identity of the beneficial owner; (ii) the chain of ownership with the respective supporting documentation; (iii) identity of third parties that have such information, if applicable. It is also stated that the information related to the identification of the beneficial owners of legal persons and legal entities provided to the competent authorities within the framework of these rules does not constitute a violation of professional secrecy nor is it subject to the restrictions on disclosure of information derived from the confidentiality imposed by contract or by any other legal or regulatory provision.

Also, by means of SUNAT Resolution No. 041-2022/SUNAT, effective March 25, 2022, the new parties required to file the Beneficial owner statement in fiscal 2022 and 2023 (provided that they have not filed in December 2019) were specified.

Legal entities were also obliged to file the Beneficial Owner Statement in accordance with the time schedule for monthly obligations for the period of December 2022; however, by means of SUNAT Resolution No. 000278-2022/SUNAT, said due date was postponed to December 2023.

It should be taken into consideration that, in the event of failure to file the informative statement containing the beneficial owner disclosures, the legal representatives of the entity that failed to file the statement will be held jointly and severally liable.

T. Indirect disposal of shares

Effective January 1, 2019, an anti-avoidance technique is included to prevent the splitting of transactions by which shares of companies domiciled in Peru are indirectly sold.

Under such technique, in order to determine whether in a 12-month period the transfer of 10% or more of the capital of a Peruvian company has been done, the transfers made by the party under analysis are considered, as well as those made by its related parties, whether those transfers are completed by means of one or several simultaneous or successive transactions. Relatedness shall be determined under the provisions of paragraph b) of Article 32-A of the Peruvian Income Tax Law.

In addition, it is also established that, regardless of compliance with the conditions governed by the Income Tax Law, an indirect taxable disposal will always be considered to occur when, in any 12-month period, the total amount of the shares of the Peruvian legal entity that are disposed is equal to or greater than forty thousand (40,000) UITs.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

In addition, from the initially stated effective date, when the transferor is a non-domiciled legal entity that has a branch or any permanent establishment in Peru with assigned assets, the latter is considered jointly and severally liable and must provide, among other information, the information related to the shares or interest held in the non-domiciled legal entity being disposed of.

U. Depreciation of assets

Legislative Decree No. 1488 Special Depreciation Regime and amendments thereof, increases the depreciation percentages of assets acquired during 2020, 2021 and 2022 in order to promote private investment and provide greater liquidity given the current economic situation derived from the effects of COVID-19

V. Thin capitalization

From January 1, 2021, financial expenses were deductible up to the limit of 30% of the taxable EBITDA (Earnings – Before Income Tax + Net Interest + Depreciation + Amortization) reported for the previous year. There are some exceptions to the application of this limitation for banks, taxpayers with income not exceeding 2,500 UITs, infrastructure, public utilities, among others.

Supreme Decree No. 402-2021, published on December 30, effective December 31, 2021, amended the Income Tax Law Regulations governing the calculation of tax EBITDA for purposes of the debt interest limit.

For fiscal 2019 and 2020 the financial expense arising from borrowings between independent and related parties was subject to the thin capitalization limit of (3:1 Debt-Equity ratio) calculated at the end of the previous fiscal year.

W. Parties with no operational capacity (SSCO)

Legislative Decree No. 1532, published on March 19, 2022 and effective January 1, 2023, governed the procedure for determining the status of Individual /Entity without Operational Capacity (SSCO, the Spanish acronym) in the framework of the fight against tax evasion

In this sense, an SSCO was defined as an entity that, although it appears as the issuer of the payment vouchers or supplemental documents, it does not have the economic, financial, material, human and/or other resources, or these are not suitable, to carry out the transactions for which such documents are issued.

Supreme Decree No. 319-2023-EF approved the rules and procedure for granting SSCO status.

X. 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 tax benefits approved for the fishing and wood industries, the price standardization for tax stability and the extension of the sales tax exemptions. They also include the following:

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

The effective period of some tax exemptions and benefits was extended as follows:

- The term of tax exemptions included in Appendixes I and II of the Sales Tax Law was extended until December 31, 2025. Consequently, the sale of staple food and basic services—e.g., public transport, among others—will not be subject to sales tax. For more information, see link to Law 31651.
- The issuance of e-money will not be subject to sales tax until December 31, 2024. For more information, see link to Legislative Decree 1519.
- The refund of taxes on acquisitions through foreign donations from and imports from diplomatic missions will be effective until December 31, 2024. For more information, see link to Legislative Decree 1519.

Supreme Decree 1516, published December 30, 2021 and effective December 31, 2021, required the price standardization for tax stability under legal stability agreements under the provisions of Legislative Decrees 662 and 757. Therefore, such Decree modified 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 reflects the tax rate (plus 2%) referred to in the first paragraph of Article 55 of the Income Tax Law.

Further, Law 28194 “Law to Fight Tax Evasion and the Formalization of the Economy” was modified pursuant to Legislative Decree 1529, effective April 1, 2022, regarding the cases and situations in which the use of formal means of payment are required, the minimum amount required to use formal means of payment and the obligation to notify the Tax Authorities about payments made to third parties other than the creditor.

In line with the regulations to strengthen the fight against tax evasion and tax avoidance, as well as against money laundering and financing of terrorism, on August 3, 2018, the provisions introduced by Legislative Decree 1372 became effective. The decree makes it mandatory to submit to the competent authorities the information related to beneficial owners in the form of a sworn statement by the beneficial owners. Resolution 00278-2022-SUNAT extends the obligation to file information related to beneficial owners for legal entities (trusts, consortiums, investment funds and similar entities). Legal entities registered with the Single Taxpayer Registry until December 31, 2023, which have not been removed from that record on the relevant date due to file the information, must state the information in the tax period of December 2023, due in January 2024.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Legislative Decree 1545, published on March 15, 2023, amended Article 26 of the Income Tax Law regarding presumed interest income. In this regard, the reference to the Libor rate is removed and substituted by the TAMEX, and additionally, loans in local and foreign currency are set to accrue interest at a rate not lower than the average monthly lending rate of the market in local currency (TAMN) and the average monthly rate of the market in foreign currency (TAMEX) respectively, which must be multiplied by an adjusting factor.

- TAMN: Adjusting factor of 0,42.
- TAMEX: Adjusting factor of 0,65.

Legislative decree 1549, published on April 24, 2023 postponed until December 31, 2026 the effective period of the exemptions contained in article 19 of the Peruvian Income tax Law. Legislative Decree is effective January 1, 2024.

Law 31735, published on May 4, 2023, amended Law 29230, which promotes regional and local public investment with the involvement of the private sector, as set out below:

- The public, regional and local investment certificate ("Inversión Pública Regional y Local - Tesoro Público" - CIPRL) can be used to settle any tax debt with the Public Treasury.
- The CIPRL limit is extended up to 80% to be used against income tax.
- The CIPRL updating rate shall be the average inflation rate for the last 12 months.

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

Superintendence Resolution No. 000020-2023, published on June 28, 2023, approved the discretionary power of not penalizing the violation of the obligation to state the RUC number on the advertising material of goods or services for the period between July 1, 2023 to December 31, 2023.

Supreme Decree No. 137-2023-EF, published on June 29, 2023, amended Article 30 of the Income Tax Law Regulations, which governs those commissions applicable to transactions with non-domiciled parties. For purposes of the application of the 4.99% rate on interest from external loans:

- The prevailing prime rate is set to be the average 30-day SOFR rate plus four points, regardless of the agreed loan, currency or maturity.
- For these purposes, the comparison of the external borrowing rate with the SOFR rate plus three points will be made only when the interest rate on the loan is agreed, modified or extended.

SUNAT Resolution No. 000236-2023/SUNAT, published on November 10, 2023, provides for the application of discretionary power in the administration of penalties for violations related to books and records related to tax matters kept electronically.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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 December 31, 2023 and 2022 mainly comprises:

<i>In thousands of soles</i>	Balance as of 01.01 .2022	(Debit) credit to profit or loss	Balance as of 01.01 .2023	(Debit) credit to profit or loss	Others	Balance as of 12.31.2023
General provision for direct/indirect loan losses	351,788	42,412	394,200	(28,306)	-	365,894
Provision for accounts receivable	40,973	(2,511)	38,462	724	(94)	39,092
Provision for repossessed assets	39,129	6,428	45,557	261	-	45,818
Provision for vacations	8,187	3,870	12,057	122	-	12,179
Provision for credit and debit card rewards	5,551	-	5,551	-	-	5,551
Tax loss	142,714	(34,410)	108,304	5,372	-	113,676
Investment in subsidiaries	941	-	941	-	-	941
Finance leases, net	135	-	135	-	-	135
Intangible assets	(96,603)	454	(96,149)	83,884	-	(12,265)
Leveling of assets and liabilities	(49,384)	23,375	(26,009)	9,769	-	(16,240)
Deferred sales charges	(20,996)	(7,436)	(28,432)	(146)	-	(28,578)
Others	23,169	2,726	25,895	27,879	-	53,774
Deferred tax assets, net	445,604	34,908	480,512	99,559	(94)	579,977

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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. In 2023, legal employees' profit sharing was determined for S/ 58,430 thousand (S/ 98,320 thousand in 2022), 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 December 31, 2023, the allocated value of assets in trusts and trust fees amounts to S/ 5,517,934 thousand (S/ 5,524,380 thousand in 2022).

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

31. Related Party Transactions

As of December 31, 2023 and 2022, 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 December 31, were as follows:

	2023					2022				
	Parent Company	Related parties (i)	Associates	Key Management personnel and directors	Total	Parent Company	Related parties (i)	Associates	Key Management personnel and directors	Total
<i>In thousands of soles</i>										
Assets										
Cash and due from banks	-	3,179	-	-	3,179	-	203	-	-	203
Loan portfolio, net	-	58,500	10,752	22,778	92,030	-	414,589	7,726	25,396	447,711
Held-for-trading and hedging instruments	-	289,909	-	-	289,909	-	286,570	-	-	286,570
Other assets, net	-	35,496	76,498	31	112,025	-	63,607	88,497	-	152,128
Total assets	-	387,084	87,250	22,809	497,143	-	764,969	96,223	25,396	886,612
Liabilities										
Obligations with the public and ds from financial institutions	774,596	477,226	84,221	20,223	1,356,266	562,938	51,416	74,660	20,667	709,681
Borrowings and debts	232,903	5,465,050	-	-	5,697,953	230,252	7,437,056	-	-	7,667,308
Held-for-trading and hedging instruments	-	130,704	-	-	130,704	-	87,277	-	-	87,277
Provisions and other liabilities	-	87,137	1,134	26	88,297	-	26,998	961	20	27,979
Total liabilities	1,007,499	6,160,117	85,355	20,249	7,273,220	793,190	7,602,747	75,621	20,687	8,492,245
Off-balance sheet accounts										
Indirect loans	-	391,792	39,860	-	431,652	-	454,593	57,120	-	511,713
Derivative instruments	-	16,870,039	-	-	16,870,039	-	11,263,159	-	-	11,263,159

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

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

- B. The effects of related party transactions in the Scotiabank Group's consolidated statement of financial position are detailed below for the year ended December 31:

	2023					2022				
	Parent Company	Related parties (i)	Associates	Key management personnel and directors	Total	Parent Company	Related parties (i)	Associates	Key management personnel and directors	Total
<i>In thousands of soles</i>										
Interest income	-	12,637	456	1,533	14,626	-	10,173	481	1,643	12,297
Interest expenses	(16,789)	(270,069)	(6,364)	(705)	(293,927)	(16,789)	(136,793)	(669)	(246)	(154,497)
	(16,789)	(257,432)	(5,908)	828	(279,301)	(16,789)	(126,620)	(188)	1,397	(142,200)
Financial service income	141	3,276	636	291	4,344	26	3,881	628	297	4,832
Financial service expenses	-	(1,074)	(23,943)	(27)	(25,044)	-	(3,750)	(21,534)	(30)	(25,314)
	141	2,202	(23,307)	264	(20,700)	26	131	(20,906)	267	(20,482)
Net profit or loss from financial transactions	-	305,699	9,969	-	315,668	-	307,642	16,848	-	324,490
Administrative expenses (ii)	-	(18,605)	(968)	(99)	(19,672)	-	(15,731)	(1,545)	(130)	(17,406)
Other income, net	-	3,610	1,054	1	4,665	-	(1,465)	-	(1)	(1,466)
Net profit or loss	(16,648)	35,474	(19,160)	994	660	(16,763)	163,957	(5,791)	1,533	142,936

(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 years ended December 31 was as follows:

<i>In thousands of soles</i>	2023	2022
Remuneration of key management	20,427	25,359
Expense allowance for Board of Directors	1,922	2,066
	22,349	27,425

As of December 31, 2023 and 2022, the outstanding remuneration to key management personnel amounted to S/ 13,861 thousand and S/ 11,358 thousand, respectively.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

32. Classification of Financial Instruments

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

<i>In thousands of soles</i>	<i>Note</i>	2023						Total
		At FVTPL	Loans and items receivable	Available-for-sale		Liabilities at amortized cost	Other liabilities (b)	
				At amortized cost (a)	At fair value			
Assets								
Cash and due from banks	6	-	11,135,940	-	-	-	-	11,135,940
Interbank funds		-	118,737	-	-	-	-	118,737
Investments at fair value through profit or loss		-	-	-	-	-	-	-
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).

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

<i>In thousands of soles</i>	<i>Note</i>	2022						Total
		At FVTPL	Loans and items receivable	Available-for-sale		Liabilities at amortized cost	Other liabilities (b)	
				At amortized cost (a)	At fair value			
Assets								
Cash and due from Banks	6	-	10,607,376	-	-	-	-	10,607,376
Interbank funds		-	12,619	-	-	-	-	12,619
Investments at fair value through profit or loss								
Equity instruments	7	6,965	-	-	-	-	-	6,965
Debt instruments	7	216,137	-	-	-	-	-	216,137
Available-for-sale investments								
Equity instruments (c)	7	-	-	3,519	640	-	-	4,159
Debt instruments	7	-	-	-	4,831,831	-	-	4,831,831
Loan portfolio	8	-	56,354,673	-	-	-	-	56,354,673
Held-for-trading and hedging instruments	9	425,951	-	-	-	-	-	425,951
Accounts receivable	10	-	290,040	-	-	-	-	290,040
Other assets	14	-	113,498	-	-	-	-	113,498
		649,053	67,378,206	3,519	4,832,471	-	-	72,863,249
Liabilities								
Deposits and obligations and other obligations	15	-	-	-	-	-	43,710,614	43,710,614
Interbank funds		-	-	-	-	-	553,222	553,222
Deposits with financial institutions and international financial institutions	15	-	-	-	-	-	645,383	645,383
Borrowings and debts	16	-	-	-	-	14,057,318	-	14,057,318
Held-for-trading and hedging instruments	9	651,787	-	-	-	-	-	651,787
Accounts payable		-	-	-	-	-	4,300,177	4,300,177
Other liabilities	17	-	-	-	-	-	350,362	350,362
		651,787	-	-	-	14,057,318	49,559,758	64,268,863

(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).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 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 Framework is to provide an integrated set of policies, guidelines and principles in order to ensure the application of processes to monitor and mitigate the risks to which the Scotiabank Group is exposed, determining the amount and types of risks faced by the Bank.

For an adequate risk management function, there are a number of underlying layers: (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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 through its committees. They provide a description of the types of exposure, responsibilities and conditions that the Scotiabank Group will consider in doing business, in order to ensure a proper understanding of 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.

The following is a description of the major activities and processes in place to fulfil an adequate risk management function:

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 customers 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 arising from portfolio monitoring. For retail portfolio, risk-based strategies (scoring) are established to optimize available resources for collection seeking to reach greater effectiveness.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

▪ **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.

Loan portions secured by each type of collateral as of December 31, are presented below:

<i>In thousands of soles</i>	Note	2023	2022
Loans with first mortgage collateral or collateral trust on property registered in Public Registry		17,860,979	17,548,591
Loans with non-preferred collaterals		8,647,827	9,236,636
Loans to subsidiaries		1,027,062	3,064,838
Loans for finance leases		2,595,905	2,837,025
Loans with first real estate collateral or collateral trust registered in Public Registry		1,894,946	1,937,685
Loans with cash deposit collateral		204,967	246,382
Loans with collateral or collateral trust registered in Public Registry			
– Warrants		-	-
Other collaterals		7,350	9,055
Loans with no collateral		23,016,022	24,985,875
Total loans	8	55,255,058	59,866,087

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

▪ **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.

▪ **Regulator debtor'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 December 31, 2023 and 2022, 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.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

As of December 31, impaired and not impaired loans, per type of loan, are classified as follows:

<i>In thousands of soles</i>	Small and micro-				Total	%
	Wholesale loans	business Loans	Consumer loans	Mortgage loans		
2023						
Neither past-due nor impaired loans						
Standard	24,638,443	1,294,557	11,620,224	10,342,766	47,895,990	86%
Potential problems	1,711,833	63,424	334,446	175,771	2,285,474	3%
Past due but not impaired loans						
Standard	25,646	25	9	5	25,685	-
Potential problems	72,600	-	18,611	324	91,535	-
Impaired loans						
Standard	26,482	3	63	-	26,548	-
Potential problems	134,694	2	7	-	134,703	-
Substandard	427,707	62,567	345,692	198,731	1,034,697	2%
Doubtful	467,080	107,808	638,312	216,748	1,429,948	5%
Loss	1,119,324	262,197	516,403	432,554	2,330,478	4%
Gross loan portfolio	28,623,809	1,790,583	13,473,767	11,366,899	55,255,058	100%
Less: provisions	(1,793,455)	(400,596)	(1,302,877)	(612,590)	(4,109,518)	
	26,830,354	1,389,987	12,170,890	10,754,309	51,145,540	
2022						
Neither past-due nor impaired loans						
Standard	30,464,265	1,365,196	11,335,944	10,027,640	53,193,045	86%
Potential problems	1,398,814	63,430	309,537	169,031	1,940,812	3%
Past due but not impaired loans						
Standard	19,991	471	316	19	20,797	-
Potential problems	55,419	1	18,417	244	74,081	-
Impaired loans						
Standard	5,335	-	49	-	5,384	-
Potential problems	130,540	-	10	-	130,550	-
Substandard	414,627	66,356	280,093	144,349	905,425	2%
Doubtful	503,661	113,335	483,656	173,689	1,274,341	5%
Loss	1,297,536	249,861	366,129	408,126	2,321,652	4%
Gross loan portfolio	34,290,188	1,858,650	12,794,151	10,923,098	59,866,087	100%
Less: provisions	(1,801,192)	(388,422)	(1,094,984)	(570,014)	(3,854,612)	
	32,488,996	1,470,228	11,699,167	10,353,084	56,011,475	

- (a) As of December 31, 2023 and 2022, refinanced loans totaled S/ 1,886,173 thousand and S/ 1,816,526 thousand, respectively, of which S/ 400,107 thousand and S/ 389,855 thousand are classified as neither past due nor impaired, and S/ 1,486,066 thousand and S/ 1,426,671 thousand as impaired, respectively.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

▪ **Credit risk mitigation – voluntary provisions**

Wholesale loans

In order to maintain an adequate credit risk management within the context of the national state of emergency, declared under Supreme Decree 044-2020 as a result of the COVID-19 outbreak, as well as to mitigate the requirement for future provisions for losses resulting from the COVID-19 pandemic, the Bank considered recognized voluntary provisions. The Scotiabank Group assessed the wholesale loans, identifying high risk segments and sectors, and recognized voluntary provisions for impairment losses.

Retail loans

As a result of the COVID-19 pandemic, in 2020, the Scotiabank Group recognized progressively voluntary provisions for losses resulting from the rescheduling of retail loans. These voluntary provisions were determined based on historical information on credit loss ratios, considering different COVID-19 crisis stress components for each loan portfolio (note 8).

Likewise, as of December 31, past due but not impaired loans are presented per type of loan, days in arrears and value of related collaterals as follows:

<i>In thousands of soles</i>	Days in arrears				Total	Value of collaterals
	[16 -30]	[31 – 60]	[61 – 90]	More than90		
2023						
Type of loan						
Corporate	-	146	-	-	146	-
Large-business loans	2,403	118	-	-	2,520	(3,280)
Medium-business loans	41,150	54,423	4	4	95,580	(100,605)
Subtotal wholesale portfolio	43,553	54,687	4	4	98,246	(103,885)
Small-business loans	21	-	1	-	22	(4)
Micro-business loans	2	-	-	-	3	-
Revolving loans	9,099	4	3	-	9,106	(55)
Non-revolving loans	9,514	-	-	-	9,514	-
Mortgage loans	5	324	-	-	329	(225)
Subtotal retail portfolio	18,641	328	4	-	18,974	(284)
	62,194	55,015	8	4	117,220	(104,169)
2022						
Type of loan						
Large-business loans	739	329	-	-	1,068	(4,367)
Medium-business loans	31,586	42,710	46	-	74,342	(58,656)
Subtotal wholesale portfolio	32,325	43,039	46	-	75,410	(63,023)
Small-business loans	469	-	-	-	469	(335)
Micro-business loans	2	-	-	-	2	-
Revolving loans	303	2	4	-	309	(16)
Non-revolving loans	55	18,366	1	1	18,424	(1)
Mortgage loans	21	244	-	-	264	(228)
Subtotal retail portfolio	850	18,612	5	1	19,468	(580)
	33,175	61,651	51	1	94,878	(63,603)

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

As of December 31, hedging of impaired loans, taking into consideration collaterals and related provisions, is presented below:

<i>In thousands of soles</i>	Small and micro				Total
	Wholesale loans	business loans	Consumer loans	Mortgage loans	
2023					
Impaired loans	2,175,287	432,577	1,500,477	848,033	4,956,374
Value of collaterals	2,682,692	517,653	296,740	1,007,106	4,504,191
Provisions for impairment loss	(1,176,050)	(288,941)	(999,762)	(477,648)	(2,942,401)
2022					
Impaired loans	2,351,699	429,552	1,129,937	726,164	4,637,352
Value of collaterals	3,477,425	553,692	267,972	889,463	5,188,552
Provisions for impairment loss	(1,183,182)	(269,771)	(740,445)	(437,525)	(2,630,923)

The collaterals were considered for the calculation of provisions for impairment loss following the criteria established in SBS Resolution 11356-2008 and amendments.

▪ **Write-off of loans**

As of December 31, the Bank, the Financiera and CRAC hold written-off loans, which are presented in suspense accounts, as follows:

<i>In thousands of soles</i>	2023	2022
Opening balance	9,559,617	8,976,110
Write-offs	1,061,380	879,729
Cash recovery	(83,425)	(118,438)
Forgiveness	(37,058)	(46,964)
Exchange difference	(42,951)	(69,290)
Others	(47,005)	(61,530)
Closing balance	10,410,558	9,559,617

▪ **Financial assets exposed to credit risk concentration**

As of December 31, financial assets are distributed among the following geographic areas:

<i>In thousands of soles</i>	At FVTPL	Loans and items receivable	Available-for-sale		Total
			At amortized cost (*)	At fair value	
2023					
Peru	1,066,555	63,248,621	4,146	4,806,748	69,126,070
United States	-	657,592	-	59,835	717,427
Canada	279,429	3,179	-	-	282,608
Belgium	-	60,601	-	-	60,601
United Kingdom	-	34,774	-	-	34,774
Germany	-	2,443	-	-	2,443
Japan	-	-	-	-	-
Switzerland	-	571	-	-	571
	1,345,984	64,007,781	4,146	4,866,583	70,224,494

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

<i>In thousands of soles</i>	At FVTPL	Loans and items receivable	Available-for-sale		Total
			At amortized cost (*)	At fair value	
2022					
Peru	389,571	67,218,803	3,519	4,772,924	72,384,817
United States	-	99,627	-	59,547	159,174
Canada	259,482	203	-	-	259,685
United Kingdom	-	412	-	-	412
Germany	-	50,689	-	-	50,689
Japan	-	7,993	-	-	7,993
Switzerland	-	479	-	-	479
	649,053	67,378,206	3,519	4,832,471	72,863,249

(*) Including financial assets measured at cost.

- (a) As of December 31, direct loans are distributed among economic sectors as follows:

<i>In thousands of soles</i>	2023		2022	
Mortgage and consumer loans	25,103,169	45%	24,082,249	40%
Manufacturing	7,846,198	14%	9,913,166	17%
Trading	7,179,380	13%	8,520,547	14%
Real estate, business and leasing services	3,302,441	6%	3,306,189	6%
Transport	2,445,053	4%	3,214,565	5%
Mining	1,597,684	3%	1,653,978	3%
Agriculture and livestock	1,791,291	3%	2,055,809	3%
Education, services and others	1,696,355	3%	1,594,370	3%
Financial intermediation	864,170	2%	1,141,517	2%
Power, gas and water	1,484,562	3%	2,306,614	4%
Hospitality	499,609	1%	435,109	1%
Construction	260,911	0%	259,440	-
Public administration and defense	56,119	0%	75,119	-
Fishing	26,817	0%	55,029	-
Others (mainly non-profit, healthcare and automotive)	1,101,299	2%	1,252,386	2%
	55,255,058		59,866,087	

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

Under this methodology, as of December 31, the daily expected maximum loss is detailed as follows:

<i>In thousands of soles</i>	2023	2022
Total VaR Peru	4,862	3,930

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, uses the and Treasury area to actively manage exposure to interest rate risk in order to improve the net interest income in consistency with the established risk tolerance policies.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

The table below summarizes the exposure to the interest rate risk as of December 31, including the carrying amount of assets and liabilities classified by contractual repricing or maturity date, whichever occurs first.

(Translation of Consolidated Financial Statements originally issued in Spanish)

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

	2023						2022					
	Up to 1 month	1 – 3 months	3 – 12 months	More than 1 year	Unaccrued interest	Total	Up to 1 month	1 – 3 months	3 – 12 months	More than 1 year	Unaccrued interest	Total
<i>In thousands of soles</i>												
Assets												
Cash and due from banks	5,001,174	-	-	4,743,139	1,391,627	11,135,940	1,328,966	-	-	7,811,171	1,467,239	10,607,376
Interbank funds	118,737	-	-	-	-	118,737	12,619	-	-	-	-	12,619
Investments at fair value through profit or loss and available-for-sale investments	4,071,988	1,336,843	-	376,727	-	5,785,558	39,970	508,933	12,759	4,497,430	-	5,059,092
Loan portfolio	4,098,096	7,308,781	12,923,395	27,174,664	-	51,504,936	4,872,574	7,628,842	14,157,225	29,696,032	-	56,354,673
Held-for-trading and hedging instruments	-	-	-	-	431,155	431,155	-	-	-	-	425,951	425,951
Accounts receivable	-	-	-	-	1,397,354	1,397,354	-	-	-	-	954,013	954,013
Other assets	-	-	-	-	2,247,334	2,247,334	-	-	-	-	2,222,563	2,222,563
Total assets	13,289,995	8,645,624	12,923,395	32,294,530	5,467,470	72,621,014	6,254,129	8,137,775	14,169,984	42,004,633	5,069,766	75,636,287
Liabilities												
Deposits and obligations	13,782,786	3,930,434	18,105,681	8,158,877	16,359	43,994,137	12,919,301	2,391,771	20,184,048	8,203,884	11,609	43,710,613
Interbank funds	37,020	-	-	-	-	37,020	553,222	-	-	-	-	553,222
Deposits with financial institutions and international financial institutions	806,120	(20,115)	10,106	550	-	796,661	524,253	16,745	104,386	-	-	645,384
Borrowings and debts	2,711,835	1,351,362	420,487	6,991,243	-	11,474,927	1,501,221	6,490,825	4,302,878	1,757,300	5,094	14,057,318
Held-for-trading and hedging instruments	-	-	-	-	462,934	462,934	-	-	-	-	651,787	651,787
Accounts payable	-	-	-	-	3,393,502	3,393,502	-	-	-	-	4,323,855	4,323,855
Provisions	-	-	-	-	320,109	320,109	-	-	-	-	359,813	359,813
Other liabilities	-	-	-	-	512,976	512,976	-	-	-	-	439,487	439,487
Total liabilities	17,337,761	5,261,681	18,536,274	15,150,670	4,705,880	60,992,266	15,497,997	8,899,341	24,591,312	9,961,184	5,791,645	64,741,479
Off-consolidated statement of financial position accounts												
Derivative instruments	11,261,586	6,835,855	19,591,549	796,618	-	38,485,608	9,096,261	6,060,010	7,845,701	1,021,418	-	24,023,390
Marginal gap	(4,047,766)	3,383,943	(5,612,880)	17,143,860	761,590	11,628,747	(9,243,869)	(761,566)	(10,421,328)	32,043,449	(721,881)	10,894,805
Accumulated gap	(4,047,766)	(663,823)	(6,276,703)	10,867,157	11,628,747	-	(9,243,869)	(10,005,435)	(20,426,763)	11,616,686	10,894,805	-

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Models defined by the SBS for interest rate risk assessment for the banking book are as follows:

Earnings at Risk (EaR) and Equity Value at Risk (EVAR) indicators are focused on the impact of potential changes in interest rate on value generation, specifically on the profit margin, and the economic value of equity of the Bank and the Financiera. This methodology is applied under normal and stressed market conditions. As of December 31, the Bank has the following interest rate indicators:

%	2023	2022
EVAR (i)	9.15	10.14
EaR (ii)	2.96	2.15

- i This indicator is focused on the impact of potential changes in interest rate on value generation through the profit margin and the Bank's equity value. It measures the percentage of regulatory capital exposed to interest rate risk as a result of marginal mismatches weighted by their respective sensitivity for all temporary bands.
- ii This indicator is focused on the impact of potential changes in interest rate on value generation through the profit margin. It measures the percentage of regulatory capital exposed to interest rate risk as a result accumulated mismatches up to one year. It shall not exceed 5%.

This methodology has been established by the SBS and is applied under normal market conditions.

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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

As of December 31, the VaR results (estimated maximum loss on changes in exchange rate) are detailed as follows:

<i>In thousands of soles</i>	2023	2022
Exchange rate VaR	1,937	3,090

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 December 31, 2023 and 2022, the Scotiabank Group records a net asset position in foreign currency in the consolidated statement of financial position for US\$1,179,289 thousand and a net asset position for US\$ 1,949,149 thousand, respectively (note 5).

As of December 31, 2023, the global oversold position taken by the Bank amounted to S/ 373,318 thousand (overbought position amounted to S/ 292,904 thousand as of December 31, 2022).

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.

At the end of 2023, 66% of ALM's investments consisted of sovereigns at 5 years. As part of the portfolio rebalancing, and in the context of attractive rates, sovereign 32 was sold and replaced by sovereign 31.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

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 December 31, 2023, the Bank's ratios in local and foreign currencies were 20.61% and 38.44% respectively (18.15% and 35.47%, respectively, as of December 31, 2022).

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 December 31, 2023, CrediScotia's ratios in local and foreign currency were 22.91% and 118.99% respectively (24.72% and 166.92% respectively, as of December 31, 2022).

The CRAC shall hold local and foreign currency ratios of 10% and 25%, respectively. In this regard, it held adequate levels of 26.78% in local currency and 1,946.36% in foreign currency at the closing of year 2023 (29.56% in local currency and 2,001.88% in foreign currency at the closing of year 2022).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, 2023 and 2022, the minimum ratio required by the regulator was 100%, respectively. The Bank presented levels of liquidity reaching 115.50% in local currency and 141.80% in foreign currency (115.10% in local currency and 116.10% in foreign currency as of December 31, 2022).

As of December 31, 2023, the Financiera presented ratios in local and foreign currency reaching 121.74% and 512.26%, respectively (122.13% and 570.56%, respectively, as of December 31, 2022).

The CRAC presented ratios in local and foreign currency reaching 124.35% and 213.31% in local and foreign currency, respectively (121.39% in local currency and 177.87% in foreign currency at the end of 2022).

The table below shows the maturity profile of financial liabilities based on contractual obligations as of December 31:

<i>In thousands of soles</i>	Demand deposits and up to 1 month	1 -3 months	3 - 12 months	More than 1 year	Total
2023					
Deposits and obligations	33,190,769	4,191,634	5,418,869	1,192,865	43,994,137
Interbank funds	37,020	-	-	-	37,020
Deposits with financial institutions and international financial institutions	766,525	17,710	11,888	538	796,661
Borrowings and Debts	2,743,045	1,270,374	404,248	7,057,260	11,474,927
Held-for-trading and hedging instruments	73,634	51,635	254,937	82,728	462,934
Accounts payable and other liabilities	521,711	52,580	595,730	2,544,948	3,714,969
Total liabilities	37,332,704	5,583,933	6,685,672	10,878,339	60,480,648
Off-consolidated statement of financial position risk					
Liability position – derivative instruments (delivery)	390,927	936,425	1,428,196	200,800	2,956,348
2022					
Deposits and obligations	33,827,245	2,846,961	5,526,770	1,509,638	43,710,614
Interbank funds	553,222	-	-	-	553,222
Deposits with financial institutions and international financial institutions	624,677	19,176	1,530	-	645,383
Borrowings and Debts	1,502,758	4,964,691	4,766,854	2,823,015	14,057,318
Held-for-trading and hedging instruments	169,459	107,000	235,241	140,087	651,787
Accounts payable and other liabilities	631,060	197,223	124,247	3,698,009	4,650,539
Total liabilities	37,308,421	8,135,051	10,654,642	8,170,749	64,268,863
Off-consolidated statement of financial position risk					
Liability position – derivative instruments (delivery)	498,392	485,245	244,900	802,369	2,030,906

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

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

In 2022, 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

In 2022, as in prior years, 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 – (KR Is) 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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.

In 2022, the activities implemented were:

- Monitoring the 28 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 115 Business Continuity Plans (SBP, CSF, 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 alternativ business site).

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

(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.

In 2022, as part of the risk and control assessment, 83 risk and control matrices were assessed at the Bank, 23, at CrediScotia and 27, at CRAC.

In 2022, a program was implemented to assess the design and the operating effectiveness of internal control.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

(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 32 initiatives in the Bank and 8 in CrediScotia were addressed within the scope of the risk assessment methodology at the end of 2021.

In 2022, no evaluations were performed under the Agile process NIRA - COVID-19, which focuses on responding to the needs for overall risk assessment that required timely treatment for operational continuity, regulatory requirements, market needs and other COVID-19 requirements.

(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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

In 2022, 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

Throughout 2022, 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. Operating the IT systems and related processes used to plan, build, run and monitor are exposed to inherent risks of failure, degradation, theft, loss, damage, and destruction. Such risks shall be managed to ensure that the Bank is able to successfully exploit value-generation opportunities.

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.

In 2022, 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.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

- Information security, cybersecurity and security architectural risk management for new business and technology initiatives and projects.
- Information security and cybersecurity risk management for suppliers.
- 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.
- Implementation of a controls matrix ISO-27001, PCI-DSS v3.1, SBS Regulation 504-SGSI-C.

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 December 31:

<i>In thousands of soles</i>	Carrying amount		Fair value	
	2023	2022	2023	2022
Assets				
Cash and due from banks	11,135,940	10,607,376	11,135,940	10,607,377
Interbank funds	118,737	12,619	118,737	12,619
Investments at FVTPL				
Equity instruments	5,499	6,965	5,499	6,965
Debt instruments	909,330	216,137	909,330	216,118
Available-for-sale investments				
Equity instruments	4,786	4,159	4,786	4,158
Debt instruments	4,865,943	4,831,831	4,865,943	4,830,762
Loan portfolio	51,504,936	56,354,673	51,504,936	56,354,673
Held-for-trading and hedging instruments	431,155	425,951	431,155	425,951
Accounts receivable	1,103,961	290,040	1,103,961	290,039
Other assets	144,207	113,498	144,207	113,498
	70,224,494	72,863,249	70,224,494	72,862,160
<i>In thousands of soles</i>	Carrying amount		Fair value	
	2023	2022	2023	2022
Liabilities				
Deposits and obligations	43,994,137	43,710,614	43,994,137	43,710,614
Interbank funds	37,020	553,222	37,020	553,222
Deposits with financial institutions and international financial institutions	796,661	645,383	796,661	645,384
Borrowings and debts	11,474,927	14,057,318	11,378,765	11,362,930
Held-for-trading and hedging instruments	462,934	651,787	462,934	651,787
Accounts payable	3,369,387	4,300,177	3,365,195	4,090,938
Other liabilities	345,582	350,362	345,582	350,362
	60,480,648	64,268,863	60,380,294	61,365,237

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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 December 31, 2023 and 2022, fair values or estimated market prices of financial instruments do not differ significantly from their corresponding carrying amount.

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 December 31, to determine the fair value of financial instruments:

<i>In thousands of soles</i>	Level 1	Level 2	Level 3	Total
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
2022				
Assets				
Investments at FVTPL				
Equity instruments	-	6,965	-	6,965
Debt instruments	-	216,137	-	216,137
Available-for-sale investments				
Equity instruments	640	-	3,519	4,159
Debt instruments	-	4,831,831	-	4,831,831
Held-for-trading and hedging instruments	425,951	-	-	425,951
	426,591	5,054,933	3,519	5,485,043
Liabilities				
Held-for-trading instruments	651,787	-	-	651,787
	651,787	-	-	651,787

Scotiabank Perú S.A.A. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

35. Subsequent Events

The Financiera

- I. On January 31, 2024, the Financiera redeemed the first program of Subordinated Bonds - First Issue, which was issued on July 24, 2012 in the local market for a total of S/ 130,000,000.00 (One Hundred Thirty Million and 00/100 Soles), equivalent to the nominal value of all the outstanding Subordinated Bonds of the First Issue. This issuance was authorized by the SBS pursuant to Resolution No. 4273-2012 dated July 20, 2012.

On January 25, 2024, the Financiera conducted the auction of the fifth program of the Negotiable Certificates of Deposit (CDN) Second Issue Series B for a total of S/ 94,256,300.00 with maturity date on January 20, 2025, bearing interest at a 6.09375% rate.