

Edpyme Acceso Crediticio S.A.

Financial statements as at 31 December 2021 and 2020
together with the Independent Auditors' Report

(logo and slogan of EY)

Edpyme Acceso Crediticio S.A.

Financial statements as at 31 December 2021 and 2020 together with the
Independent Auditors' Report

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Tanaka, Valdivia & Asociados
Sociedad Civil de R.L

Independent Auditors' Report

To Shareholders and Board of Directors of Edpyme Acceso Crediticio S.A.

We have audited the attached financial statements of Edpyme Acceso Crediticio S.A. (hereinafter "the Edpyme"), which include the statement of financial position as at December 31, 2021, and 2020, and the corresponding statements of comprehensive incomes, of changes in net worth and cash flows for the years ended on those dates; as well as the summary of significant accounting policies and other explanatory notes.

Management's Financial Statements Responsibility

Management is responsible for the preparation and reasonable submission of these financial statements in accordance with accounting standards established by the Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) for financial institutions in Peru, and for the internal control that Management determines necessary to enable the preparation of financial statements free from material error, whether by fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Our audits were conducted in accordance with the International Auditing Standards approved for application in Peru by the Board of Deans of Colleges of Public Accountants of Peru. Such standards require that we comply with ethical requirements and plan and conduct the audit in order to have reasonable assurance that the financial statements are free from material error.

An audit involves the application of procedures to obtain audit evidence on the amounts and information disclosed in the financial statements. The procedures selected depend on the judgment of the auditor, including the risks assessment of material errors in the financial statements, whether due to fraud or error. By carrying out this risk assessment, the auditor considers the relevant internal control of Edpyme for the preparation and reasonable submission of the financial statements in order to design audit procedures in accordance with the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Edpyme's internal control. An audit also includes the assessment of whether the accounting principles applied are appropriate and whether the accounting estimates made by Management are reasonable, as well as an assessment of the overall presentation of the financial statements.

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Independent Auditors' Report (Continued)

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

Opinion

In our opinion, the aforementioned financial statements present reasonably, in all its significant aspects, the financial position of Edpyme Acceso Crediticio S.A. as at December 31, 2021 and 2020, as well as its financial performance and cash flows for the years ended on those dates, in accordance with the accounting standards established by the Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) for financial institutions in Peru, see note 2.

(handwritten text)

Lima, Peru,
April 8, 2022

Endorsed by:

(Illegible signature)

Stephanie Mc Lauchlan
C.P.C.C. Registration N° 33000

Edpyme Acceso Crediticio S.A.

Statement of financial position

As at December 31, 2021 and 2020

	Note	2021 S/ (000)	2020 S/ (000)
Asset			
Available	3	22,083	59,997
Loan portfolio, net	4	884,558	901,858
Accounts receivable, net	5	48,189	26,920
Goods received in payment and awarded, net	6	8,433	8,480
Real estate, furniture and equipment, net	7	12,331	11,480
Deferred income tax, net	8	17,175	8,251
Other assets	9	85,968	69,843
Total asset		1,078,737	1,086,829
Contingent risks and commitments	15	50,705	32,126
Liabilities and net worth			
Other accounts payable	10	59,006	39,430
Debts and financial obligations	11	867,179	882,770
Other liabilities	9	6,966	4,436
Total liability		933,151	926,636
Net worth	12		
Share capital		184,578	153,534
Additional Capital		60	19,787
Reserves		-	6,536
Cumulative incomes		(39,052)	(19,664)
Total net worth		145,586	160,193
Total liability and net worth		1,078,737	1,086,829
Contingent risks and commitments	15	50,705	32,126

The attached notes are an integral part of this statement of financial position

Edpyme Acceso Crediticio S.A.

Statement of comprehensive incomes

For years ended on December 31, 2021 and 2020

	Note	2021 S/ (000)	2020 S/ (000)
Interest revenue	16	144,453	154,535
Interest expenses	16	(70,804)	(70,999)
Gross financial margin		73,649	83,536
Provision for doubtful loans and collection, net of recoveries	4(h)	(47,035)	(36,773)
Net financial margin		26,614	46,763
Financial Services Revenue	17	1,605	4,674
Expenses for financial services	17	(3,672)	(2,054)
Net financial margin of financial services incomes and expenses		24,547	49,383
Investments valuation at fair value with incomes changes		-	79
Incomes from financial operations, net	18	(10,503)	(16,812)
Profit from exchange difference, net	22.2(ii)	393	1,496
Operating Margin		14,437	34,146
Administrative expenses	19	(43,125)	(42,864)
Depreciation and Amortization	7(a) and 9(d)	(1,478)	(1,464)
Net operating margin		(30,166)	(10,182)
Provision for Indirect Credits	4(h)	15	(3)
(Provision) recovery for uncollectibility of accounts receivable		(3,744)	(32)
(Provision) recovery for awarded assets, net	6(c)	647	(6,380)
Provision for Litigation and Lawsuits		(123)	
Recovery of repurchase agreement provision of loan portfolio, net	9(f)	41	88
Operating Loss		(33,330)	(16,509)
Other expenses, net	20	(2,579)	(10,625)
Loss profit before income tax		(35,909)	(27,134)
Income tax	8(c)	9,410	7,469
Net Loss and comprehensive income for theyear		<u>(26,499)</u>	<u>(19,665)</u>

Notes to attached financial statements are an integral part of this statement

Edpyme Acceso Crediticio S.A.

Statement of Changes in Net Worth

For the years ended on December 31, 2021 and 2020

	Share capital S/ (000)	Additional capital S/ (000)	Reserves S/ (000)	Accumulated Incomes S/ (000)	Total worth S/ (000)
Balances as at January 1, 2020	153,534	-	5,564	9,721	168,819
Net loss and comprehensive income for the year	-	-	-	(19,665)	(19,665)
Total comprehensive incomes	-	-	-	(19,665)	(19,665)
Capitalization of cumulative incomes, note 12(b)	-	8,748	-	(8,748)	-
Capital increase, note 12(b)	-	11,039	-	-	11,039
Transfer to legal reserve, note 12(c)	-	-	972	(972)	-
Balances as at December 31, 2020	153,534	19,787	6,536	(19,664)	160,193
Net loss and comprehensive income for the year	-	-	-	(26,499)	(26,499)
Total comprehensive incomes	-	-	-	(26,499)	(26,499)
Non-monetary contribution, note 12(b)	-	1,016	-	-	1,016
Capital increase, note 12(b)	-	10,300	-	-	10,300
Transfer to Capital, note 12(b)	31,043	(31,043)	-	-	-
Application to legal reserve, note 12(c)	-	-	(6,536)	6,536	-
Others	1	-	-	575	576
Balances as at December 31, 2020	184,578	60	-	(39,052)	145,586

The attached notes are an integral part of this statement

Edpyme Acceso Crediticio S.A.

Statement of Cash Flows

For the years that end on December 31, 2021 and 2020

	Note	2021 S/ (000)	2020 S/ (000)
Cash flows from operating activities			
Net loss		(26,499)	(19,665)
Adjustments to reconcile net utility with cash from operation activities - More (less)			
Depreciation and amortization	7(a) and 9(d)	1,478	1,463
Removal of property, furniture and equipment expense	7(a)	101	246
Provision for doubtful loans and collections, net of recoveries	4(h)	47,035	38,144
Provision for indirect credits	4(h)	(15)	3
Recovery of provision for uncollectibility of accounts receivable	5(l)	3,745	(91)
(Recovery) Provision for awarded assets, net	6(c)	(647)	6,380
Recovery of repurchase agreement provision of loan portfolio, net	9(f)	(42)	(88)
Deferred income tax	8(a)	(8,924)	(8,052)
Net change in assets and liabilities			
(Net increase) net decrease in assets			
Funds subject to restriction		744	2,349
Loan portfolio, net		(29,720)	(57,108)
Accounts receivable, net		(25,014)	(7,013)
Goods received in payment and awarded, net		694	(10,150)
Other assets		(15,932)	(20,025)
Net increase (net decrease) in liabilities			
Other accounts payable		19,576	10,570
Other liabilities		3,148	(5,128)
Net cash used in operating activities		(30,272)	(69,534)
Cash flows from investment activities			
Purchase of real estate, furniture and equipment and intangibles	7(a) and 9(d)	(1,607)	(1,161)
Net cash used in investment activities		(1,607)	(1,161)
Cash flows from financing activities			
Net increase in debts and financial obligations		(15,591)	59,419
Capital increase	12(b)	10,300	11,039
Net cash (used in) from financing activities		(5,291)	70,458
Net decrease in cash and cash equivalents		(37,170)	(237)
Cash and cash equivalent at the beginning of the period		46,967	47,204
Cash and cash equivalent at the end of the period	2(p) and 3(a)	9,797	46,967
Activity that does not generate cash flow	12(b)	1,016	
Non-monetary contribution			

The attached notes are an integral part of this statement

Edpyme Acceso Crediticio S.A.

Notes to financial statements

As at December 31, 2021 and 2020

1. Identification, economic activity and approval of financial statements

(a) Identification -

Edpyme Acceso Crediticio S.A. (hereinafter the "Edpyme" or "Acceso Crediticio"), is a juridical entity corporation of the Peruvian financial system, incorporated in the department of La Libertad, Peru on June 7, 1999 as Edpyme Crear Trujillo S.A, according to SBS Resolution N° 597-2000 of the Superintendency of Banking, Insurance and Private Pension Fund Administrators ("SBS").

Subsequently, in April 2008, by Resolution N° 1035-2008, the SBS authorized the change of legal name to Edpyme Acceso Crediticio S.A. Currently, Edpyme is a subsidiary of Acceso Corp. S.A. who is considered as his parent company since it has the majority of shares of the Edpyme (100 percent minus 1 share as at December 31, 2021 and 2020), see note 12(a).

(b) Economic activity -

The operations of the Edpyme are regulated by the General Law of the Financial and Insurance System and Organic Law of the SBS N° 26702 (hereinafter the "Banking Law"), which establishes the requirements, rights, obligations, guarantees, restrictions and other conditions of operation to which legal persons under private law operating in the financial and insurance system are subject.

The main purpose of the Edpyme is to grant funding for the purchase of vehicles for transport of passengers and cargo, for entrepreneurs of micro, small and medium enterprises; as well as vehicles intended for private use (consumption). To do this, it uses its own capital and resources of national and international entities and natural persons through debts.

As at December 31, 2021 and 2020, the fiscal address of the Edpyme is Av. Enrique Canaval y Moreyra N° 452 Piso 11 Urb. Santa Ana, San Isidro, Lima. As at December 31, 2020, and December 31, 2019, Edpyme, for the development of its operations, has 1 main office, 1 agency and 9 special offices.

(c) Approval of financial statements -

The financial statements as at December 31, 2020 and for the year ended to that date, have been approved by the Annual Mandatory General Meeting of Shareholders held on March 26, 2021. Financial statements as at December 31, 2021 and for the year ended to that date have been approved by Board of Directors on January 25, 2022 and will be presented to the Annual Mandatory General Meeting of Shareholders that will be held within the deadlines established by law. Before the Management, financial statements will be approved by the Annual Mandatory General Meeting of Shareholders without modifications.

Notes to Financial Statements (continued)

(d) Covid-19 pandemic

As of March 2020, the World Health Organization, declared a pandemic to Covid-19, which resulted in travel restrictions and business disruptions. In this regard, the Peruvian Government declared since that month, the state of health emergency and State of National Emergency throughout the territory of Peru, which is in force as of the date of this report, taking a series of measures such as the closure of Peruvian borders, mandatory social isolation, the closure of businesses considered non-essential, among other measures related to the health care and well-being of citizens; whose negative effects on the economy of Peru were significant in the year 2020.

From the month of May 2020, the Peruvian Government approved the plan for the renewal of the economic activities in gradual and progressive form in the declaratory of health emergency that confronted the country caused by Covid-19; This plan consisted of four phases for its implementation, whose beginning of each of these phases was in constant evaluation following the recommendations of the Sanitary Health Authority.

During the last months of 2020, in order to continue containing and mitigating the spread of Covid-19, the Peruvian Government issued a series of Supreme Decrees, extending the State of Sanitary Emergency and State of National Emergency, defining alert levels: moderate, high, very high and extreme; that are granted to each of the regions of Peru, based on an evaluation carried out by the Ministry of Health, with a series of restrictions that vary depending on the level of each region. However, at the end of 2020 and during the first months of 2021, the country experienced a new chain of very high infections, which was called "second wave". This new chain of contagion caused some of the phases of the economic reactivation already implemented to gradually recede.

In February 2021, after the Peruvian Government concluded its negotiations with different laboratories for the acquisition of vaccines, the distribution of doses to face Covid-19 in our country began. The vaccination schedule was carried out according to age groups, since not all citizens were exposed to the same level of risk of infection. The vaccination process has been developed throughout 2021, and at the end of October 2021, the protocol for applying the booster dose of the Covid-19 vaccine was established.

Although the vaccination process was advancing rapidly as part of the plan designed to face a possible "third wave", it finally formally began in Peru at the beginning of 2022. As a measure to protect the health of citizens, the Peruvian Government, issued a series of Supreme Decrees, extending the State of Sanitary Emergency and State of National Emergency, until even the end of August 2022.

Notes to Financial Statements (continued)

As a result of this situation, starting in March 2020, the Ministry of Economy and Finance (MEF), the Central Reserve Bank of Peru (BCRP) and the SBS, activated extraordinary measures to alleviate the financial and economic impact of the Covid-19 pandemic, especially for clients of the financial system due to the closure of certain economic sectors, as well as some measures focused to ensure the continuity of the payment chain in the economy.

The main measures in the financial system are related to the facilities for the reprogramming of credit (deferred payments), the suspension on the counting of days of arrears, and the launch of loan programs guaranteed by the Peruvian Government. In addition, the withdrawal of certain amounts of deposits related to the Compensation for Time of Services (CTS) was provided. These measures have been described in more detail in note 2(a)(ii).

The Edpyme is closely monitoring the situation and Management has taken the following measures:

i) Liquidity and solvency

- The suspension agreement with foreign financial institutions was extended from March 2020 to April 2021 and from May to December 2021, which consists of non-payment of principal until December 2021.
- A Restructuring Common Terms Agreement was signed with international lenders in December 2021, extending the principal and interest payment schedules until 2028. After this milestone, financing operations were reactivated.
- During 2021, particular care was taken in the monitoring of liquidity, implementing weekly cash flow meetings, monitoring liquidity indicators and monitoring of available financing lines and in execution project.
- Regarding solvency, Acceso Corp. S.A., Edpyme's main shareholder, made a capital contribution during 2021 for a total amount of S/ 11,315,690. Likewise, 03 Subordinated Debt agreements were signed with foreign institutions for a total amount of S/ 84,843,410. Of these, S/ 5,979,600 was disbursed in October 2021 and the remaining amount during the 1st quarter of 2022, see note 12 (b).

ii) Operations

In order to maintain the operations of the Edpyme, the following measures have been taken:

- Implementation of remote work via the extranet with VPN as an integrated security medium.
- The model of remote operation under portable equipment conditions.
- The use of Cloud services - Acceso under an On-premises architecture already prepared since 2018.

Notes to Financial Statements (continued)

- Teams with continual and operative technology and organized teams for planned remote work and verified by 2018 project of continuity and decentralized operation model.
 - Implementation of new protocols for business continuity under current circumstances, reinforcement of IT and cybersecurity systems.
 - Monitoring of the operations of technology providers, related services of operation and distribution of physical money.
 - Implementation of remote service channels for customers, such as:
 - Call Center
 - Smart Virtual Assistants - Chat boot Messenger + WhatsApp
 - Customer service in person with bio security protocols + customer service via video conference (Acceso technology)
 - Appointments for in-person or virtual assistance
 - Update and inclusion of management for customers in our app and our omnichannel services.
 - Origination via Virtual Offices for freely available products (since 2018), vehicles and motorcycles.
- iii) Distribution channels
- Due to the new business standard that the pandemic has imposed, with the aim of being able to ensure a commercial process that ensures social distancing and that complies with biosecurity protocols, we accelerated our commercial processes digitalization strategy. This implied that the Edpyme upgrades its digital marketing strategy to be able to attract new customers with a good credit history, being the actions: content improvements, audience segmentation and digital advertising.
- In addition, the Edpyme has generated a 100-percent digital self-assistance platform so that its customers can assist themselves regarding their request for a consumer loan, being a 100 percent digital experience and process.
- On the other hand, the Edpyme accompanies its strategy of reprogramming and continuous information to the client through communication actions using its digital networks with informative content, live training, its web channel / app (Acceso Online) and supporting SMS. This is complemented with the launch of a chat boot for assistance, request process automation of in-person appointments and remote video assistance.
- iv) Collaborators
- The Edpyme established procedures to safeguard the health of workers, through the implementation of prevention mechanisms to maintain social distancing; such as the delivery of safety kits (masks, face shields, among others), buses to provide safe transportation to personnel who works on-site.

Notes to Financial Statements (continued)

- It was implemented in terms of activities models, on-site work, remote and mixed work, according to functions performed by collaborators. To do this, the entire systemic implementation was developed so that there are no drawbacks in order to be able to develop work from their homes, such as online dialing, access through VPN, among other measures that have allowed a correct development of the functions of our Collaborators.
- Through occupational physician in conjunction with the OSH area and the corresponding Committee, a procedure has been established for monitoring cases, guidance through bulletins, videos and others, which allow the Edpyme collaborators to be informed about the corresponding measures against Covid-19. In addition, in conjunction with the occupational physician, collaborators that are part of the vulnerable population were identified so they can receive a preventive follow-up.
- It was established to carry out rapid tests for all personnel who, due to their functions, were exposed to customers, suppliers, among others, before restarting the work physically. Rapid and molecular testing procedures were also established to follow up on or rule out cases submitted.

The management opinion was that these and other additional measures implemented by the Edpyme will allow us to cope with the negative effects of the Covid-19 pandemic.

2. Accounting principles and practices

In the preparation and presentation of the attached financial statements, the Management of Edpyme has observed compliance with the SBS standards in force in Peru for financial institutions as at December 31, 2021 and 2020. The following are the main accounting principles and practices used in the preparation of the Edpyme's financial statements:

(a) Basis for presentation, use of estimates and changes in accounting principles -

(i) Basis for presentation-

The attached financial statements have been prepared in accordance with the accounting principles generally accepted in Peru, applicable to financial institutions, which substantially comprise the SBS standards and, in a supplementary basis, when there are no specific SBS standards, the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) which are formalized in Peru through the Resolutions issued by the Accounting Regulatory Council (hereinafter "CNC") and in force on December 31, 2021 and 2020, see paragraph (s.1).

The information contained in these financial statements will be at the Edpyme's Management responsibility, which expressly confirms that for the preparation it has been applied all principles and criteria applicable in Peru to financial institutions.

Notes to Financial Statements (continued)

The financial statements are prepared from the accounting records maintained by the Edpyme in accordance with the principle of historical cost. Financial statements are presented in soles and all values are rounded to thousands of soles (S/ (000)), except where otherwise indicated.

(ii) Changes in accounting principles and new communication-

As mentioned in note 1(d), on the grounds of State of Health Emergency and National Emergency due to the pandemic caused by the Covid-19 disease, the Peruvian Government, the MEF, the BCRP and the SBS issued the following regulations with exceptional measures, as details below:

(ii.1) Payment facilities to client

From the months of March to July 2020, the SBS issued a series of Official Letters (N° 10997-2020-SBS, N° 11150-2020-SBS, N° 11170-2020-SBS, N° 12679-2020-SBS, N° 13195-2020-SBS, N° 13805-2020-SBS and N° 14355-2020-SBS and N° 15944-2020-SBS) which, are no longer in force and established exceptional measures applicable to the loan portfolio, in order to facilitate the payment of clients' debt to financial institutions which were affected by the restrictive measures taken by the Government of Peru due to the Covid-19 pandemic. The main actions were the following:

Reprogramming of loans:

- The institutions in the financial system were able to modify the contractual terms of loans without showing them as refinanced to the extent that the total term is not extended by more than twelve months from the original term of the loan. In addition, debtors were required to have 15 days of arrears as at February 29, 2020; subsequently, as of May 29, 2020, and only for purposes of the National Emergency State, a debtor's credit was considered due when reach 30 calendar days, at most, at the time of modification, to meet the requirement to be up to date with payments.
- In the case of retail loans with modification of contractual terms, associated interest continued to be recognized on the basis of accrual. However, if the debtor changed its situation to overdue after establishing new credit terms, the financial institution had to reverse the accrued interest of such loan proportionately within a six-month period.
- For non-retail loans with modification of the contractual conditions, the associated interest was recognized by the method of the perceived. The accrued uncollected interest related to these loans was reversed from the date of modification of the contractual conditions.

Notes to Financial Statements (continued)

- If a debtor presented overdue payments after the contractual amendments, such loan was considered as a refinanced loan; following the general criteria of SBS Resolution N° 11356-2008, as indicated in note 2(f).
- According to the SBS Multiple Official notice N° 11150-2020, the scope of the facilities mentioned above was determined by each entity of the Financial System, after analyzing the level of impact on its loan portfolio.
- Financial institutions are allowed to register, in a preventive and responsible manner, necessary voluntary provisions to enable them to cope with increases in risk in loan portfolio at the time they are materialized.

Subsequently, during February and March 2021, the SBS issued Multiple Official notice N° 13613-2021-SBS and N° 6302-202-SBS, through which it empowered financial entities to be able to reschedule their clients during the year 2021. To access these reschedulings, the client must have paid a full installment that includes capital during the last 6 months, and the rescheduled term cannot be extended for more than three months.

As at December 31, 2021 and 2020, the balance of rescheduled loans amounts to approximately S/504,010,000 and S/694,200,000, respectively. Likewise, it constituted provisions within the framework of official notice N° 3155-2020-SBS associated with the State of National Emergency for approximately S/6,900,000 and S/3,950,000, respectively.

The opinion of the Edpyme's Management, the Edpyme has complied with all the provisions established by the SBS and has sufficient specific and voluntary provisions to deal with the increase in credit risk of these rescheduled clients.

Suspension in the count of days in arrears

- For debtors more than 15 days past due as of February 29, 2020, the computation of days past due was suspended until July 31, 2020.
- In relation to the report of the days in arrears of those credits that were subject to suspension of the count of days in arrears, at the end of each month, the lowest number of days in arrears was reported, resulting from the comparison between: (i) the actual days of arrears at the end of the reporting month that presents the credit and (ii) the days of arrears frozen as of February 29, 2020 plus the calendar days elapsed from August 1, 2020 until the end of the reporting month.

Notes to Financial Statements (continued)

- Pursuant to the provisions of the preceding point, when the debtor improved its classification and, therefore, its requirement for provisions had to be reduced, these released provisions were reassigned to the constitution of other mandatory provisions or, failing that, recorded as voluntary provisions.

As at December 31, 2020, the Edpyme did not suspend any "rescheduled loan" - State of Health Emergency".

In Management's opinion, the Edpyme has complied with all the provisions established by the SBS in relation to the suspension of the count of days in arrears and has sufficient voluntary provisions to face the increase in the credit risk of these clients.

(ii.2) Additional provisions for rescheduled loans

The SBS Resolution N° 3155-2020, issued on December 17, 2020, establishes that due to rescheduled credits as a result of Covid-19, debtors with a Normal rating are considered debtors with a credit risk higher than Normal, corresponding becoming a credit risk level with Potential Problems (CPP). Specific provisions corresponding to the CPP category are applied to these credits, applicable to consumer, microenterprise and small business loans.

Subsequently, the SBS issued SBS resolution N° 3922-2021, on December 23, 2021, which establishes that for rescheduled credits as a result of Covid-19, accounted for as such, entities in the financial system must apply the following:

- Debtors' rescheduled loans with normal classification are considered debtors with a higher credit risk, above normal, becoming a credit risk level with Potential Problems (CPP). Specific provisions corresponding to CPP category, applicable to consumer, microenterprise and small enterprise credits, apply to these credits.
- The rescheduled credits of debtors with a Normal and CPP classification that have not made the payment of at least one full installment that includes capital in the last six months at the closing of the accounting information, correspond to the Deficient credit risk level. Specific provisions corresponding to the Deficient credit risk category are applied to these loans, applicable to consumer, microenterprise and small business loans.

Notes to Financial Statements (continued)

- The rescheduled credits of debtors with a Normal, CPP and Deficient classification that have not made the payment of at least one full installment that includes principal in the last twelve months, correspond to the Doubtful credit risk level. Specific provisions corresponding to the Doubtful credit risk category are applied to these credits, applicable to consumer, microenterprise and small business loans.
- For accrued interest on rescheduled loans, in a current accounting position, corresponding to consumer, micro and small enterprise loans portfolio, for which the client has not made the payment of at least a full instalment including capital in the last six months at the close of the accounting report, a provision requirement corresponding to the Deficient risk category shall apply to them. According to what was stated by the SBS, the deadline for the registration of these provisions was December 31, 2021.

As of the publication of this resolution, non-collected accrued interest at the reprogramming date, recognized as incomes that are capitalized as a result of reprogramming, must be return and registered as deferred income, being counted as income based on the new term of credit and while the corresponding installments are being paid.

The companies of the financial system will not be able, in any case, to generate utilities or generate better results by the reversal of the provisions, having to reallocate them for the establishment of mandatory specific provisions.

As at December 31, 2021 and 2020, the Edpyme made S/6,400,000 and S/1,393,000 provisions for rescheduled loans of debtors with normal classification, respectively; and accrued interest on rescheduled loans in current accounting position constituted approximately S/500,000 and S/2,557,000 provision, respectively.

(ii.3) Suspension in the presentation of rescheduled credits

According to Multiple Official Notice N° 19109-2020, issued on August 7, 2020, the SBS communicated some complementary provisions related to the operations subject to the measures established through the Multiple Official Notice described in paragraph (ii.1) above. The main provisions were the following:

- Credit operations that have been subject to contractual modifications must be recorded in the accounting subaccount 8109.37 "Rescheduled Credits - State of Sanitary Emergency", for the periods indicated below, as appropriate:

Notes to Financial Statements (continued)

- (i) If the modification was made only for minimum payments of the credit card debt or if or if the schedule modification did not imply a reduction in the amount of the installments for all types of credits (other than revolving consumer credits by credit cards), the credit operation will cease to be recorded in the memorandum account after 6 consecutive months of punctual payment of its installments, counted from the resumption of the payment obligation (after the grace period).

- (ii) If the modification implied the reduction of the amount of the installments of all types of credits (other than revolving consumer credits for credit cards), the operation must remain registered in the memorandum account until the debtor has paid at least twenty percent of the capital of the operation subject to modification, and has demonstrated payment capacity with respect to the new credit schedule through punctual payment of the last 6 months.

- (i) For all types of loans (other than revolving consumer loans for credit cards) that have a payment frequency greater than monthly, the operation will cease to be recorded in the memorandum account after 6 consecutive punctual payments of their installments, counted from the resumption of the payment obligation (after the grace period); or when the debtor has paid at least twenty percent of the capital of the operation subject to modification; what happens first.

- (ii) If the modification was made for the entire debt, all credit card debt will cease to be recorded in the memorandum account after 12 consecutive months of timely payment, counted from the resumption of the payment obligation (after the grace period).

For these purposes, payment made up to 8 days late will be considered as punctual payment. Additionally, once the credit is no longer reported in subaccount 8109.37 "Rescheduled Credits - State of Sanitary Emergency", it should no longer be considered for the purposes of Report 35 - "Reprogrammed Credits: National Covid-19 Emergency".

- (ii.5) "Reactiva Peru" Program -
The "Reactiva Peru" program was created by Legislative Decree N° 1455-2020 to grant loans to companies, through financial institutions, guaranteed by the Peruvian Government, with the purpose of maintaining continuity of the payment chain. The program is aimed at micro, small, medium and large companies.

Notes to Financial Statements (continued)

In connection with this program, on April 22, 2020, the SBS issued Official Letter N° 11999-2020. In this letter, the SBS provided specifications for the accounting of these operations and also mentioned that the registration of interest is carried on a cumulatively basis. In addition, on April 27, 2020, the SBS issued Resolution N° 1314-2020 which establishes that the credit risk provision of loans that are covered by the guarantee of "Reactiva Peru" program will be zero percent.

During the year 2020, the Edpyme has not granted credits under this modality, because it did not take part in "Reactiva Peru" program.

(ii.5) Regulatory Capital

The Resolution SBS N° 1264-2020 issued on March 26, 2020, establishes that the modifications to the contractual conditions indicated in the Multiple Official Notice mentioned in literal (a), will not increase the regulatory capital requirement for non-revolving consumer loans and mortgage loans. Likewise, said resolution authorizes financial entities to use additional regulatory capital for the economic cycle component, see note 12(e).

Subsequently, the SBS issued Multiple Official Letter No. 27358-2021-SBS, on June 2, 2021, in which it establishes for the financial information corresponding to the period between April 2021 and March 2022, that the regulatory capital for the companies of the financial system must be equal to or greater than 8 percent of total risk-weighted assets and contingents, equivalent to the sum of the regulatory capital requirement for market risk multiplied by 10, of the regulatory capital requirement for operational risk multiplied by 10, and of the assets and contingent weighted by credit risk.

SBS Resolution No. 3921-2021 issued on December 23, 2021 establishes the modification of the calculation of the additional regulatory capital requirement for market concentration, considering the criteria of size, interconnection, substitutability and complexity. Likewise, it establishes an adaptation period of two years from December 2022.

In the opinion of Edpyme's Management, Edpyme complies with the provisions indicated by the SBS in relation to regulatory capital.

(ii.6) Repo transactions of loan portfolio represented by securities -

On April 3, 2020, the BCRP issued Circular Letter N° 0014-2020-BCRP. In this Circular, the BCRP establishes the characteristics and procedures for repo transactions of loan portfolio guaranteed by the Peruvian Government. At the sale date, the Edpyme receives the local currency (sale amount) and, in the same act, is obliged to repurchase such portfolio (repurchase amount). The BCRP will disburse 80 per cent of the funds into the Edpyme's current account held in the BCRP and the remaining portion in a restricted account also held by the Edpyme in the BCRP.

Notes to Financial Statements (continued)

In relation to repo transactions of loan portfolio, the SBS issued Official Letters N° 11518-2020 and N° 12791-2020, on April 7, 2020 and May 8, 2020, respectively. Through these Official Letters, the SBS provides the accounting treatment for such transactions as well as certain requirements to the SBS reporting purposes. In accordance with these Official letters, the loan portfolio will not be deregistered and the requirement of provisions for loan portfolio subject to the repo operation remains.

As at December 31, 2021 and 2020, the Edpyme did not maintain loan portfolio repotransactions represented in securities.

(li.7) Provisions with reduction from equity -

The Multiple Official Notice N° 42138-2020 issued on December 23, 2020 establishes, exceptionally and subject to prior authorization from the SBS, that financial system entities may reduce their capital stock, legal reserve and/or other equity accounts, in order to set up new specific and/or generic provisions (including voluntary provisions) for its credit portfolio. As of December 31, 2021, Edpyme's Management decided not to constitute provisions charged to equity accounts.

(li.8) Other economic programs promoted by the Peruvian Government.

During 2020, the Peruvian Government promoted a series of programs to mitigate the economic impacts generated by Covid-19; for which Edpyme decided not to participate. These economic programs are briefly detailed below:

- Business support fund for MYPE - "FAE MYPE" -

It was created through Emergency Decree No. 029-2020, and is a state fund created to guarantee working capital loans, debt restructuring, and refinancing of micro and small businesses (MYPE).

On April 27 and May 19, 2020, the SBS through Resolutions N° 1315-2020-SBS and Multiple Official Notice N° 13206-2020-SBS, respectively, which establish that the provision for the risk of credit for loans covered by the FAE MYPE guarantee will be zero percent. The portion of the loan that does not have the coverage provided by the Fund corresponds to the provision of the original type of credit according to the classification corresponding to the debtor of the loan.

At the end of 2021, Edpyme maintains a balance of approximately S/ 12,082,903 for credits from the "FAE MYPE" program, including accrued interest for approximately S/ 154,313, with 98 percent of this amount covered by the Peruvian government guarantee.

Notes to Financial Statements (continued)

- Business Support Fund for MYPE of the Tourism Sector (FAE TURISMO by its Spanish acronym) and Business Support Fund for MYPE of the Agricultural Sector (“FAE AGRO” by its Spanish acronym)
FAE-TURISMO was created by Emergency Decree N° 76-2020 with the purpose of promoting the financing of micro and small enterprises of the Tourism Sector through working capital loans. In addition, by means of Emergency Decree N° 082- 2020, the FAE-AGRO program was created, which aims to guarantee working capital loans of farmers who carry out family farming activities as defined by Law N° 30355, to ensure the 2020-2021 agricultural campaign and food supply at national level.

In relation to these programs, on September 4, 2020, the SBS issued Resolution N° 2154-2020, which establishes that the same treatments and Resolutions provided for the FAE-MYPE program are applicable to loans covered by FAE- TURISMO program. Moreover, loans covered by FAE-AGRO program, are subject to the same treatments and resolutions provided for the “REACTIVA PERU” program.

As at December 31, 2021 and 2020, the Edpyme did not maintain loans from FAE MYPE, FAE-TURISMO and FAE-AGRO.

- COVID-19 Guarantees Program -
Law N° 31050 established the extraordinary provisions for rescheduling and debts freezing in order to alleviate the natural persons economy and MYPES as a result of Covid-19, and disposed the creation of the Covid-19 Guarantees Program, which aims to provide guarantees for the rescheduling of consumer, personal, housing mortgage, vehicles and MYPES loans, from 6 to 36 months. The granting of the guarantee is conditioned to a loan cost reduction and, as an alternative and exclusive option of the above mentioned, dispose that companies of the financial system may establish a 90-days freezing period for consumer, personal, vehicle and MYPES loans.

On November 10, 2020, through Resolution 2793-2020, the SBS established that, exceptionally, a 0-percent credit risk provision rate is applicable to the loan portion covered by the Covid-19 Guarantees Program when credit counterparty substitution is applied, from the activation of the guarantee.

As at December 31, 2021 and 2020, the Edpyme did not maintain credits from the Covid-19 Guarantees Program.

Notes to Financial Statements (continued)

(b) Accounting estimates-

The preparation of the accompanying financial statements requires that Management perform estimates that affect the reported figures of assets and liabilities, income and expenses, and the disclosure of significant events in the notes to the financial statements.

As at December 31, 2021 and 2020, the most significant estimates in relation to the accompanying financial statements correspond to the provision for uncollectibility of credits, provision for realizable, recovered, received in lieu of payment and awarded assets; other estimates are also made such as the provision of accounts receivable, estimation of useful life and recoverable value of furniture and equipment and intangibles, deferred income tax assets and liabilities as well as provisions with accounting criteria that are described below in this note.

In Management's opinion, these estimates were made on the basis of a better knowledge of the relevant facts and circumstances as at the date of financial statements preparation; however, the final incomes may differ from the estimates. The Edpyme's Management expects that the variations, if any, will not have a significant effect on the financial statements.

(c) Foreign currency -

Functional and presentation currency -

The Edpyme considers Peruvian Sol as a functional and presentation currency, because it reflects the nature of economic events and relevant circumstances, given that its main operations and/or transactions such as: granted loans, obtained funding, financial income and financial expenses, as well a significant percentage of purchase; they are established and settled in Soles.

Transactions and balance in foreign currency -

Foreign currency assets and liabilities are initially registered by the Edpyme at the exchange rates of the date on which the transactions are made. Monetary assets and liabilities denominated in foreign currency are adjusted to the exchange rate of the functional currency in force on the date of the financial position status, fixed by the SBS. Profits or losses resulting from monetary assets and liabilities restatement in foreign currency at the exchange rates in force at the date of financial position status are registered in incomes of the financial year in heading "Profit on exchange difference, net", see note 22.2(ii).

Non-monetary assets and liabilities that are acquired in foreign currency are registered in Soles at the exchange rate of the date of their acquisition.

(d) Financial instruments -

Financial instruments are classified into assets, liabilities or equity according to the substance of the contractual agreement that gave rise to them. Interest, dividends, profits and losses generated by a financial instrument classified as an assets or liabilities are registered as income or expense. Financial instruments are offset when the Edpyme has the legal right to offset them, and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Notes to Financial Statements (continued)

The financial assets and liabilities presented in the statement of financial position correspond to the available funds, loan portfolio, accounts receivable and liabilities in general, except for taxes payable and provisions for risks miscellaneous (presented under the heading "Other liabilities", note 9(a)). Indirect loans are also considered to be financial instruments.

The accounting policies on the recognition and valuation of these accounts are described in the respective accounting policies described in this note.

(e) Recognition of incomes and expenses -

Interest revenue and expenses are recognized in incomes of the period in which they are accrued, based on the effective term of transactions that are generated and the interest rates freely agreed with clients, except in the case of interest accrued on past due loans, refinanced, restructured and in legal collection, as well as loans classified as doubtful and loss, whose interests are recognized as they are being collected. When management determines that the debtor's financial condition has improved and the loan is reclassified to current or in the category of normal, with potential or deficient problems, that interest is recognized again on an accrual basis.

Dividends are registered as revenue when they are declared.

Fees and expenses for loan structuring, as well as for direct and indirect loans opening, studying and assessment, are registered as income according to their accrual in the term of their respective contracts.

Commission for sold portfolio management is recognized, according to what was established on the corresponding contracts, based on the installments collected on each loan.

Broker and/or placement fees paid to concessions accrue over the term of the related credit.

Other revenues and expenses are recognized as acquired or incurred in the period in which they accrue.

Revenues from portfolio sale is registered in accordance with Official Letters N° 40482-2014-SBS and N° 18957-2015-SBS as follows:

- Without repo (repurchase agreement)
When a loan portfolio is sold, it is removed from the balance sheet, as well as the provision made up to sale time; profits or loss resulting from such transfer is included in the statement of comprehensive incomes in the period in which the transaction is made.

Notes to Financial Statements (continued)

- With repo (repurchase agreement)
When a loan portfolio is sold with a repurchase agreement, the SBS has differentiated the accounting aspects based on the repurchase guarantees that are agreed with the buyers; these are as follows:
 - When the repurchase option or agreement is less than or equal to 10 per cent; the accounting treatment is similar to that indicated in "Without repo", considering that due to the responsibility of the repurchase, the Edpyme establishes provisions at the time of the portfolio sale equivalent to 100 percent of the repurchase agreement rate value established in each contract. At the time of the portfolio repurchase, the provisions of repurchased credits are registered considering the rating at which they are at the repurchase time.
 - When the repurchase option or agreement is greater than 10 percent; the portfolio must remain in the assets and constitute loan provisions according to SBS Resolution N° 11356-2008, see paragraph (f) below, however, the accrued returns from the transferred credits must be registered in memorandum accounts from the transfer date. The difference between the transfer price and the nominal value of transferred portfolio shall be recognized monthly as income over the average term of the transferred portfolio; in addition, the Edpyme must constitute a Guarantee Fund equivalent to the default probability of its placement portfolio multiplied by the sold capital. For credit provisioning purposes, due to repurchase responsibility, the Edpyme constitutes provisions at the time of the portfolio sale equivalent to 100 percent of the repo rate value established in each contract. At the time of the portfolio repurchase, the provisions of the repurchased loans are registered, considering the rating in which they are at the time of the repurchase.

As at 2018, Edpyme carries out only portfolio sales transactions without repo.

- (f) Loan portfolio and provision for doubtful loans and collections -
Direct credits are registered when funds are disbursed in favor of customers. Indirect loans (contingent) are registered when the documents supporting such credit facilities are issued.

They are considered as refinanced loans to funding credits or direct financing in which there are variations in term and/or amount of the original contract that are due to difficulties in the debtor's ability to pay.

Notes to Financial Statements (continued)

The provision for doubtful collections is determined following the criteria of SBS Resolution N° 11356-2008 "Regulations for the evaluation and classification of the debtor and the requirement of provisions", SBS Resolution N° 6941-2008 "Regulations for Risk Management of Over-indebtedness of Retail Debtors" and SBS Resolution N° 3922-2021 "Additional provisions for rescheduled credits". These criteria include, in general terms, four components that are: (i) the provision that results from the risk classification assigned to the loan portfolio, (ii) the procyclical provision that is activated by the SBS considering the behavior of certain variables macroeconomic conditions of the country, (iii) the provision for over-indebtedness of the retail portfolio and (iv) additional provisions for rescheduled loans, see note 2(a)(ii) above.

The provision for portfolio classification is made based on the review carried out periodically by Edpyme's Management, classifying each debtor in these categories: normal, with potential problem, deficient, doubtful or loss; depending on the non-payment risk degree.

In case of non-retail debtors, classification to one of the categories mentioned above considers, among others, the following factors: debtor's payment experience, business relations history with debtor's management, transactions history, debtor's ability to pay and availability of funds, situations of collateral and guarantees received, analysis of the debtor's financial statements, debtor's risk in other financial institutions on the market; as well as other relevant factors. In case of retail debtors, classification is made mainly based on days of arrears.

As at December 31, 2021 and 2020, the percentage of provision for indirect credits, which can be 0, 20, 50 and 100 percent, depending on the credit, is determined on the basis of the credit conversion factor.

The calculation of the provision is carried out according to the classification granted and considering specific percentages, which vary depending on whether the credits are supported by preferred self-liquidating guarantees - CGPA (by its Spanish acronym) (cash deposits and letter-of-credit rights), or by preferred guarantees that may be readily liquidated - CGPMRR (by its Spanish acronym) (treasury bonds issued by the Peruvian National Government; marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees - CGP (first pledge on financial instruments and movable assets and real estate, first agricultural or mining pledge, insurance on export credits, among others). The guarantees received are considered at their estimated realizable value as determined by independent appraisers. In addition, to compute the provision, it must be considered the classification of the guarantor or guaranteeing party in case credits have subsidiary liability of a financial system company or insurance entity (loans subject to credit counterparty replacement - CAC by its Spanish acronym).

Notes to Financial Statements (continued)

The provision of customers classified in the doubtful or loss categories for more than 36 and 24 months, respectively, is determined without considering the guarantees value.

For credits with more than 90 arrear days, their expected loss is estimated and, if it is greater than the provision established, additional provisions are registered.

As at December 31, 2021 and 2020, this provision considers the types of credits and provisioning rates for each risk category presented in note 4(e). Moreover, as at December 31, 2021 and 2020, the provision estimate for indirect credits is determined on the basis of the "exposure equivalent to credit risk" according to the credit conversion factor.

The procyclical provision was calculated for loans classified in the normal category and according to the percentages established by the SBS. However, as at December 31, 2014, the procyclical component of the provision is suspended; which was used to establish mandatory specific provisions.

The provision for over-indebtedness of the retail portfolio is required by SBS Resolution N° 6941-2008, dated August 25, 2008, "Regulation for the Management of Over-indebtedness Risk in Retail Debtors". This standard requires that companies in the financial system establish a risk management system of over-indebtedness that allows to reduce the risk before and after the credit granting; to carry out a permanent portfolio monitoring to identify the over-indebted debtors that includes the periodic evaluation of the used control mechanisms, as well as the corrective actions or improvements required, if necessary. Companies that do not comply with such provisions upon SBS request shall calculate the exposure equivalent to credit risk by applying a factor of 20 per cent to the unused amount of microenterprise and consumer revolving credit lines, and on such amount to calculate the provision according to debtor's classification, for provisioning purposes.

In Management's opinion, as at December 31, 2021 and 2020, the Edpyme has complied with the requirements established in SBS Resolution N° 6941-2008, so it has not been necessary to register additional generic provisions relating to inadequate risk management of over-indebtedness. Likewise, the SBS has not communicated to Edpyme's Management the requirement of greater provisions in application of this standard.

Provisions for direct loans are presented by deducting the balance of the same direct loans in the asset, while provisions for contingent loans are presented as a liability in heading "Other liabilities", note 9(a).

Notes to Financial Statements (continued)

(g) Accounts receivable and provisions for uncollectibility of accounts receivable -
 Accounts receivables are recognized at fair value, except for the corresponding provision for uncollectibility of accounts receivable. The provision for uncollectibility of accounts receivable is estimated in accordance with the policies established by Management and is recognized considering, among other factors, the age of balances pending payment and their possibilities of being recovered, and evidence of debtor’s financial difficulties that increase the risk of uncollectibility of balances pending payment, so that their amount has a level that management deems adequate to cover eventual losses in accounts receivable to the date of financial position statement. The amount of the provision is deducted in the financial year income. Subsequent recoveries are recognized with credit to the income of the year.

The estimated balance is periodically reviewed by Management to adjust it to the necessary levels to cover potential losses in accounts receivable. Uncollectible accounts are penalized when they are identified.

(h) Property, furniture and equipment -
 Property, furniture and equipment are registered at the historical acquisition cost, except for the accumulated depreciation and the cumulative amount of asset impairment losses if applicable, see paragraph (k) below. Maintenance and repair costs are charged to incomes and any significant renovation and improvement is capitalized provided that: i) it is likely that the Edpyme will obtain future economic benefits derived from it; and ii) its cost can be reliably valued. The cost and corresponding accumulated depreciation of the sold or withdrawn assets are eliminated from the respective accounts and the utility or loss generated is included in the financial year income.

Work in progress is registered at the cost of acquisition. These goods do not depreciate until they are operational.

Grounds do not depreciate. Depreciation of the other assets that make up this heading is calculated following the straight-line method, in order to allocate the cost during their estimated useful life, as follows:

	Years
Buildings and facilities	33
Miscellaneous furniture and equipment	10
Computer equipment	4
Transport units	5
Improvement in rented premises (*)	Between 2 -10

(*) It varies depending on the term of the lease agreement made.

Notes to Financial Statements (continued)

The residual value, useful life and depreciation method are periodically reviewed to ensure that the depreciation method and period are consistent with the future economic benefit and life expectancies of the heading: property, furniture and equipment category.

(i) Intangible Assets -

Intangible assets are included in the heading "Other assets" of the statement of financial position, they are registered at the cost of acquisition, except for the accumulated amortization and the accumulated amount of asset impairment losses, if applicable, see paragraph (k) below.

The amortization of Edpyme's limited-life intangibles is calculated following the straight-line method based on its maximum useful life of five years, in accordance with SBS Resolution N° 1967-2010, see note 9(d).

As at December 31, 2021 and 2020, the Edpyme does not maintain unlimited useful life intangibles.

(j) Goods received in payment and awarded goods -

Goods received in payment and awarded goods are initially registered at the value agreed in the contract of acceptance in lieu, the value of judicial award, extrajudicial award, market value or unpaid debt value, the lesser; recognizing at the same time a provision equivalent to twenty percent (20 percent) of the award value or good recovery.

Subsequently, additional provisions are established following the criteria below:

Movable assets - A uniform monthly provision is established from the first month of the award or recovery, for a period of eighteen months until reaching 100 per cent of award or recovery net value.

Real estate - Uniform monthly provisions are established on the net book value obtained in the twelfth month; provided that the six-month extension contemplated in SBS Resolution N° 1535-2005 has not been obtained, in which case uniform monthly provisions on the net book value obtained in the eighteenth month are established. In both cases, the provisions will be established until reaching one hundred percent (100%) of the net book value within a period of three and a half years, counted from the date on which the monthly provisions began to be established.

The valuations annual updating of these assets determined by an independent expert shall, if necessary, involve the establishment of provisions for devaluation.

The Edpyme adopted the "Good Net Value" concept defined in Memorandum N° 08-2019- VI/EAC-SBS since September 1, 2019, for the Accounting Manual application in relation to utility generated by the difference between the placement and net value of the good, which is recognized as a deferred income in subaccount 2901.08 "Income from placement of recovered and awarded goods".

Notes to Financial Statements (continued)

(k) Impairment of assets value -

When there are economic events or changes indicating that the asset value may not be recoverable, the Edpyme reviews the value of the property, furniture and equipment and intangibles to verify that there is no permanent deterioration in its value. When the asset's book value exceeds its recoverable value, an impairment loss is recognized in the income statement for the items: real estate, furniture and equipment and intangibles. The recoverable value is the largest between the net sale price and its value in use. The net sale price is the amount that can be obtained in the sale of an asset on a free market, while the value in use is the estimated future flows existing value for the continuous use of an asset and its availability at the end of its useful life. Recoverable amounts are estimated for each asset or, if it is not possible, for the cash-generating unit.

In management's opinion, there is no evidence of impairment in the value of such assets as at December 31, 2021 and 2020.

(l) Employee Benefits -

The Edpyme recognizes a liability and an expense due to worker participation equivalent to 5 percent of the net taxable income determined in accordance with the tax rules in force. It also recognizes a liability and an expense due to bonus payment (*gratificación*) on the basis of the labor legislation in force in Peru. The bonus payment corresponds to two annual payments which are paid in July and December of each year.

The staff's compensation for time of service is calculated in accordance with the labor legislation in force for the full compensation rights of the workers, and is paid through deposits in financial institutions chosen by them. Staff's compensation for time of service is equivalent to one salary in force on the deposit date.

Staff holidays are recognized on an accrual basis.

(m) Income tax -

(m.1) Current income tax-

The current income tax asset or liability is measured as the expected amount to be recovered from or paid to the tax authority; therefore, it is calculated based on the taxable income determined for tax purposes.

(m.2) Deferred income tax-

Deferred income tax is recognized using the liability method for the temporal differences between the tax and accounting base of assets and liabilities on the date of the financial position statement.

Notes to Financial Statements (continued)

The book amount of deferred tax assets and liabilities may change, even when the amount of temporary differences has not changed, due to a change in the income tax rate. The effect on the change in the deferred tax, corresponding to rate change, will be recognized in the period income statement, except in the previously recognized accounts outside the income statement (either in other comprehensive incomes or directly in equity).

Deferred assets and liabilities are recognized without regard to the time when it is estimated that the temporary differences will be deleted. Deferred assets are recognized when there are likely to be sufficient future tax benefits for the deferred asset to be enforceable. At the date of the financial position statement, Management evaluates non-recognized deferred assets and the recognized assets balance; recognizing a previously un-recognized deferred asset to the extent that future tax benefits are likely to allow its recoverability or by reducing a deferred asset to the extent that sufficient future tax benefits are not likely to be available to allow some or all of the accounting-recognized deferred asset to be used.

The book value of the deferred asset is reviewed on each date of financial position statement and is reduced to the extent that it is not likely that there is sufficient taxable profit with which all or part of the deferred asset to be used can be offset. Unrecognized deferred assets are revalued on each date of the financial position statement and are recognized to the extent that future taxable profit is likely to allow the deferred asset to be recovered. Deferred assets and liabilities are recognized without taking into account the time when it is considered that temporary differences are canceled.

Deferred assets and liabilities are measured at the statutory rates expected to apply in the year in which the asset is realized or the liability is liquidated, based on rates that have been enacted or substantially promulgated on the date of the financial position statement.

Deferred assets and liabilities are offset if there is a legal right to offset them and deferred taxes are related to the same entity and the same Tax Authority.

(n) Provisions -

A provision is recognized only when the Edpyme has a present obligation (legal or implied) as a result of a past event, it is likely that resources will be required to settle such obligation and, at the same time, it is possible to estimate its amount in a reliable manner. Provisions are reviewed each period and adjusted to reflect the best estimate at financial position statement date. When the effect of the money value over time is significant, the provision amount is the present value of the expenses expected to be incurred to settle it.

Notes to Financial Statements (continued)

(o) Contingencies -

Contingent liabilities are not recognized in the financial statements. These are disclosed in a note to financial statements unless the likelihood of an economic flow being disbursed is remote.

A contingent asset is not recognized in the financial statements, but it is disclosed when its degree of contingencies is expected.

(p) Cash and cash equivalents -

The cash and cash equivalents presented in the cash flows statement is made up of the available balance of the financial position statement; considering cash, deposits with an agreed maturity of less than three months from the incorporation date and excluding restricted funds, if applicable.

(q) Dividend distribution -

The distribution of cash dividends is recognized as a liability in the financial statements in the year in which dividends are approved by Edpyme's shareholders.

(r) Subsequent events -

Events after the end of the financial year that provide additional information on the Edpyme's financial position at the reporting date are included in financial statements. Significant subsequent events that are not adjustment events are disclosed in Notes to financial statements.

(s) New accounting pronouncements

(s.1) Issued IFRS in force in Peru as of December 31, 2021:

The Accounting Normative Council (hereinafter "CNC") through Resolution N° 001-2021-EF/30 issued on November 15, 2021, approved the amendments to IFRS 16, IAS 8, IAS 1, IAS 12 and the complete set of IFRS 2021 (NIC, IFRS, IFRIC and SIC), which includes the Conceptual Framework for Financial Information.

The application of these rules is from the day following issuance of Resolution or later, according to the entry into force stipulated in each specific standard.

(s.2) IFRS issued internationally but not in force on 31 December 2021:

- IFRS 17 "Insurance contracts", a new comprehensive accounting standard for insurance contracts that covers recognition and measurement, presentation and disclosure, effective for reporting periods starting on or after January 1, 2023.
- Amendments to IFRS 3: "Business Combinations" in relation to references to the Conceptual Framework, effective for annual periods starting on or after January 1, 2022.

Notes to Financial Statements (continued)

- Amendments to IAS 1: "Presentation of Financial Statements" in relation to the classification of liabilities as current or non-current, effective for annual periods starting on or after January 1, 2023.
- Amendments to IAS 16: "Property, plant and equipment" in relation to cost components and disclosures, effective for annual periods starting on or after January 1, 2022.
- Amendments to IAS 37: "Provisions, contingent liabilities and contingent assets" regarding onerous contract costs, effective for annual periods starting on or after January 1, 2022.
- Improvements (cycles 2018 - 2020) to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments" and IAS 41 "Agriculture", effective for annual periods starting on or after December 1, January 2022.
- IFRS 9 "Financial Instruments": Fees in the "10 percent" test for the derecognition of financial liabilities, effective for annual periods starting on or after January 1, 2022.
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of accounting estimates, effective for annual periods starting on or after January 1, 2023.
- Amendments to IAS 1 and to the IFRS 2 Practice Document, regarding the disclosure of accounting policies, effective for annual periods starting on or after January 1, 2023.

Because the rules detailed in paragraphs (s.1) and (s.2) apply only in a supplementary manner to those developed by the SBS standards, they will have no effect on the preparation of the accompanying financial statements, unless the SBS adopts them in the future by means of a modification in the Accounting Manual for Companies of the Financial System or the specific standards issuance. The Edpyme has not estimated the effect on its financial statements if such standards were adopted by the SBS.

Notes to Financial Statements (continued)

3. Available

(a) Heading structure is presented below:

	2021 S/ (000)	2020 S/ (000)
Cash (b)	915	583
Banks and other companies of the country's financial system (c)	8, 882	46,384
Restricted funds (d)	12,286	13,030
Total	<u>22,083</u>	<u>59,997</u>

(b) It corresponds to the cash kept on the special offices, located in Lima and provinces, for its own operations.

(c) As at December 31, 2021 and 2020, the Edpyme kept its current accounts in Peruvian soles and US dollars, in banks and other local financial system companies, they are freely available and generate interest to rates in force in local financial market.

(d) As at December 31, 2021 and 2020, it mainly includes escrows for loans obtained, which are presented below:

	2021 S/ (000)	2020 S/ (000)
Guarantee for loans obtained, note 11(b) -		
Banco Interamericano de Finanzas - BanBif	4,967	6,832
Corporación Financiera de Desarrollo - COFIDE	6,462	6,373
	<u>11,431</u>	<u>12,920</u>
Other -		
Scotiabank Perú S.A.A. (e)	122	110
Banco de Crédito del Perú - BCP (f)	637	-
Banco Internacional del Perú S.A.A. - Interbank (f)	96	-
Total	<u>12,286</u>	<u>13,030</u>

(e) As at December 31, 2021 and 2020, it corresponds to an escrow certificate for business credit cards.

(f) As at December 31, 2021, corresponds to liens receivable.

Notes to Financial Statements (continued)

4. Loan portfolio, net

(a) Portfolio structure, classified by credit situation in the Edpyme is presented below:

	2021 S/ (000)	2020 S/ (000)
Direct loans		
Current loans	770,408	823,113
Refinanced loans	57,139	45,999
Overdue loans	54,740	67,522
	<u>882,287</u>	<u>936,634</u>
More (less)		
Accrued returns on current loans	87,171	57,243
Provision for doubtful loans and collections (h)	(84,900)	(92,019)
	<u>884,558</u>	<u>901,858</u>
Total		
Indirect loans, note 15(a)	<u>4,005</u>	<u>1,374</u>

As mentioned in note 2(a)(ii), the SBS issued resolutions with the purpose of (i) rescheduling loans, generating that such loans are not presented as overdue or refinanced loans, provided that they present a maximum of 30 days of arrears as at February 29, 2020, and (ii) suspending until August 31, 2020 the arrear days count of those customers who had more than 15 days of arrears as at February 29, 2020 and who have not rescheduled their loans.

As of December 31, 2021, the SBS still maintains the Official Letters that allow rescheduling in the framework of the COVID-19 Pandemic; Likewise, as of December 31, 2021, Edpyme maintains a provision within the framework of official letter 3155-2020-SBS associated with the State of National Emergency for approximately S/6,900,000.

As at December 31, 2020, the rescheduling granted as mentioned in note 2(a)(ii), have generated that these loans do not deteriorate accountably, due to changes in schedules of payments and / or grace periods granted. As at December 31, 2020, the Edpyme maintains a provision of approximately S/3,950,000 under the official letter N° 3155-2020-SBS associated with the State of National Emergency.

(b) As at December 31, 2021 and 2020, there is no significant concentration of credit risk due to the nature of Edpyme's operations, to customers portfolio and vehicle guarantees received. Loans maintained by the Edpyme correspond mainly to funding granted to customers for purchase of vehicles used for taxi service, private use and heavy vehicles or utility vehicles.

Notes to Financial Statements (continued)

- (c) The Edpyme freely sets interest rates that govern its active operations according to supply and demand, rates in force in the market, agreed terms and currency in which credit is granted. As at December 31, 2021 and 2020, the average annual effective rates for the main credit types:

	2021 %	2020 %
To medium-sized enterprises	13.29	13.91
To small-sized enterprises	17.93	17.08
To micro-enterprises	16.99	14.34
Non-revolving consumer loan	28.70	21.58

- (d) As at December 31, 2021 and 2020, the direct loan portfolio under the segmentation provided in SBS Resolution N° 11356-2008, note 2(f) is as follows:

	2021 S/ (000)	2020 S/ (000)
Non-retail loans		
Medium-sized enterprises	283,997	267,393
Retail loans		
Small-sized enterprises	418,287	309,693
Microenterprises	55,332	42,376
Non-revolving consumption	124,671	317,172
Total	<u>882,287</u>	<u>936,634</u>

As at December 31, 2021 and 2020, 51 percent of the total portfolio balance consists of 3,006 clients and 3,703 clients, respectively.

Additionally, credit balance rescheduled as at December 31, 2021, see note 2(a) (ii), according to its classification is presented below:

	2021 S/ (000)	2020 S/ (000)
Non-retail loans		
Medium-sized enterprises	184,090	220,572
Retail loans		
Small-sized enterprises	257,282	251,348
Microenterprises	11,929	14,467
Non-revolving consumption	50,708	207,813
Total	<u>504,010</u>	<u>694,200</u>

Notes to Financial Statements (continued)

- (e) According to SBS rules, the Edpyme's direct loans portfolio as to December 31, 2021 and 2020, is classified by risk as follow:

Risk category -	2021					
	Direct loans		Indirect loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%
Normal	557,179	63.2	4,005	100	561,184	63.3
With potential Problems	213,503	24.2	-	-	213,503	24.1
Deficient	20,170	2.3	-	-	20,170	2.3
Doubtful	47,336	5.4	-	-	47,336	5.3
Loss	44,099	5.0	-	-	44,099	5.0
	<u>882,287</u>	<u>100.00</u>	<u>4,005</u>	<u>100.00</u>	<u>886,292</u>	<u>100.00</u>
Risk category -	2020					
	Direct loans		Indirect loans		Total	
	S/ (000)	%	S/ (000)	%	S/ (000)	%
Normal	704,683	75.2	1,374	100.00	706,057	75.3
With potential problems	90,733	9.7	-	-	90,733	9.6
Deficient	33,137	3.5	-	-	33,137	3.5
Doubtful	58,627	6.3	-	-	58,627	6.3
Loss	49,454	5.3	-	-	49,454	5.3
	<u>936,634</u>	<u>100.00</u>	<u>1,374</u>	<u>100.00</u>	<u>938,008</u>	<u>100.00</u>

Notes to Financial Statements (continued)

- (f) As at December 31, 2021 and 2020, financial institutions in Peru must establish a provision for doubtful loans and collections on the basis of the risk classification indicated in paragraph (e) above, and using percentages indicated in SBS Resolution N° 11356-2008, as follows:

- (i) For loans classified in the "Normal" category:

Types of loans	Compulsory generic rate %	Procyclical Rate (*) %
Medium-sized enterprises	0.30	0.30
Small-sized enterprises	0.50	0.50
Microenterprises (MES by its Spanish acronym)	0.50	0.50
Non-revolving consumption	1.00	1.00

- (*) In the event that granted loan has preferred self-liquidating guarantees (CGPA), the procyclical component will be 0 percent, 0.25 percent or 0.30 percent, depending on the type of credit.

- (ii) For loans classified in the categories "With potential problems", "Deficient", "Doubtful" and "Loss", depending on whether they are loans without guarantees (CSG), loans with preferred guarantees (CGP), loans with preferred guarantees that may be readily liquidated (CGPMRR) or loans with preferred self-liquidating guarantees (CGPA), the following percentages are used:

Risk category	CSG %	CGP %	CGPMRR %	CGPA %
With potential problems	5.00	2.50	1.25	1.00
Deficient	25.00	12.5	6.25	1.00
Doubtful	60.00	30.0	15.00	1.00
Loss	100.00	60.0	30.00	1.00

As at December 31, 2021 and 2020, the provision percentages indicated above correspond to all loan types of companies in the Peruvian financial system. Due to operations type conducted by the Edpyme, the granted loans mainly have a guarantee on movable property (vehicle) considered as a preferred guarantee as indicated above.

Notes to Financial Statements (continued)

- (g) During 2021 and 2020, the Edpyme made transfers without repo for capital quantities amounting to S/26,411,000 and S/96,009,000, respectively; these transactions of the year 2021 and 2020 generated a net income of S/8,415,000 and S/5,187,000, respectively; which were registered under the heading "Result from financial transactions, net" note 18, from the comprehensive income statement.

As at December 31, 2021 and 2020, the capital balance of the portfolio transferred under repo transaction less than or equal to 10 percent amounts to S/85,596,000 and S/97,517,000, respectively.

As at December 31, 2021 and 2020, due to portfolio transfer agreements with repo transactions less than or equal to 10 percent in force, the Edpyme maintains a provision for this concept equivalent to S/1,530,000 and S/1,572,000 respectively, note 9(a), according to the repurchase percentage established in the individual contracts of transferred portfolio.

According to what is evaluated in the aforementioned portfolio transfer agreement, it is also established that the Edpyme will charge a fixed commission for the collection and raising management of each of the fees charged in full by the clients that are part of the transferred portfolio. During 2021 and 2020, the Edpyme has registered revenues for this concept amounting to S/8,411,000 and S/6,415,000, respectively, which is presented under the heading "Incomes from Financial Operations, net" in the comprehensive income statement, see note 18. As at December 31, 2021 and 2020, the balance receivable for this concept amounts to S/1,811,000 and S/1,432,000, which is presented under the heading "accounts receivable, net" in financial position statement, see note 5(b).

- (h) The movement of the provision for doubtful loans and collections (direct and indirect), determined according to the risk classification and the required provisioning percentages indicated in paragraph (f) above, was as follows:

	2021 S/ (000)	2020 S/ (000)
Balance as at January 1	92,062	67,366
Provision, net recoveries	47,020	36,776
Recovery of penalized portfolio	3,389	12
Portfolio sale	(3,003)	(12,092)
Write-Off	(54,540)	-
Balance as at 31 December (*)	<u>84,928</u>	<u>92,062</u>

- (*) The balance of the provision for doubtful loans and collections includes a provision for indirect loans of around S/28,000 and S/43,000 as at December 31, 2021 and 2020, respectively, which are presented under the heading "Other liabilities" in the financial position statement, note 9(a).

Notes to Financial Statements (continued)

In the Edpyme's Management opinion, the provision for doubtful loans and collections registered as at December 31, 2021 and 2020, is in accordance with the SBS rules in force on those dates, note 2(f).

The loan portfolio as at December 31, 2021 and 2020, classified by expiration is presented below

	2021 S/ (000)	2020 S/ (000)
Up to 3 months	13,800	17,941
From 3 months to 6 months	9,685	11,483
From 6 months to 12 months	21,300	45,800
From 1 to 2 years	81,020	101,609
From 2 to 5 years	399,533	455,635
More than 5 years	302,208	236,644
Expired	-54,741	67,522
	<u>882,287</u>	<u>936,634</u>

5. Accounts receivable, net

(a) As at December 31, 2021 and 2020, this heading includes the following:

	2021 S/ (000)	2020 S/ (000)
Miscellaneous accounts receivable (b)	45,377	19,897
ITAN (Temporary tax on net assets by its Spanish acronym)	3,257	3,608
Balance in favor of income tax, net (k)	2,778	3,246
Rental escrow	502	58
Claims to third parties	112	81
Personnel advance payment	3	125
General Sales Tax Credit	-	-
	<u>52,029</u>	<u>27,015</u>
Provision of miscellaneous accounts receivable (l)	<u>(3,840)</u>	<u>(95)</u>
	<u>48, 189</u>	<u>26,920</u>

Notes to Financial Statements (continued)

- (b) As at December 31, 2021 and 2020, miscellaneous accounts receivable includes the following:

	2021 S/ (000)	2020 S/ (000)
Insurance Policies (c)	17,613	8,659
Insurance Marketing Commission (d)	16,414	611
Right of exclusivity (e)	3,595	4,602
Collection management service, see note 4(g)	1,811	1,432
Prompt-Pay Program (PPP) Income (f)	311	505
Penalty for delay in vehicles delivery (g)	253	140
Payment protection insurance	106	253
Customer Referral Fee (h)	15	20
Placement fees of credits conversion	11	69
Joint venture (i)	3	211
Others (j)	5,245	3,395
	<u>45,377</u>	<u>19,897</u>

- (c) As at December 31, 2021 and 2020, it corresponds to policies receivable corresponding to the product All-Risk consumer that supports accidents, auto parts theft up to total vehicle loss so the Edpyme will charge S/17,613,000 and S/8,659,000, respectively.
- (d) As at December 31, 2020, a contract with Quálitas Compañías de Seguros S.A. was maintained, the purpose is for Edpyme to promote, offer and market the products of Quálitas Compañías de Seguros S.A. to its customers and third parties. That is why, during the 2021 and 2020 periods, the Edpyme made the purchase of policies to Quálitas Compañías de Seguros S.A. for its customers who did not have a current policy, these were valid for 1 to 5 years. For the aforementioned the Edpyme will charge commissions for the activation of its customers, taking into account the validity of each policy. As at December 31, 2021 and 2020, the commission receivable to Quálitas Compañías de Seguros S.A. for the activation of its customers amounts to approximately S/16,414,000 and S/611,000 respectively. See note 9(c).
- (e) As at December 31, 2021 and 2020, the contract with MOK Perú S.A.C. was signed so that the latter provides them with the necessary benefits to develop an assistance benefit program aimed at customers with valid vehicle credits in all its modalities; In said contract, as a prior condition, it was established that MOK Perú S.A.C. will make the payment for the right of entry. As described above, as at December 31, 2021 and 2020, the pending amount amounts to S/3,595,000 and S/4,602,000, respectively.

Notes to Financial Statements (continued)

- (f) As at December 31, 2021 and 2020, it is about the income collection regarding Prompt-Pay Program (PPP), which consists of providing different benefits (loan campaigns, acquisition of a second pre-owned vehicle, policies in case of partial loss, partial theft or total theft) to customers who are affiliated to that program and are up to date in the payment of their instalments. In this regard, the Edpyme makes a monthly payment of S/590,000 to the insurance companies to cover the policies of its clients in case of loss, partial theft or total theft, obtaining a benefit receivable corresponding to a percentage of the amount that was not used by the insurance companies to cover such accidents. As described above, as at December 31, 2021 and 2020, the amount receivable from Quálitas Compañías de Seguros S.A. and Rímac Seguros y Reaseguros amount to approximately S/311,000 and S/505,000, respectively, which corresponds to the insurance not used by Prompt-Pay Program (PPP).
- (g) As at December 31, 2021 and 2020, the Edpyme charges a penalty to the concessionaires for the delay in delivery of vehicles to their customers, since such delay may generate a breach or arrears corresponding to installments payment of the credit granted by the Edpyme to its clients.
- (h) As at December 31, 2021 and 2020, it corresponds to the fees collection for referral of customers to the concessionaire IBR Perú S.A. for approximately S/15,000 and S/20,000, respectively.
- (i) As at December 31, 2021 and 2020, Edpyme maintains a joint venture agreement with Tájimo Perú S.A.C., in which Edpyme delivers vehicles that will be rented or sold at the end of the lease by Tájimo Perú S.A.C., at the closing of each period, the profits generated by the joint venture contract are distributed. As of December 31, 2021 and 2020, the profit receivable from Tájimo Perú S.A.C. amounts to approximately S/3,000 and S/211,000, respectively.
- (j) As at December 31, 2021, corresponds mainly to the re invoicing of expenses to Accesocar S.A.C. and Tkobro S.A.C. for S/3,216,000, local sales for S/230,000, duplicate payments to suppliers for S/346,000, among others. As at December 31, 2020, it corresponds mainly to rebilling of expenses to Acceso Corp. S.A. and Accesocar S.A.C. for S/917,000, sale of premises for S/652,000, insurance for S/649,000, FISE (Energy Social Inclusion Fund by its Spanish acronym) conversion activations for S/367,000, collections receivable for S/191,000, among other things.

Notes to Financial Statements (continued)

- (k) The structure of the balance in favor of income tax is presented below:

	2021 S/(000)	2020 S/(000)
Income tax provision, note 8(c)	-	-
Income tax payments on account	(452)	(1,257)
Temporary Tax on Net Assets (ITAN)	(699)	(615)
Adjustment	-	-
Balance in favor determined in the Annual Tax Declaration of the previous financial year, net of refunds	(1,627)	(1,374)
Balance in favor of income tax	<u>(2,778)</u>	<u>(3,246)</u>

- (l) In the Edpyme's Management opinion, the provision of accounts receivable is sufficient and adequately covers the uncollectibility risk of such accounts.

6. Goods received in payment and awarded, net

- (a) As at December 31, 2021 and 2020, balances on this heading include:

	2021 S/(000)	2020 S/(000)
Goods received in payment and awarded (b)	20,801	21,445
(-) Provisions (c)	(12,368)	(12,965)
Total	<u>8,433</u>	<u>8,480</u>

- (b) Goods received in payment and awarded correspond, mainly, to vehicles recovered from credits for taxis, motorcycles and heavy vehicles.
- (c) The movement of the provision for goods received in payment and awarded, determined as established by the SBS for movable property, indicated in paragraph 2(j) was as follows:

	2021 S/(000)	2020 S/(000)
Balance as at January 1	(12,965)	(6,585)
Provision recognized as expenditure for the financial year	(10,299)	(15,340)
Reversal of provision for awarded goods sale (d)	10,946	8,960
Others	(50)	-
Balance as at December 31	<u>(12,368)</u>	<u>(12,965)</u>

Notes to Financial Statements (continued)

- (d) It corresponds to the reversal of the provision for awarded goods sold during the financial year 2021 and 2020 for a sale value of S/9,217,000 and S/9,191,000, respectively, whose costs amounted to S/17,432,000 and S/17,514,000, respectively; generating a net loss on the sale of awarded goods of approximately S/8,145,215,000 and S/8,323,000, respectively, whose provision during fiscal years 2021 and 2020 is equivalent to S/10,946,000 and S/8,960,000, respectively; which were registered under the heading "Other income, net" in the comprehensive income statement, seenote 20(a).

Notes to Financial Statements

7. Real estate, furniture and equipment, net

(a) Movement in the heading for the financial years 2021 and 2020 are presented below:

	Land S/ (000)	Buildings, Facilities and improvements in premises rented (d) S/ (000)	Furniture S/ (000)	Computer equipment S/ (000)	Transport units S/ (000)	Miscellaneous equipment S/ (000)	Total S/ (000)
Cost -							
Balance as at January 1, 2020	5,582	5,452	1,186	2,324	-	1,600	16,144
Additions (c)	-	501	37	394	-	125	1,057
Withdrawals	-	(42)	(29)	(512)	-	(23)	(606)
Withdrawals by Sale, note 20(b)	-	(312)	-	-	-	-	(312)
Balance as at December 31, 2020	5,582	5,599	1,194	2,206	-	1,702	16,283
Additions (c)	1,016	980	4	323	-	-	2,323
Withdrawals	(97)	(4)	(159)	(483)	-	(90)	(833)
Balance as at December 31, 2021	6,501	6,575	1,039	2,046	-	1,612	17,773
Accumulated depreciation -							
Balance as at January 1, 2020	-	1,687	622	1,022	-	773	4,104
Depreciation of the year	-	493	120	588	-	170	1,371
Withdrawals	-	(1)	(27)	(512)	-	(13)	(553)
Withdrawals by Sale, note 20 (b)	-	(119)	-	-	-	-	(119)
Balance as at December 31, 2020	-	2,060	715	1,098	-	930	4,803
Depreciation for the year	-	570	112	522	-	167	1,371
Withdrawals	-	-	(159)	(483)	-	(90)	(732)
Balance as at December 31, 2021	-	2,630	668	1,137	-	1,007	5,442
Net book value as at December 31, 2021	6,501	3,945	371	909	-	605	12,331
Net book value as at December 31, 2020	5,582	3,539	479	1,108	-	772	11,480

Notes to Financial Statements (continued)

- (b) Entities of the financial system established in Peru are prohibited from providing as security the assets of their fixed asset.
- (c) As at December 31, 2021, Edpyme made investments in Land for S/1,016,000 (acquisition of a Property located in Jirón José Gregorio Paredes, Cercado de Lima), in improvements in rented properties (installation of air conditioning, implementation of offices, ductwork , facades electrical services, conditioning of areas) for S/777,000 and buildings and facilities (implementation of offices, rooms, air conditioning) for S/203,000, computer equipment (computers, hard drives) for S/323,000, and furniture (chairs , furniture and cabinets) for S/4,000. As at December 31, 2020, the Edpyme made investments in improvements in rented properties (air conditioning, office implementation, electrical services) for S/317,000 and buildings and facilities (Implementation of offices, room dividers, cameras, desks, air conditioning) for S/185,000, computer equipment (computers, hard drives) for S/394,000, various equipment (security cameras, water dispensers) for S/125,000; and furniture (chairs, pieces of furniture and shelves) for S/37,000.
- (d) As at December 31, 2021 and 2020, the cost for improvements in rented premises amounts to S/3,783,000 and S/3,011,000, respectively, and have a cumulative depreciation of S/2,141,000 and S/1,652,000 respectively; calculated on the basis of the respective rental agreement term.
- (e) As at December 31, 2021 and 2020, the Edpyme maintains fully depreciated fixed assets that are still in use for around S/1,189,000 and S/1,007,000 respectively.
- (f) In accordance with the policies established by the Management, as at December 31, 2021 and 2020, the Edpyme has contracted multi-risk insurance policies; which allow it to insure its main fixed assets. In the Management's opinion, insurance policies contracted are in accordance with the standard used by equivalent companies in the sector and adequately cover the risk of possible losses due to any disaster that may occur, considering the type of assets owned by the Edpyme.
- (g) Management periodically reviews the depreciation method used, in order to ensure that it is consistent with the economic benefit of fixed assets. In Management's opinion, there is no evidence of fixed assets impairment held as at December 31, 2021 and 2020.

Notes to Financial Statements (continued)

8. Deferred income tax, net

(a) As at December 31, 2021 and 2020, this heading includes the following:

	Balances at January 1, 2020	(Charge) and credit	Balances as at December 31, 2020	(Charge) and credit	Balances as at December, 31
	S/ (000)	to income S/ (000)	S/(000)	to income S/ (000)	2021 S/ (000)
Deferred assets -					
Tax loss, note 13(h)	-	4,801	4,801	6,487	11,288
Provision for doubtful loans and collections	3,870	(36)	3,834	725	4,559
Provision of foreclosed assets	1,939	1,886	3,825	(182)	3,643
Provision for outstanding vacation payments	591	(15)	576	308	884
Improvements of rented properties	258	(18)	240	61	301
Provision of unpaid interest	27	(9)	18	(4)	14
Others	453	(102)	351	1,759	2,110
Total deferred assets	7,138	6,507	13,645	9,154	22,799
Deferred liabilities -					
Deferred commission due	(2,046)	493	(1,553)	118	(1,435)
Deferred credit intermediation commission	(4,715)	1,048	(3,667)	(357)	(4,024)
Depreciation of Buildings	(97)	(17)	(114)	(16)	(130)
Amortization of Intangibles	(28)	-	(28)	20	(8)
Others	(53)	21	(32)	5	(27)
Total deferred liabilities	(6,939)	1,545	(5,394)	(230)	(5,624)
Total deferred assets, net	199	8,052	8,251	8,924	17,175

(b) In the Management's opinion, the recognized deferred asset will be applied in the coming years based on the changes in value produced by these temporary differences, as well as the future taxable utilities that Edpyme will generate according to its revenue and business cash flows forecasting.

(c) Income tax revenues (expenses) comprises:

	2021 S/ (000)	2020 S/ (000)
Deferred	(8,924)	(8,052)
Others	(494)	583
Total	(9,410)	(7,469)

Notes to Financial Statements (continued)

- (d) Reconciliation of the income tax rate with the Edpyme' effective rate, for the years 2021 and 2020 is presented below:

	2021		2020	
	S/ (000)	%	S/ (000)	%
Loss before				
income tax	(35,909)	100.00	(27,134)	100.00
Theoretical Benefit	10,593	(29.50)	8,005	(29.50)
Non-deductible expenses	(1,183)	2.85	(536)	1.97
Income tax benefit as per effective rate	9,410	(26.65)	7,469	(27.53)

9. Other assets and other liabilities

- (a) As at December 31, 2021 and 2020, this heading includes:

	2021 S/ (000)	2020 S/ (000)
Other assets -		
Non-financial instruments -		
Insurance paid in advance (b)	59,202	52,647
Deferred commissions paid to concessionaires (c)	13,631	12,428
Other commissions paid to related parties	10,004	-
Portfolio purchase premium	1,634	2,270
Intangibles, net (d)	289	96
Advances to be rendered	-	1,099
Other expenses paid in advance	1,208	1,303
	<u>85,968</u>	<u>69,843</u>
Other liabilities		
Financial instruments-		
Pending operations (e)	4,496	1,185
	<u>4,496</u>	<u>1,185</u>
Non-financial instruments-		
Portfolio provision with repurchase agreement (f), note 4(g)	1,530	1,572
Deferred revenue	760	1,160
Provisions for litigation	123	-
Provisions for indirect loans, note 4(h)	28	43
Other liabilities	29	476
	<u>2,470</u>	<u>3,251</u>
Total	<u>6,966</u>	<u>4,436</u>

Notes to Financial Statements (continued)

- (b) As at December 31, 2021, it corresponds to vehicle insurance contracts signed with the insurance companies Quálitas Compañía de Seguros S.A. for S/47,722,000, Crecer Seguros S.A. for S/9,628,000, MOK Peru S.A.C. for S/1,059,000, Pacific Insurance and Reinsurance Company for S/186,000 and Rímac Seguros y Reaseguros for S/607,000. As at December 31, 2020, it corresponds to vehicle insurance contracts signed with the insurance companies Quálitas Compañía de Seguros S.A. for S/49,217,000, Pacifico Compañía de Seguros y Reaseguros for S/1,401,000 and Rímac Seguros y Reaseguros for S/2,029,000.
- (c) As at December 31, 2021 and 2020, it corresponds to broker fees of loans placement in the market, paid to concessionaires for the following products:

	2021 S/ (000)	2020 S/ (000)
Recovered vehicles	8,928	5,438
Taxi	2,340	3,258
Consumption	1,546	2,593
Free Availability	702	1,053
Conversions	36	45
Heavy and Utility	79	41
	<u>13,631</u>	<u>12,428</u>

The fee amount is deferred in granted loan term; however, in the event that the credit is part of a sold portfolio, the entire commission is accrued. As at 31 December 2021 and 2020, the amount accrued from these fees amounted to S/6,977,000 and S/9,252,000 respectively, see note 18(a).

- (d) The "Intangibles, net" account is composed of software and licenses for the use of computer equipment whose total cost, as at December 31, 2021, amounts to approximately S/452,000 and its accumulated amortization amounts to around S/163,000 (ascending cost approximately to S/179,000 and cumulative amortization of around S/83,000 as at December 31, 2020). The amortization of 2021 rises to S/107,000 (S/93,000 was the 2020 amortization).

In the Management's opinion, there is no evidence of intangibles value impairment, so it considers that it is not necessary to record a provision for these assets at the date of financial position statement.

- (e) Transactions in process mainly comprise transactions conducted on the last days of the year, which are reclassified to the following month to the corresponding financial position statement accounts; these transactions do not affect Edpyme's incomes. As of December 31, 2021, it mainly includes the operation of the client EYAL Motors S.A.C. for an amount of S/2,646,350, among others. As of December 31, 2020, it includes operations of various clients.

Notes to Financial Statements (continued)

As at December 31, 2021, passive transactions in process correspond mainly to pending payments to the provider Crecer Seguros S.A. for approximately S/227,000, for the GPS installation service for approximately S/222,000, to vehicle dealers awarded for S/221,000, to Infogas dealers for approximately S/680,000, pending payments to gasoline and LPG suppliers for approximately S/2,917,000, for the movable guarantees for approximately S/90,000, for the mandatory traffic accident insurance "SOAT" for approximately S/35,000, among others (As at December 31, 2020, passive transactions pending correspond mainly to outstanding payments to the provider Crecer Seguros S.A. for approximately S/315,000; GPS installation service, S/136,000; driver certification service, S/127,000; Infogas concessionaires, S/125,000; pending payments to gasoline and LPG suppliers, S/56,000; movable guarantees, S/56,000; mandatory insurance for traffic accidents (SOAT by its Spanish acronym), S/53,000).

- (f) For portfolio sales with repurchase agreement made after February 2017, the Edpyme registers provision equivalent to 100 percent of repurchase agreement percentage, based on what is established in SBS Letter N° 6345-2016; however, for portfolio sales made before the aforementioned date, a provision was registered based on the arrearage ratio of the managed portfolio from the month prior to the transfer in accordance with the provisions of SBS Letter N° 40482-2014; the above is met as long as the repurchase percentage is less than or equal to 10 percent.

As at December 31, 2021, Edpyme maintains this provision for a repurchase agreement with Cooperativa de Ahorro y Credito Pacifico, Cooperativa de Ahorro y Credito Abaco, Caja Municipal de Ahorro y Credito Trujillo S.A., for S/ 196,000, S/ 1,257,000, and S/ 77,000, respectively. As at December 31, 2020, the Edpyme maintains this provision registered by repurchase agreement with Cooperativa de Ahorro y Crédito Pacifico, Cooperativa de Ahorro y Crédito Abaco, Caja Municipal de Ahorro y Crédito Trujillo S.A., for S/213,000, S/1,282,000, and S/77,000, respectively.

The purchase provision movement with repurchase agreement is shown below:

	2021 S/ (000)	2020 S/ (000)
Balance as at January 1	1,572	1,660
Portfolio provision with repurchase agreement, net	(42)	(88)
Balance as at December 31	<u>1,530</u>	<u>1,572</u>

Notes to Financial Statements (continued)

10. Other accounts payable

(a) As at December 31, 2021 and 2020, this heading includes the following:

	2021 S/ (000)	2020 S/ (000)
Other accounts payable (d)	39,900	23,781
Suppliers (c)	14,883	11,750
Holidays and shares payable	3,164	2,127
Taxes payable (e)	742	1,491
Extraordinary Bonuses	317	281
	<u>59,006</u>	<u>39,430</u>

(b) These liabilities are held in Peruvian Soles and U.S. dollars, they do not accrue interest, do not have a current expiration and have no specific guarantees.

(c) As at December 31, 2021 and 2020, the other accounts payable includes the following:

	2021 S/ (000)	2020 S/ (000)
Credits to be disbursed to various customers	27,940	10,516
TKobro S.A.C. (*) and (**)	3,253	2,444
Credits to be applied to customers	2,606	2,914
Pide1Taxi S.A.C. (*) and (**)	1,162	1,451
IBR Perú S.A. (*) and (**)	797	719
Creceer Seguros S.A. (*)	696	-
Accesocar S.A. (*)	698	-
Qualitas Compañía de Seguros S.A.	577	-
Cooperativa de Ahorro y Crédito Abaco S.A. (*) and (**)	574	287
Rímac Seguros y Reaseguros	302	-
GM Conversiones S.A.C. (**)	-	2,938
Mapfre Perú Compañía de Seguros y Reaseguros S.A. (**)	-	764
GM Taxi S.A.C. (**)	-	625
Others, less than S/250,000	1,295	1,123
Total	<u>39,900</u>	<u>23,781</u>

(*) As at December 31, 2021, it corresponds mainly to accounts payable to TKobro S.A.C. for approximately S/3,253,000 corresponding to the collection of the last days of the month from the portfolio sold, to Pide1Taxi S.A.C. for approximately S/1,162,000 corresponding to reimbursements for payments to SETACA (Callao Taxi Service) and SETAME (Metropolitan Taxi Service), to IBR Perú S.A. for approximately S/797,000 corresponding to the security interest registration service, to Accesocar S.A. for approximately S/698,000 corresponding to the vehicles placed to be disbursed, to Creceer Seguros S.A. for approximately S/696,000 corresponding to life and protection insurance, among others

Notes to Financial Statements (continued)

(**) As at December 31, 2020, it corresponds mainly to accounts payable to GM Conversiones S.A.C. and GM Taxi S.A.C. for approximately S/2,938,000 and S/625,000 respectively corresponding to disbursements for collections from the portfolio transferred to TKobro S.A.C. for approximately S/2,444,000 corresponding to the collection of the last days of the month of portfolio sold, to Pide1Taxi S.A.C. for approximately S/1,451,000 corresponding to reimbursements for payments to SETACA (Service of taxis of Callao) and SETAME (Service of Taxi Metropolitano), to IBR Peru S.A. for approximately S/719,000 corresponding to the registration service of movable guarantees, to Savings and Credit Cooperatives for approximately S/287,000 corresponding to the money collected from the fees paid by the clients that are part of the sold portfolio that are still pending transfer, to Mapfre Peru Compañía de Seguros y Reaseguros S.A. for approximately S/764,000 corresponding to relief insurance, among others.

(d) As at December 31, 2021 and 2020, providers payable include the following:

	2021 S/ (000)	2020 S/ (000)
Qualitas Compañía de Seguros S.A. (*) and (**)	3,870	3,238
Creceer Seguros S.A. (*)	2,089	-
Autoclass S.A.C. (*) and (**)	1,057	960
TKobro S.A.C. (*)	1,023	-
Karely Automotriz S.A.C (*) and (**)	722	723
Accesocar (**)	532	582
RDA Security S.A.C.	478	-
Reinventing S.A.C.	259	-
Cooperativa de Ahorro y Crédito Pacífico S.A.	-	1,004
Rímac Seguros y Reaseguros S.A.	-	460
Iza Motors Peru S.A.C (**)	-	332
Cooperativa de Ahorro y Crédito Abaco S.A.	-	299
Almacenera el Pacífico S.A.C.	-	266
Less than S/250,000	4,853	3,886
Total	14,883	11,750

(*) As at December 31, 2021, it corresponds mainly to accounts payable to Qualitas Compañía de Seguros S.A. for S/3,870,000 and Creceer Seguros S.A. for S/2,568, corresponding to insurance premium, to Autoclass S.A.C. for S/1,057,000, Karely Automotriz S.A.C for S/722,000, corresponding to vehicle repair and maintenance, to TKobro S.A.C. for S/1,143, corresponding to other commissions, among others.

(**) As at December 31, 2020, it corresponds mainly to accounts payable to Qualitas Compañía de Seguros S.A. for S/3,238,000 corresponding to insurance premium, to Autoclass S.A.C. for S/960,000, Karely Automotriz S.A.C for S/723,000 and Iza Motors Perú S.A.C. for S/332,000, corresponding to repair and maintenance of vehicles, to Accesocar S.A.C. for S/582,000 corresponding to brokerage commissions, among others

Notes to Financial Statements (continued)

(e) As at December 31, 2021 and 2020, taxes payable include:

	2021 S/ (000)	2020 S/ (000)
General Sales Tax	175	994
Pension Fund Administrators (AFP)	162	133
Employment income (fifth category income)	153	111
Social Health Security (ESSALUD)	124	98
General Sales Tax Withholding	67	143
Financial transaction tax	30	-
Pension Standardization Office (ONP)	16	12
Non-domiciled income tax	1	-
Other	14	-
	<u>742</u>	<u>1,491</u>

11. Debts and financial obligations

(a) As at December 31, 2021 and 2020, this heading includes the following:

	2021 S/ (000)	2019 S/ (000)
By type -		
Obligations with financial institutions in the country (b)	105,739	147,640
Obligations with foreign financial institutions (c)	331,515	319,376
Other debts (d)	420,501	402,918
	<u>857,755</u>	<u>869,934</u>
Interest payable	14,315	18,100
Unearned commissions	(4,891)	(5,264)
	<u>867,179</u>	<u>882,770</u>
Total	<u>867,179</u>	<u>882,770</u>

Notes to Financial Statements (continued)

(b) As at December 31, 2021 and 2020, the heading structure is as follows:

Entity	Currency of origin	Expiration	2021 S/ (000)	2020 S/ (000)
Corporación Financiera de Desarrollo - COFIDE (*) and (**)	S/	11/2026	58,234	59,757
COFIDE FAE MYPE	S/	06/2023	10,728	13,645
Banco Interamericano de Finanzas - BanBif (**)	S/ and \$	10/2023	9,147	16,038
Caja Maynas S.A. (*)	S/	10/2026	9,136	9,135
Caja Trujillo S.A. (*)	S/	09/2023	7,968	12,456
Energy Social Inclusion Fund - FISE	S/	06/2023	5,868	15,902
Caja Huancayo S.A. (*)	S/	05/2022	4,658	20,697
Total			<u>105,739</u>	<u>147,640</u>

(*) As at December 31, 2021 and 2020, they correspond to loans with local financial institutions guaranteed with Edpyme's loan portfolio, see letter (h) below.

(**) As at December 31, 2021 and 2020, they correspond to partially guaranteed loans with escrow of around S/ 11,431,000 and S/ 12,920,000, respectively, see note 3(d).

As at December 31, 2021, the country's financial institutions accrue interest at annual effective rates between 2.64 and 10.00 percent (interest at annual effective rates between 2.64 and 10.00 percent, as at December 31, 2020).

(c) As at December 31, 2021 and 2020, the heading structure is as follows:

Entity	Currency of origin	Expiration	2021 S/ (000)	2020 S/ (000)
Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V. (*)	S/	12/2026	199,279	199,279
Deg - Deutsche Investitions	US\$	06/2027	71,766	65,178
Proparco	US\$	15/2024	26,580	24,140
Bank IM Bistum Esseng - BIB	US\$	03/2025	23,922	21,726
Banco Occidente	US\$	06/2023	9,968	9,053
Total			<u>331,515</u>	<u>319,376</u>

Notes to Financial Statements (continued)

As at December 31, 2021, foreign financial institutions accrue interest at annual effective rates between 5.00 and 11.90 percent; (interest at annual effective rates between 4.50 and 10.75 percent, as at December 31, 2020).

(d) As at December 31, 2021 and 2020, the structure of "Other debts" is as follows:

Other debts/ natural persons	Currency of origin	Expiration	2021 S/ (000)	2020 S/ (000)
Global Climate Fund	S/	09/2026	66,441	66,441
Triodos Investment	S/	05/2026	46,568	46,568
Micro Small and Medium	S/ and US\$	10/2024	46,175	44,345
SIFEM AG Acting	\$	09/2026	35,440	32,187
International Financial Corporation (**)	S/	09/2025	24,543	24,544
Bio Invesment (**)	US\$	10/2029	23,025	17,045
SEB Microfinance Fund IV	S/	02/2024	22,568	22,569
SEB Microfinance Fund III	S/ and US\$	02/2023	22,074	20,792
Instituto de Crédito ICO	\$	09/2028	19,935	18,105
PG Impact Investments AG	US\$	03/2025	19,935	18,105
Microvest Short Duration	US\$	03/2024	18,123	16,459
Responsability Financial	S/	05/2025	16,429	16,429
Blueorchard Microfinance	S/	12/2023	12,948	12,948
Oikocredit	S/	05/2024	10,000	10,000
BlueOrchard	S/	08/2023	8,660	8,660
Magallanes	S/	10/2024	6,000	6,000
Seb Life	S/	06/2023	6,778	6,778
SEB Microfinance Fund V	S/	07/2023	5,083	5,083
Finethic S.A.C	S/	07/2023	3,228	3,228
Global Microfnance Fund	S/	07/2023	3,228	3,228
SME Finance Loans	US\$	02/2023	1,994	1,811
			<u>419,175</u>	<u>401,325</u>
Natural Persons				
Miscellaneous (*)	S/		1,326	1,593
			<u>420,501</u>	<u>402,918</u>

(*) As at December 31, 2021 and 2020, the Edpyme maintains debts with natural persons and directors in national currency, which accrue interest at effective rates that fluctuate between 9.00 and 10.00 percent, with expiry January 2022 and December 2024 (annual effective rates between 7.00 and 11.00 percent, with maturities between March 2020 and June 2024, as at December 31, 2019).

(**) As at December 31, 2021 and 2020, they correspond to loans guaranteed with Edpyme's loan portfolio, see letter (h) below.

Notes to Financial Statements (continued)

As at December 31, 2021, foreign financial institutions accrue interest at annual effective rates between 4.50 and 13.47 percent (interest at annual effective rates between 5.00 and 10.75 percent, as at December 31, 2020).

- (e) Some financial debts and obligations include specific agreements on financial conditions that must be maintained regarding compliance with financial ratios, use of funds and other administrative matters. As at December 31, 2021 and 2020, Edpyme’s Management considers that it has substantially fulfilled the conditions established for these transactions, considering the temporary or structural exemptions granted by financial institutions in their contracts of credit and modifications. In the Edpyme’s Management opinion, these agreements do not limit its operations.

As at December 31, 2021 and 2020, the agreements for this indebtedness mainly refer to:

- Portfolio quality
- Capital adequacy ratio
- Profitability
- Operating expenses with related parties
- Dividend distribution rate
- Capital sufficiency ratio
- Due portfolio ratio
- Ratio of related loans
- Net stable funding ratio

- (f) The following is the heading balance as at December 31, 2021 and 2020, classified by maturity and considering the temporary or structural exemptions granted by financial institutions in their credit agreements and modifications:

	2021	2020
	S/ (000)	S/ (000)
Up to 1 month	34,113	15,520
From 1 to 3 months	114,800	191,026
From 3 months to 1 year	443,541	346,725
From 1 to 5 years	242,177	294,575
More than 5 years	23,124	22,088
	<u>857,755</u>	<u>869,934</u>

- (g) During 2021 and 2020, the Edpyme has acquired and paid financial obligations, which have generated an interest expense of approximately S/69,424,000 and S/69,012,000, which is presented in the heading "Interest expense" in income statement, note 16.

Notes to Financial Statements (continued)

(h) The loans granted as security for received financing are detailed in the following table:

Financing Counterpart	Concept	Term of the Contract	2021		2020	
			Amount of Assets	Debt that supports	Amount of Assets	Debt it supports
			S/ (000)	S/ (000)	S/ (000)	S/ (000)
Corporación Financiera de Desarrollo - COFIDE	Contract	Indefinite	58,243	58,234	59,772	59,772
COFIDE FAE-MYPE	Contract	3 years	11,021	10,728	13,888	13,645
Caja Huancayo S.A.	Contract	5 years	4,667	4,658	20,756	20,697
International Financial Corporation (**)	Contract	7 years	25,141	24,544	25,785	24,544
Bio Invesment	Contract	6 years	20,011	17,045	17,083	17,045
Caja Trujillo S.A. (*)	Contract	4 years	6,717	6,706	10,242	10,192
Caja Maynas S.A. (*)	Contract	5 years	6,989	6,982	6,993	6,965
			<u>132,789</u>	<u>128,897</u>	<u>154,509</u>	<u>152,855</u>

(*) As at December 31, 2021, Caja Trujillo S.A. maintain unsecured debt for S/1,262,000. As at December 31, 2020, Caja Trujillo S.A. and Caja Maynas S.A. hold an unsecured debt of S/2,214,000 and S/2,142,000 respectively

Notes to Financial Statements (continued)

12. Net worth

(a) Share capital -

As at December 31, 2021 and 2020, the share capital is represented by 18,457,7671 and 15,353,410 common shares, respectively, with a nominal value of S/10.00 per share. These actions are fully subscribed, paid and registered in public records. At that time, the shareholding of Edpyme's share capital is as follows:

	Total percentage of shareholding	
	2021	2020
Access Corp. S.A.	99.99	99.99
Sergio Valencoso Burillo	0.01	0.01
	<u>100.00</u>	<u>100.00</u>

At the During 2021, additional capital subscriptions approved by General Shareholders' Meetings were made during the 2021 and 2020 periods for an amount of S/10,240,000 and S/20,803,000, respectively, see paragraph (b) below.

(b) Additional capital -

At the General Shareholders Meeting of August 11, 2020, the increase in share capital was approved for approximately S/4,055,000, through monetary contributions amounting S/3,039,000 and the cession of a /1,016,000 worth property located in Jirón Gregorio Paredes N° 418 - Cercado de Lima. The capital increase corresponding to the property has been included in the financial statements as at January 31, 2021, having been approved by the SBS through Resolution N° 0040-2021 of the SBS dated January 6, 2021.

In the General Shareholders Meeting on September 24, 2020, the capitalization of utilities for the 2019 period was approved for the approximate amount of S/8,748,000.

In the General Shareholders Meeting on December 29, 2020, an increase of share capital for around S/8,000,000 was approved, through monetary contributions.

During 2021, additional capital subscriptions approved by General Shareholders' Meetings were made during the 2020 period for an amount of S/20,803,000, see paragraph (a) above; Therefore, the transfer of said amount of additional capital to share capital was carried out.

At the General Shareholders' Meeting held on August 20, 2021, September 30, 2021 and October 18, 2021, the capital stock increase was approved for approximately S/8,000,000, S/240,000 and S/2,060,000, respectively, through monetary contributions. At the end of 2021, S/60,000 is pending registration. During 2021, subscriptions of additional capital approved by General Shareholders' Meetings were made in the period 2021 for an amount of S/10,240,000, see paragraph (a) above, which giving S/60,000 pending subscription; therefore, the subscribed amount of additional capital was transferred to share capital.

Notes to Financial Statements (continued)

(c) Legal reserve -

In accordance with the legal regulations in force, the Edpyme must reach a legal reserve of not less than 35 per cent of its paid-up capital. This reserve is constituted by the annual transfer of not less than 10 percent of net utilities and can only be used to offset losses or their capitalization, existing in both cases the obligation to replace it.

At the Mandatory Annual Shareholders' Meeting on November 25, 2021, the application of the available legal reserve equivalent to approximately S/6,536,000 was approved, in order to partially offset the amount of loss recorded in 2020, in compliance with Official Notice N° 52912 -2021-SBS.

At the Annual Mandatory Meeting of Shareholders on April 23, 2020, the constitution of a legal reserve for the equivalent of 10 percent of 2019 of approximately S/972,000 was approved.

(d) Dividends -

Through General Shareholders Meeting held on October 21, 2021, it was agreed not to distribute dividends.

Through General Shareholders Meeting held on April 23, 2020, it was agreed not to distribute dividends.

(e) Regulatory Capital -

As at December 31, 2021 and 2020, the regulatory capital of the Edpyme was determined as follows:

	2021 S/ (000)	2020 S/ (000)
Level 1 Effective Equity		
Paid-up capital	184,638	173,321
Legal reserve	-	6,536
Loss of the period	(39,052)	(19,664)
Others (*)	(1,909)	(7,625)
	<u>143,677</u>	<u>152,568</u>
Level 2 Effective Equity		
Generic provisions for loans (mandatory)	4,910	12,827
Voluntary Provisions	9,948	-
Subordinated debt	5,980	-
	<u>20,838</u>	<u>12,827</u>
Total effective equity	<u>164,515</u>	<u>165,395</u>

(*) As at December 31, 2021 and 2020, an amount of approximately S/1,907,077 and S/7,625,091, respectively, was deducted from the effective equity, at the request of the SBS.

Notes to Financial Statements (continued)

As at December 31, 2021, the effective equity requirement for credit risk determined by the Edpyme, according to the legislation applicable to financial institutions, amounts to S/95,043,321 (S/106,274,928, as at December 31, 2020), while the requirements for effective equity for market risk and operational risk amount to S/607,207 y S/12,072,828 respectively. (S/698,398 and S/12,947,422, respectively, as at December 31, 2020).

According to provisions of Legislative Decree N° 1028, the effective equity must be equal to or greater than 10 percent of the total contingent assets and credits, weighted by risk, which includes: i) effective equity requirement for market risk multiplied by 10, ii) the effective for market operational risk multiplied by 10; and (iii) the contingent assets and credits weighted by credit risk. As at December 31, 2021, the Edpyme's effective equity represents 12.51 percent of the minimum market risk capital requirements, operating and credit (13.79 percent, as at December 31, 2020).

During 2009, the SBS issued SBS Resolutions N° 2115-2009, N° 6328-2009 and N° 14354-2009; Regulations for the Requirement of Effective Equity for Operational Risk, for Market Risk and Placements Risk, respectively, and amendments. These resolutions mainly set out the methodologies to be used by financial institutions to calculate the weighted assets and placements for each type of risk. As at December 31, 2021 and 2020, the Edpyme has been complying with the requirements of these Resolutions.

By SBS Resolution N° 8425-2011 of July 20, 2011, the SBS approved the Regulation for the Requirement of Additional Effective Assets, which establishes that this equity will be equal to the sum of effective equity requirements calculated for each of the following components: (i) business cycle, (ii) concentration risk, (iii) market concentration risk, (iv) bank book interest rate risk, and (v) other risks.

It also establishes a gradual adaptation period of five years from July 2012. As at December 31, 2021, the adequacy percentage established by the SBS is 100 percent, so the additional requirement for effective equity amounts to S/19,737,224 (S/20,174,234 as at December 31, 2020). In Management's opinion, Edpyme complies with the requirements established in the aforementioned resolution.

As at December 31, 2021 and 2020, the Edpyme maintains the following amounts in relation to contingent assets and credits weighted by risk and effective equity:

	2021 S/ (000)	2020 S/ (000)
Assets and credits weighted by total risk	1,314,842	1,199,207
Effective equity	164,515	165,395
Basic effective equity	143,678	152,568
Additional effective equity	20,838	12,827
Global capital ratio on effective equity (in percentage)	12.51	13.79

Notes to Financial Statements (continued)

On March 26, 2020, SBS issued Resolution N° 1264-2020, stating that there will not be a raise in the calculation of effective equity requirements for mortgage loans and non-revolving consumption. This resolution also authorizes financial institutions to use the additional effective equity accumulated as a consequence of its business cycle, note 2(a) (ii.4).

In the Management's opinion of the, Edpyme complies with the requirements established in the aforementioned resolution.

13. Tax situation

- (a) The Edpyme is subject to the current Peruvian tax regime. The income tax rate as at December 31, 2021 and 2020 was 29.5 percent on taxable utility.

Moreover, by means of the same Legislative Decree N° 1261, it established the rate of 5 percent for dividends and any other utilities distribution form from Peruvian sources, which is applicable as at January 1, 2017. To accumulated incomes or other concepts that are likely to generate taxed dividends referred to in Article 24-A of the Single Ordered Text (hereinafter TUO) of the Income Tax Law, obtained between January 1, 2015 and December 31, 2016, which are part of the dividends distribution or any other utilities distribution form, the rate of 6.8 percent will be applied, except in the case established in paragraph g) of article 24 -A of the TUO; in which the rate of the 4.1 percent is applied.

Finally, in accordance with the Ninth Final Complementary Provision of Law N° 30296, the accumulated incomes or other concepts that likely to generate taxed dividends, referred to in Article 24-A of the Income Tax Law, obtained until December 31, 2014 that are part of the dividends distribution or any other utilities distribution form will be applied the rate of 4.1 percent.

- (b) As detailed in note 1(d), the Government declared a State of National Emergency as a result of the COVID-19 pandemic. In this regard, in order to mitigate the temporary effect of the Peruvian economy contraction, the Government implements tax measures so that companies do not cut their chain of payments and comply with their labor, financial, commercial and operational obligations. The tax rules applicable to the Edpyme are as follows:
- Exceptionally, a regime was established that allowed taxpayers to reduce or suspend payments on account of Income Tax for the months of April, May, June and / or July 2020, by virtue of Legislative Decree N° 1471. Thanks to this regime, it was possible to reduce the payment on account corresponding to the months of April, June and July.

Notes to Financial Statements (continued)

- The rule noted that the suspension is applicable if after comparing the net income obtained in April, May, June and / or July 2020 with that obtained in the same months of fiscal year 2019, there is a reduction of more than 30 percent. If the income is not reduced, the advances of the Income Tax will be made under the general rules in force.
- As mentioned in note 2(a) (ii.3), the SBS determined that to rescheduled loans due to Covid-19, which to date have a "Normal" credit rating, will be applied specific provisions corresponding to the risk category "With Potential Problems" (CPP). Moreover, with respect to rescheduled loans in a current accounting situation, whose accrued interest has been accounted in account 1408, for which the client has not made the payment of at least a full instalment that includes capital in the last six months at the close of the information accounting, a requirement for provisions corresponding to the risk category "Deficient" will be applied to them. The provisions of this paragraph apply to consumer, micro and small enterprise loans.

In line with the above, Ministerial Resolution 387-2020-EF/15 was promulgated, which states that the provisions for rescheduled loans - COVID 19 referred to in the Eighth Final and Transitory Provision of the Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions, approved by SBS Resolution N° 11356-2008, and modified by SBS Resolution N° 3155-2020, jointly meet the requirements indicated in paragraph h) of Article 37 of the Law, regulated by paragraph e) of Article 21 - Regulations.

- (c) As at financial year 2011, with the amendment introduced by Law N° 29645 to the Income Tax Law, interest and other revenues from external loans granted to the National Public Sector are also included as one of the cases exempt from Income Tax.

In addition, income from Peruvian sources is considered as such obtained from the indirect of shares or participations disposal representing the capital of legal entities domiciled in the country. For these purposes, an indirect disposal should be considered to occur when shares or participations representing the capital of a legal person not domiciled in the country are disposed, which, in turn, owns - directly or through another legal person or persons - shares or participations representing the capital of one or more legal persons domiciled in the country, whenever certain conditions established by law occur. It also defines the cases in which the issuer is jointly and severally liable.

Notes to Financial Statements (continued)

Currently, the Income Tax Law states that a case of shares indirect transfer assumptions is configured, when in any of the 12 months prior to the disposal, the market value of the domiciled legal person's shares or participations is equivalent to 50 percent or more than market value of non-domiciliated legal person's shares or participations. Additionally, as a concurrent condition, it is established that in any period of 12 months shares or participations representing 10 percent or more of the capital of a non-domiciled legal person are disposed.

- (d) With regard to General Sales Tax, interest generated by marketable securities issued by public or private offer by legal entities constituted or established in the country is not taxed; as well as interest generated by not placed credit instruments by public offering, when they have been acquired through a centralized negotiation mechanism referred to in the Securities Market Law.
- (e) For the purpose of determining Income Tax, transfer pricing of transactions with related companies and with resident companies in non-cooperating countries or territories or low tax or no tax countries, or with permanent subjects or establishments whose income, revenues or profits from such contracts are subject to a preferential tax regime, must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Based on the analysis of the Edpyme's operations, Management and its internal legal advisors are of the opinion that, as a result of the application of these rules, no significant contingencies to the Edpyme will arise as at December 31, 2021 and 2020

By means of Legislative Decree N° 1312, published on December 31, 2016, formal obligations for entities within the scope of application of Transfer Pricing are modified, incorporating three new informative tax declaration; the first of Local Report, the second of Master Report and the third of Country Report. The first validity is from 2017 for transactions that occurred during the year 2016 and the last two from 2018 for transactions that occurred from the financial year 2017.

Through Legislative Decree N° 1381, published on August 24, 2018, the concept of "non-cooperating" countries or territories and preferential tax regimes are included into the Income Tax Law, in both of which already existing defensive measures for low tax or no tax countries and territories are imposed.

- (f) In July 2018, Law N° 30823 was published, in which Congress delegated to the Executive Branch the power to legislate on various issues, including tax and financial matters. In this sense, the main tax rules issued were the following:
 - (i) As at January 1, 2019, the treatment applicable to royalties and remuneration for services provided by non-domiciled people was modified, eliminating the obligation to pay the amount equivalent to the withholding on the occasion of the cost or expense accounting record, and income tax must now be withheld on the occasion of payment or accreditation of remuneration. In order for such cost or expense to be deductible for the local company, remuneration must have been paid or granted until the date of submission of the annual income tax declaration. (Legislative Decree N° 1369).

Notes to Financial Statements (continued)

- (ii) The rules governing the obligation of legal persons and/or legal entities to report the identification of their final beneficiaries were established (Legislative Decree N° 1372). These rules are applicable to legal persons domiciled in the country, in accordance with the provisions of article 7 of the Income Tax Law, and to legal entities constituted in the country. The obligation extends to non-domiciled legal persons and legal entities incorporated abroad as long as: a) they have a branch, agency or other permanent establishment in the country; b) the natural or legal person who manages an autonomous equity or investment funds from abroad, or the natural or legal person who has quality of protector or administrator and is domiciled in the country and c) any of the parts of a consortium that is domiciled in the country. This obligation will be fulfilled by submitting an informative tax to the Tax Authority, which must contain the information of the final beneficiary and must be in accordance with the regulatory rules and within the deadlines established by Resolution of SUNAT Superintendence.
- (iii) The Tax Code was modified in order to provide greater guarantees to taxpayers in the application of the general anti-elusive rule (Rule XVI of the Tax Code Preliminary Title); as well as to provide the Tax Administration with tools for its effective implementation (Legislative Decree N° 1422).

As part of this amendment, a new case of joint and several liability is foreseen, when the tax debtor is subject to the application of measures provided for by Rule XVI in the event cases of tax rules avoidance are detected; in such case, the joint and several liability will be attributed to the legal representatives provided that they have collaborated with the design or approval or the execution of business relations, situations or acts considered as elusive in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the entity's tax strategy and must decide on the approval or non-approval of business relations, situations or acts to be conducted within the framework of tax planning, being a non-delegable power. Business relations, situations or acts carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree N° 1422 (September 14, 2018) and that continue to have effects, must be evaluated by the legal entity's Board of Directors for its ratification or modification until March 29, 2019, without prejudice if the Edpyme's management or other administrators would have approved the above-mentioned business relations, situations or acts at the time.

It has also been established that the application of Rule XVI, with regard to other modalities of tax avoidance cases, will occur in the final audit procedures in which acts, facts or situations produced since July 19, 2012 are reviewed.

Notes to Financial Statements (continued)

It should be noted that, by Supreme Decree N° 145-2019-EF, parameters of form and content for general anti-elusive rule application contained in Rule XV of the Preliminary Title of the Tax Code were approved, which allowed the full validity and application of Rule XVI from the day following its publication (May 6, 2019).

It also states that the malice, serious negligence and abuse of powers which are mentioned into third paragraph of the Tax Code lack of legal authority.

- (iv) Amendments were included to the Income Tax Law, effective as of January 1, 2019, to improve the tax treatment applicable to (Legislative Decree N° 1424):
- Income obtained from the indirect disposal of shares or participations representing the capital of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new case of indirect disposal, which is configured when the total shares amount of the domiciled legal person whose indirect disposal is made is equal to or greater than 40,000 UIT (Peruvian tax unit).
 - The permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. In respect thereof, new cases of permanent establishment have been included, among them, when the provision of services occurs in the country, with respect to the same project, service or for a related one, for a period that in total exceeds 183 calendar days within any period of twelve months.
 - The credits regime against Income Tax for taxes paid abroad, to incorporate to the indirect credit (corporate tax paid by subsidiaries abroad) as an applicable credit against Income Tax of domiciled legal persons, in order to avoid economic double taxation.
 - The interest expenses deduction for the determination of the Corporate Income Tax. In the years 2019 and 2020, the debt limit, set up to three times the net worth as at December 31 of the previous year, will be applicable, both to loans with related parties, and to loans with third parties contracted as at September 14, 2018. As at 2021, the limit for the deduction of financial expenses will be equivalent to 30 percent of the entity's EBITDA.

Notes to Financial Statements (continued)

- (v) Rules have been established for the income and expenses accrual for tax purposes as at January 1, 2019 (Legislative Decree N° 1425). Until 2018, there was no normative definition for this concept; so, in many cases accounting standards were used for its interpretation. In general terms, with the new criterion, in order to determine income tax, now it will matter whether the substantial events for the generation of income or expenditure agreed by the parties have occurred, which are not subject to suspensive conditions, in which case the recognition will be given when this is fulfilled and the opportunity for collection or payment established will not be taken into account; and, if the payment for provision of the service contracted herein depends on a future fact or event, the total or part of the corresponding income or expense will be deferred until that fact or event occurs.
- (g) Through Supreme Decree No. 430-2020-EF, published on December 31, 2020, the Regulation was approved that establishes the financial information that companies in the financial system must provide to SUNAT for the fight against tax evasion and tax avoidance of Legislative Decree No. 1434. The aforementioned Regulation entered into force on January 1, 2021.

In this regard, the aforementioned Regulation stated that the concepts on which the Financial Institution must inform SUNAT are, among others, balances and/or accumulated amounts, averages or higher amounts and the yields generated in the accounts during the reporting period and that are equal to or greater than S/30,800 in said period. The information will be delivered every six months to SUNAT through informative statements that will contain information for monthly periods.

- (h) Through the Law 31106 extends until December 31, 2023 the validity of all exemptions in force to date contained in article 19 of the Income Tax Law.

In this regard, among the previously mentioned extended exemptions applicable or related to the operations of the Finance Company, are the following:

- Subsection i) of Article 19 states that any type of fixed or variable rate interest, in national or foreign currency, paid on the occasion of a deposit or imposition in accordance with the General Law of the Financial System and the System of Insurance and Organic of the Superintendence of Banking and Insurance, Law No. 26702, as well as the capital increases of said deposits and impositions in national or foreign currency, except when said income constitutes third category income.
- Subsection l) of Article 19 states that capital gains from the transfer of securities registered in the Public Registry of the Securities Market through centralized trading mechanisms referred to in the Securities Market Law shall be exempt; as well as that which comes from the transfer of securities outside of centralized negotiation mechanisms, provided that the transferable party is a natural person, an undivided succession or a conjugal company that chose to pay taxes as such.

Notes to Financial Statements (continued)

- (i) The Tax Authority has the power to review and, if applicable, correct the income tax calculated by the Edpyme in the four years following the application year for the respective tax declaration, provided that this period has not been suspended or interrupted. Income tax and general sales tax declaration from 2017 to 2021 are subject to inspection by the Tax Authority.

Due to possible interpretations that Tax Authority can give to the current legal regulations, it is not possible to determine by this time whether or not the revisions that are made will be a passive for the Edpyme, so any higher tax or surcharge that could result from possible tax revisions would be applied to the income of the financial year in which it is determined.

In the opinion of Management and its advisors, any additional tax settlement would not be substantial for Edpyme's financial statements as at December 31, 2021 and 2020.

- (j) As at December 31, 2021 and 2020, the Edpyme has determined a tax loss amounting to S/49,737,910 and S/16,276,428, respectively, generated mainly by the administrative expenses necessary for the improvement and maintenance of its operations, and by the higher provision expenses for loan portfolio, in the context of the Covid-19 pandemic. In this regard, the Edpyme has chosen system B for the compensation of this tax loss, which consists of offsetting the total net loss of third category of Peruvian source that register in a taxable year by booking it year by year, until its amount is expended, to fifty percent (50%) third category net incomes obtained in immediate subsequent years.

It should be noted that the Edpyme has conducted recoverability analysis of the tax loss and Management considers it likely that the entity will have tax profits in a foreseeable period in which the same will be applied. Due to this, the Edpyme' Management has decided to register deferred assets for 77 and 100 percent, respectively, an estimated amount of S/11,288,000 and S/4,801,000 tax loss, respectively, as at December 2021 and 2020, see note 8(a).

Notes to Financial Statements (continued)

14. Related Party Transactions

- (a) The Edpyme conducts transactions with related companies in the normal course of its business. As result of these operations, statement of financial position balances as at December 31, 2021 and 2020, as well as the comprehensive income statement for the years ended on those dates, include assets, liabilities, income and expenses; as follows:

	Tkobro S.A.C. S/ (000)	Access Corp. S.A. S/ (000)	Autoclass S.A.C. (*) S/ (000)	Pide1taxi S.A.C. S/ (000)	Accessocar S.A.C. S/ (000)
2021					
Assets					
Other assets, net	332	-	-	1	3,000
Liabilities					
Other liabilities	1,143	-	-	-	537
Incomes					
Income from portfolio sales	30	-	-	-	-
Miscellaneous services income	211	-	-	-	3,017
Vehicle repair and maintenance costs	-	-	-	-	-
Expenses for services received	2,785	-	-	23	2,184
2020					
Assets					
Other assets, net (b)	-	421	-	-	728
Liabilities					
Other liabilities	-	-	-	-	583
Results					
Income from portfolio sales	242	-	-	-	-
Miscellaneous services income	6	357	909	-	1,222
Vehicle repair and maintenance costs	-	-	4,078	-	-
Expenses for services received (b)	-	-	729	-	769

- (*) As at December 31, 2019, Autoclass S.A.C. was a related company; however, during 2020 it was sold to third parties.

Notes to Financial Statements (continued)

- (b) As at December 31, 2020, Acessocar S.A.C. maintained an agreement with the Edpyme to broker and placement fees, mainly regarding products such as Taxi and Cash loan.
- (c) Transactions with related companies have been carried out under normal market conditions. Taxes generated by these transactions, as well as the calculation bases for its determination, are the usual ones in the industry and are settled according to current tax rules.
- (d) Certain Edpyme's employees have directly or indirectly conducted credit transactions with the company, which are regulated by the Banking, Insurance and AFP Act. As at December 31, 2021, loans and other credits granted to Edpyme's employees amount to S/142,548 (S/268,331 as at December 31, 2020).
- (e) The Edpyme's key personnel remuneration as at December 31, 2021 and 2020, considering all the payments they receive was as follows:

	2021 S/ (000)	2020 S/ (000)
Wages	3,014	3,732
Diets	620	545
	<u>3,634</u>	<u>4,277</u>

Key personnel comprise staff who have responsibility for Edpyme's business decisions (managers and directors).

- (f) As at December 31, 2021 and 2020, there are debts and financial obligations with a director in the amount of S/208,000 and S/315,000, respectively.

15. Contingent risks and commitments

- (a) The structure of the heading is shown below:

	2021 S/ (000)	2020 S/ (000)
Contingent debtors		
Letter of guarantee granted (b), note 4(a)	4,005	1,374
Liability for unused credit lines and non-disbursed granted credits	44,870	28,672
Liability for repurchase agreement (c)	<u>1,830</u>	<u>2,080</u>
	<u>50,705</u>	<u>32,126</u>

Notes to Financial Statements (continued)

- (b) The Edpyme carries out contingent operations (indirect credits). These operations expose it to credit risks in addition to the amounts recognized in the financial position statement. The risk for credit losses from letters of guarantee is represented by the amounts indicated in contracts of these instruments.

The Edpyme applies the same policies that it uses for the granting of direct credits when conducting contingent operations, including obtaining guarantees when it deems it necessary. Total contingent operations do not necessarily represent future cash requirements, as contingent operations are expected to expire.

As at December 31, 2021, includes the letter of guarantee granted at the request of Accesocar S.A.C., Buena Estrella S.A.C. and Certicom for S/ 3,579,000, S/ 419,000 and S/ 7,000, respectively. As at December 31, 2020, it includes the letter of guarantee granted at the request of Accesocar S.A.C., Buena Estrella S.A.C. and Certicom for S/500,000, S/742,000 and S/132,000, respectively.

- (c) It corresponds to the committed amount of the portfolio sold with a repurchase agreement that is managed by the Edpyme as at December 31, 2021 and 2020.

16. Interest revenue and expenses

Heading structure is presented below:

	2021 S/(000)	2020 S/ (000)
Interest revenue		
Interest and loan portfolio fees	144,229	154,096
Interest on available funds	224	439
Total interest revenue	<u>144,453</u>	<u>154,535</u>
Interest expense		
Interest on debts and obligations of country's financial system, note 11(g).	(7,610)	(8,856)
Interest on debts and obligations with foreign institutions, note 11(g)	(24,393)	(23,752)
Interest on other debts, note 11(g)	(37,421)	(36,404)
Commissions and other debt charges	(1,380)	(1,987)
Total interest expense	<u>(70,804)</u>	<u>(70,999)</u>
Gross financial margin	<u>73,649</u>	<u>83,536</u>

Notes to Financial Statements (continued)

17. Financial services Income and expenses

(a) As at December 31, 2021 and 2020, the balance of this heading includes:

	2021 S/ (000)	2020 S/ (000)
Financial income		
Incomes due to indirect credits	76	14
Miscellaneous income (b)	1,529	4,660
Total	<u>1,605</u>	<u>4,674</u>
Financial expenses		
Infogas collection fee (c)	(1,933)	(685)
Collection Service Commission (d)	(759)	(494)
Account Deposits Commission	(23)	(5)
Other Financial Services	(957)	(870)
Total	<u>(3,672)</u>	<u>(2,054)</u>

(b) As at December 31, 2021, it corresponds to the commission that the Energy Social Inclusion Fund - FISE pays to Edpyme for the activation of clients to convert their vehicles to gas, for approximately S/334,000 and to the collection of interest on arrears to clients of approximately S/1,196,000. As at December 31, 2020, it corresponds to the commission that the Energy Social Inclusion Fund - FISE pays to the Edpyme for the activation of customers to conduct the gas conversion at their vehicles, for approximately S/2,940,000 and the collection of default interest to customers for around S/1,720,000.

(c) It corresponds to the commission paid to Infogas for the collection of credits installments through payments made by the taxi drivers at the time of fuel consumption.

(d) It corresponds to the collection service carried out by various financial institutions for the Edpyme's credits according to agreements signed with these financial institutions.

Notes to Financial Statements (continued)

18. Incomes from Financial Operations, net

(a) As at December 31, 2021 and 2020, the balance of this heading includes:

	2021 S/ (000)	2020 S/ (000)
Right of Exclusivity (c)	11,085	3,900
Income from portfolio sales, net, Note 4(g)	8,415	5,187
Income from collection management and sold portfolio collection, note 4(g)	8,411	6,415
Marketing fee (b)	5,123	17,071
Insurance (d)	(14,480)	(24,878)
Expense for vehicle repair and maintenance	(10,399)	(6,965)
Commission for mediation service with concessionary, note 9(c)	(6,977)	(9,252)
Other intermediation services with related parties	(2,785)	-
Early payment by repurchase agreement (e)	(2,231)	(4,652)
Other financial expenses, net (f)	(6,665)	(3,638)
Total	<u>(10,503)</u>	<u>(16,812)</u>

- (b) It corresponds to marketing commission with Seguros Qualitas and Tas Corredores de Seguros.
- (c) It corresponds to the right of exclusivity with Certisat and MOK, for their services sale to customers who have vehicles with credits that the Edpyme provides.
- (d) It corresponds to the insurance of "Prompt-Pay Program (PPP)" contracted with Rímac Seguros y Reaseguros, "Total Lost Insurance" and "All Risk Insurance" with Qualitas, to cover accidents that may occur with vehicles subject to the credits that the Edpyme provides.
- (e) It corresponds to the expense assumed by the Edpyme at the time of activating the sold portfolio repurchase in order to offset the flows not received by the buyers' sold portfolio.
- (f) It corresponds mainly to expenses of payment protection insurance, sanitation expenses, vehicle recovery commission, crane expenses for vehicle seizure, among others.

Notes to Financial Statements (continued)

19. Administrative expenses

(a) The structure of the heading is shown below:

	2021 S/ (000)	2020 S/ (000)
Staff and board costs (b)	27,075	27,367
Services received from third parties (c)	15,411	14,841
Taxes and contributions	639	656
Total	<u>43,125</u>	<u>42,864</u>

(b) The composition of staff and board costs:

	2021 S/ (000)	2020 S/ (000)
Wages	18,023	17,050
Gratuities, compensations and insurance	7,214	8,617
Board expenses	638	586
Mobility	450	584
Other staff costs	750	530
Total	<u>27,075</u>	<u>27,367</u>
Average number of workers	406	350

(c) The following is the composition of the services received from third parties:

	2021 S/ (000)	2020 S/ (000)
Rentals	5,076	4,374
Notarial, registry and judicial expenses	2,118	1,867
Communications	1,042	955
Surveillance and protection	1,023	966
Consultancies	844	1,466
Repair and maintenance	752	1,162
Miscellaneous supplies	585	392
Advertising	541	981
Public Services	296	344
Insurance expenses	277	361
Transport	89	92
Travel expenses	42	28
Customer Service	6	29
Other services	2,720	1,824
Total	<u>15,411</u>	<u>14,841</u>

Notes to Financial Statements (continued)

20. Other expenses, net

(a) The structure of the heading is below:

	2021 S/ (000)	2020 S/ (000)
Net loss on goods sales received in lieu of payment and awarded goods, note 6(d)	(8,215)	(8,323)
Utility from assets sale held for sale (b)	(96)	816
Other, net (c)	5,732	(3,118)
Total	(2,579)	(10,625)

(b) On December 15, 2020, the Edpyme sold a property located in Trujillo generating a utility of S/816,000; whose net cost was S/193,000, see note 7(a).

(c) During 2021 and 2020, it corresponds mainly to income related right of exclusivity, bonus and insurance gross up.

21. Classification of Financial Instruments

The following are the amounts of financial assets and liabilities of the heading in financial position statement classified by category according to International Accounting Standard N° 39 "Financial Instruments":

	2021 Financial assets		2020 Financial assets	
	Loans and accounts receivable S/ (000)	Total S/ (000)	Loans and accounts receivable S/ (000)	Total S/ (000)
Active				
Available	22,083	22,083	59,997	59,997
Fair value investment with changes in incomes				
Loan portfolio, net	884,558	884,558	901,858	901,858
Accounts receivable, net	48,189	48,189	26,920	26,920
Total	954,830	954,830	988,775	988,775
	2021 Financial liabilities		2020 Financial liabilities	
Passive	At amortized Cost S/ (000)	Total S/ (000)	At amortized Cost S/ (000)	Total S/ (000)
Debts and financial obligations	867,179	867,179	882,770	882,770
Other accounts payable	59,690	59,690	39,430	39,430
Other liabilities, note 9(a)	4,497	4,497	1,185	1,185
Total	931,366	931,366	923,385	923,385

Notes to Financial Statements (continued)

22. Risk assessment

The Edpyme's activities are mainly related to the use of financial instruments. The Edpyme obtains debts at fixed rates, at various terms, with the intention of obtaining profits, investing these funds in assets, mainly in loans.

The Edpyme also seeks to increase its interest margins by obtaining margins above the market average, net of provisions, through loans to customers with a variety of credit products.

In this sense, risk is inherent in Edpyme's activities but is managed through a process of identification, measurement and continuous monitoring, subject to risk limits and other controls. This risk management process is critical to achieve a continuous profitability and each person within the Edpyme is responsible of the risk exposures related to their functions. The Edpyme is exposed to credit risk, liquidity risk and market risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through Edpyme's strategic planning process.

(a) Structure and organization of risk management -

The Edpyme has a governance and management structure that allows it to properly articulate the administration and control of the risks it faces.

- Board of Directors

The Edpyme's Board of Directors is responsible for establishing an adequate comprehensive risk management and promoting an internal environment that facilitates their development. The Board of Directors is kept permanently informed about the degree of exposure of the various risks managed by the Edpyme.

The Board of Directors has created several specialized committees to which it has delegated specific functions with the aim of strengthening risk management and internal control.

- Comprehensive Risk Management Committee

The Comprehensive Risk Management Committee (GIR) is a support body created by agreement of the Board of Directors. It approved the policies and procedures, as well as the management strategy on the risks to which the Edpyme is exposed. The Committee's primary objective is to define and monitor the proper implementation of measures to ensure good risk management; as well as the establishment of exposure limits to which the Edpyme is exposed. Consequently, it does not overlap with the specific functions of the Risk Unit (with which it must maintain close coordination in the performance of its functions). The Committee reports monthly to the Board of Directors on the main issues dealt with and the agreements adopted in the previous section.

Notes to Financial Statements (continued)

- **Committee of Assets and Liabilities**
The Committee of Assets and Liabilities is a body created by agreement of the Board of Directors. Its main function is to manage the financial structure of the Edpyme' financial position, based on the profitability and risk goals. The Committee is also responsible for proposing new products or operations containing market risk components. It is also the communication channel with the areas that generate market risk. The Committee of Assets and Liabilities meets monthly in ordinary session per Chairman's call, and an extraordinarily at the request of one of its members. Certain employees, as the Committee deems necessary, shall participate in its meetings. The resolutions adopted at the meetings shall be registered in the relevant minutes book, under the Committee Secretary responsibility.
 - **Audit Committee**
The Audit Committee is responsible for overseeing the functioning and reliability of the internal control system, risk management and administrative and accounting information. It is also responsible for monitoring inaccurate information.
 - **General Management**
The General Manager has the responsibility of implementing in the organization an adequate integral risk management. Directs and coordinates the efforts of the various managements, ensuring that an adequate balance between risk and profitability is established.
 - **Internal Audit**
The Internal Audit unit reports functionally to the Board of Directors. It offers independent services and assurance and consultation objectives, designed to add value and improve the effectiveness of the Edpyme's operations. It helps the Edpyme to meet its objectives, applying a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- (b) **Risk Mitigation and Hedging -**
Credit (or counterparty) risk is the main risk that Edpyme must manage. In order to mitigate the risk of exposures and provide them with adequate coverage, the Edpyme has established a series of measures, among which the following stand out:
- Policies, procedures, methodologies, models and parameters that allow the identification, measurement, control and reporting of credit risk. Currently, for the products Traditional Taxi, Taxi Remisse, Repositioned and Consumption, Credit Scoring models are used, which allows anticipating and estimating a probability of default (PD) in the face of granting credit. An Expected Loss (EP) model was also implemented, which takes into account the probability of default (PD), exposure at default (EAD) and loss given default (LGD), in this sense for these products an average level of loss is estimated in each of the yield.

Notes to Financial Statements (continued)

- For non-retail credits, differentiated admission, monitoring and collection models are used and that are in line with the destination of the credit (generally buses and trucks), as well as the type of customers of these credits (usually legal persons).
- Additionally, for all products there is an indicator of effectiveness of collection by product, failures in the first accrual, yield analysis, expenses of provisions per product, indicator of PAR30, etc. In addition, other conventional indicators are monitored for the entire portfolio, such as: arrearage indicator, high risk portfolio, heavy portfolio, provision coverage, credit concentration ratios, provision expenses on cash equity, regulatory indicators and other requested by the Risk Committee and Board of Directors.
- Timely monitoring and follow-up of credit risk and its maintenance within the defined tolerance level. The levels analyzed are: Individual and Portfolio Risk.
- Establishment of limits on the risk appetite that the Edpyme will assume based on the expected profitability; to do this, it determines the risk capacity for which it will be able to accept, so as to ensure profitability in stress scenarios. In addition, it sets limits on risk appetite in the management of global and specific portfolio, by products and by segments.
- Compliance with regulatory limits and internal limits establishment on exposure concentrations of debtors and counterparties, such as those related to credit rating and liquidity.

In addition, the Edpyme must manage a series of risks, in order to mitigate them properly, among which are:

- **Market Risk -**
To manage market risks, the Edpyme bases its policies on the use of the standard model established by the SBS. Subjecting the exposures to periodic stress tests that include extreme scenarios, so that the Edpyme's equity, profitability and liquidity position is validated, in accordance with the exercise of the established internal policies, limits and alerts. The risks for which exposure maximum limits and early warning levels have been defined are those associated with the exchange rate and the interest rate.

Exchange rate risk management consists of controlling regulatory limits, and internal limits for both the global oversell position, and the global overbought position.

Notes to Financial Statements (continued)

The measurement of Edpyme's interest rate exposure is MADE considering two regulatory indicators: Profit at Risk (GER), which measures the impact on the financial margin, of movements in the interest rate, and the Equity Value at Risk (EVAR), which measures the impact on capital of movements in the interest rate. For both indicators, internal limits are controlled.

- Liquidity Risk -

The Edpyme controls a series of regulatory indicators at a short, medium and long term. For short-term indicators, the liquidity ratios in national currency are monitored daily, as well as the liquidity coverage ratio. In the case of long-term, perform a liquidity gap analysis. Moreover, the Edpyme has a Contingency Plan in the event of lack of liquidity, in which operational procedures to be followed in the event of an individual or systemic liquidity crisis are considered.

(c) Risk Concentration -

The Edpyme has policies and procedures to ensure an adequate diversification of financial assets and liabilities, inside and outside the financial position statement; and to seek, where appropriate, an adequate relationship between the Edpyme's concentration risk and Edpyme's equity capitalization degree.

The Edpyme conducts a control of limits on the loan portfolio concentration; the same that is aimed at reducing or monitoring the credit risk to which the Edpyme is exposed. The objective is to maintain an adequate loan portfolio distribution avoiding its concentration in markets with a high level of arrears, which would affect the portfolio position. A portfolio concentration review is carried out on the distribution in regions, economic sectors and by products.

For financial liabilities management, the Edpyme maintains permanent control of the funding concentration.

(d) Risk measurement and reporting systems -

The Edpyme uses different models and qualification tools at a client or product level for risk management. These tools measure and assess risk with a forward-looking vision, thus allowing better risk decisions to be made in the different stages or life cycle of the credit.

The tools are permanently monitored and validated periodically to ensure that prediction and performance levels are maintained and to make corrective measures or adjustments to the models if necessary. To do this, the Edpyme has risk parameters that allow measuring and prospecting the portfolio risk level, estimating expected losses and economic capital.

Notes to Financial Statements (continued)

Risk control is conducted on the basis of the budget. Annually, the Edpyme establishes the commercial strategy and the maximum level of risk to be assumed, in order to obtain a desired profitability and a capital level or target level of solvency.

Management indicators are constantly reviewed and analyzed, in order to identify possible deviations in the risk profile with respect to the stipulated risk appetite, in order to take corrective measures in a timely manner. This information is submitted monthly to the Comprehensive Risk Management Committee (GIR) and periodically to the Board of Directors.

22.1 Credit risk-

The Edpyme maintains positions affected by credit risk, due to the probability that customers will generate a financial loss for the entity, by not complying with the obligations associated with the granted credits. Credit risk is the most significant risk for Edpyme; so, it seeks to manage it properly.

- (a) Credit risk is controlled mainly through the evaluation and analysis of individual transactions with customers, for which aspects such as the following are considered: economic environment, financial situation, compliance history, classifications assigned by other companies in financial system, and management quality. In addition, the updated value of the guarantees is taken into account, in accordance with their realizable value, and the constitution of provisions according to rules established by the SBS.

In order to mitigate credit risk, the Edpyme also considers compliance with legal limits set by the SBS and internal operational limits, as well as the loan portfolio analysis, according to aspects such as: credit concentration levels, financial risk sectors, overdue portfolio, products and rating, trying to avoid credit concentrations to diversify credit risk.

Credit risk exposure is managed through the assessment of the potential debtor's ability to pay in order to comply with main payments and interest due to its obligations, from continuous analysis of the debtor's payment behavior and through loan limits change where appropriate.

In addition, the Edpyme has control methodologies that provide key indicators to manage credit risk exposures, on these indicators the appropriate exposure levels for the Edpyme have been defined, with the Integral Risk Management Committee and the Board of Directors approval; the methodologies results, and indicators performance are monitored and reported periodically to the Integral Risk Management Committee and the Board of Directors.

Notes to Financial Statements (continued)

(b) Maximum exposure to credit risk -

As at December 31, 2021 and 2020, the Edpyme' Management has estimated that the maximum amount of credit risk to which the Edpyme is exposed is represented by the book value of financial assets that present a potential credit risk and that consist mainly of those of deposits in banks, placements and other monetary assets presented in note 21. The exposure for each borrower, including banks, is established through sub-limits that cover risks for transactions in and out of the financial position statement (contingent accounts). Actual exposures and their comparison against the established limits are reviewed daily.

In this regard, as at December 31, 2021 and 2020:

- 87.3 percent and 84.9 percent, respectively, of the loan portfolio is classified in the two upper levels defined by the SBS.
- 62 percent and 79 percent, respectively of the credits are considered as neither expired nor impaired.

(c) Warranty Management -

The Edpyme's credit risk mitigation policy comes from the business conception; in this regard, guarantees requirement may be a necessary instrument, but not sufficient for risk mitigation.

The guarantees constituted in support of credit operations granted by the Edpyme to its customers for products such as larger vehicles and motorcycles, will qualify as preferred guarantees for the purpose of calculating the provision for doubtful loans and collections in accordance with the provisions of the SBS in the Regulations for the Evaluation and Classification of the Debtor and Requirement of Provisions-Resolution SBS N° 11356-2008, when:

- (i) such guarantee on movable property is duly entered in public records, and
- (ii) have an insurance that covers the loss of the property, duly endorsed in favor to the Edpyme.

In that sense, as at December 31, 2021 and 2020, the number of preferred guarantees related to direct loans granted by the Edpyme amounts to approximately S/473,667,000 and S/376,208,000 respectively.

(d) Credit Risk Management for Placements -

For credit risk management, risk management has processes that comprise three fundamental stages: 1. Risks admission, 2. Tracking and monitoring of risks; and 3. Recovery of problematic portfolio. Processes that aim to maintain a portfolio quality in line with the risk appetite denied by Edpyme' Direction.

Notes to Financial Statements (continued)

The credit admission process is fundamentally based on the clients' good knowledge and their economic activity, being decisive the evaluation of their ability to pay, credit history and solvency. This process is based on the use of risk management methodologies and tools that allow measuring and assessing the risk quality to be granted, which is supported by automatic rating models and systems for the admission of credits.

For the process of portfolio tracking and monitoring, there is an integrated system of alerts for the early detection of credit risk, which allow identifying customers with potential risks that would affect their ability to pay with possible impact on the credit development of the debtor and on which immediate and preventive actions must be taken, such as corrective and monitoring ones, counting on systems, models and guidelines through which debtors are monitored with respect to the evolution of the risks detected, decision making and management of the aforementioned for their normalization or collection.

The main trends in the portfolio are constantly monitored, in terms of evolution of quality indicators, geographical concentration, among others.

Finally, the process of collection of the credits of the problematic portfolio is conducted through a set of coordinated and applied actions for the adequate and timely recovery of the credits that aim to minimize losses on exposures with high credit risk.

The Edpyme classifies all its credits into five risk categories, depending on the risk degree of default on payment for each debtor. The categories used by the Edpyme are: (i) normal, (ii) potential problems, (iii) deficient, (iv) doubtful and (v) loss, and have the following characteristics:

- Normal: Debtors are classified in this category when they comply punctually with their obligations payment or register arrears in payment of up to 8 days.
- Potential problems: Debtors are classified in this category when their loans payment is in arrears from 9 to 30 days.
- Deficient: Debtors are classified in the Deficient category when their loans payment is in arrears from 31 to 60 days.
- Doubtful: Debtors are classified in this category when their loans payment is in arrears from 61 to 120 days.
- Loss: Debtors are classified in this category when their loans payment is in arrears for more than 120 days.

With regard to loan portfolio evaluation, the Edpyme carries out the classification of debtors in the risk categories established by the SBS and according to the classification criteria indicated for each credit type: that is, for debtors to medium, small-sized enterprises and micro-enterprises, non-revolving consumption. Classification of debtors in the categories that correspond to them is determined by following criteria of SBS Resolution N° 11356-2008 "Regulation for the evaluation and classification of the debtor and requirement of provisions", see note 2(f).

Notes to Financial Statements (continued)

It should be noted that the risk classification of non-retail loans also considers the qualitative factors derived from their financial information, in accordance with Edpyme's internal regulations of the and Resolution SBS 11356-2008 regarding the classification credit of the debtor.

- (e) The following table is the classification summarized of the types of loans and the provision made for each of them:

Classification of the loan portfolio	As at December 31, 2021				%
	Non-Retail Credits	Small sized enterprises and micro-enterprise loans	Consumer Credits	Total	
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	
Unmatured and impaired loans					
Normal	98,688	299,138	96,134	493,960	62
Potential Problems	-	-	-	-	-
	<u>98,688</u>	<u>299,138</u>	<u>96,134</u>	<u>493,960</u>	<u>59</u>
Overdue and Non-impaired loans					
Normal	173,522	54,287	10,134	237,943	30
Potential Problems	869	82,693	11,507	95,070	12
	<u>174,391</u>	<u>136,980</u>	<u>21,641</u>	<u>333,013</u>	<u>42</u>
Impaired loans					
Deficient	1,986	5,505	1,620	9,111	1
Doubtful	3,385	25,662	2,400	31,447	4
Lost	5,482	6,398	2,877	14,757	2
	<u>10,853</u>	<u>37,565</u>	<u>6,897</u>	<u>55,315</u>	<u>7</u>
Gross portfolio	<u>283,932</u>	<u>473,684</u>	<u>124,672</u>	<u>882,287</u>	<u>105</u>
Less: Provision for doubtful loans and collection (*)	<u>(25,975)</u>	<u>(41,594)</u>	<u>(17,331)</u>	<u>(84,900)</u>	<u>11</u>
Total, net	<u>257,957</u>	<u>432,090</u>	<u>107,340</u>	<u>797,388</u>	<u>100</u>

- (*) As at December 31, 2021, the Edpyme maintains a voluntary provisions balance for microenterprise loans for an amount of S/10,346,920. In addition, the Edpyme maintains a provisions balance within the framework of the Letter N° 3155-2020 SBS associated with the State of National Emergency amounting to S/ 6,889,422.

Notes to Financial Statements (continued)

Classification of the loan portfolio	As at December 31, 2020				
	Non-Retail Credits	Small sized enterprises and micro-enterprise loans	Consumer Credits	Total	%
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	
Unmatured and impaired loans					
Normal	141,075	253,632	203,527	598,234	64%
Potential Problems	47,138	5,602	12,069	64,809	7%
	<u>188,213</u>	<u>259,234</u>	<u>215,596</u>	<u>663,043</u>	<u>79%</u>
Overdue and Non-impaired loans					
Normal	47,253	32,268	26,928	106,449	11%
Potential Problems	4,151	11,364	10,409	25,924	3%
	<u>51,404</u>	<u>43,632</u>	<u>37,337</u>	<u>132,373</u>	<u>16%</u>
Impaired loans					
Deficient	8,902	8,853	15,382	33,137	4%
Doubtful	16,620	13,521	28,486	58,627	6%
Lost	2,254	26,829	20,371	49,454	5%
	<u>27,776</u>	<u>49,203</u>	<u>64,239</u>	<u>141,218</u>	<u>17%</u>
Gross portfolio	<u>267,393</u>	<u>352,069</u>	<u>317,172</u>	<u>936,634</u>	<u>111%</u>
Less: Provision for doubtful loans and collection (*)	<u>(15,534)</u>	<u>(31,244)</u>	<u>(45,241)</u>	<u>(92,019)</u>	<u>11%</u>
Total, net	<u>251,859</u>	<u>320,825</u>	<u>271,931</u>	<u>844,615</u>	<u>100%</u>

(*) As at December 31, 2020, the Edpyme maintains a voluntary provisions balance for microenterprise loans for an amount of S/ 4,413,593. In addition, the Edpyme maintains a provisions balance within the framework of the Letter N° 3155-2020 SBS associated with the State of National Emergency amounting to S/ 3,950,399.

Notes to Financial Statements (continued)

- (f) The gross amount detail of impaired loans by credit type, together with the fair value of the related guarantee and the amounts of its provision for doubtful loans and collections are as follow:

	As at December 31, 2021				As at December 31, 2020			
	Non-retail loans S/ (000)	Loans to small- size enterprises and micro- enterprises S/ (000)	Consumer credits S/ (000)	Total S/ (000)	Non-retail credits S/ (000)	Loans to small- size enterprises and micro- enterprises S/ (000)	Consumer credits S/ (000)	Total S/ (000)
Impaired credits	10,853	37,565	6,897	55,315	27,776	49,203	64,239	141,218
Preferred guarantees	163,801	309,866	-	473,667	14,220	22,826	-	37,046
Provision for doubtful loans and collections	16,201	14,762	-	30,963	8,324	17,831	23,829	49,984

Details of days of arrears in loans that are overdue are but not impaired:

	As of December 31, 2021			
	Non-retail credits S (000)	Loans to small and micro- enterprises S/ (000)	Non- revolving consumer credits S/ (000)	Total S/ (000)
Expired up to 30 Days	174,391	136,980	21,641	333,013
Total	174,391	136,980	21,641	333,013

	As at December 31, 2020			
	Non-retail credits S/ (000)	Loans to small and micro- enterprises S/ (000)	Non-revolving consumer credits S/ (000)	Total S/ (000)
Expired up to 30 days	51,404	43,632	37,337	132,373
Total	51,404	43,632	37,337	132,373

Notes to Financial Statements (continued)

(g) Concentration of financial instruments exposed to credit risk -

As at December 31, 2021 and 2020, the main financial instruments with exposure to credit risk were distributed in the following geographical areas:

	Loan portfolio (*)	
	2021 S/ (000)	2020 S/ (000)
Lima	761,420	790,927
Callao	61,696	68,034
Cusco	5,026	5,369
Lambayeque	16,175	17,113
La Libertad	11,553	15,583
Piura	10,063	13,059
Ica	1,191	1,844
San Martin	519	1,672
Arequipa	11,027	17,341
Junín	2,451	2,364
Others	1,165	3,328
Total	<u>882,287</u>	<u>936,634</u>

(*) Balances include the gross credit portfolio without considering provisions and accrued returns.

(h) As at December 31, 2021 and 2020, the main financial instruments with exposure to credit risk distributed in the following economic sectors are presented:

	Loan portfolio (*)	
	2021 S/ (000)	2020 S/ (000)
Transport, Storage and Communications	733,353	596,083
Other non-retailers	22,849	21,862
Total exposures in economic sectors	<u>756,202</u>	<u>617,945</u>
Consumer Credit Exposure	126,085	318,689
Total Gross Portfolio	<u>882,287</u>	<u>936,634</u>

(*) Balances include the gross credit portfolio without considering provisions and accrued returns.

Notes to Financial Statements (continued)

22.2 Market risk

Market risk is the possibility of loss due to variations in financial market conditions. The main variations to which the Edpyme is exposed can occur in exchange rates and interest rates, these variations can affect Edpyme's financial assets and liabilities value.

The Edpyme has financial positions that are not actively negotiated and are part of its assets and liabilities.

(i) Interest rate risk -

Interest rates fluctuate permanently in the market. These fluctuations affect the Edpyme in two ways: the first, through assets and liabilities valuation change; and the second, as a result of the effective flows re-price. The variation in assets and liabilities valuation is more sensitive to the extent that the period in which the asset or liability is re-priced increases, for this re-price periods analysis is carried out. On the other hand, cash flows are affected at the time instruments expire, as they are invested or placed at new rates in force in the market.

The interest rate risk tracking is reported to the GIR Committee, and to the Assets and Liabilities Committee as well. The GIR Committee approves the various applicable limits for the financial instruments management, while monitoring is conducted by Risk Management.

Re-price gap -

In order to determine the movements impact on interest rate, the Edpyme conducts a re-price gaps analysis. The analysis consists of assigning, in different time gaps, operations balances that will change the interest rate. Based on this analysis, the impact for each variation gap in the valuation of assets and liabilities is calculated.

Notes to Financial Statements (continued)

The following table summarizes Edpyme's exposure to interest rates risks. The Edpyme's financial instruments show their values in books, classified between the interest rate re-price period of the contract or expiration date, whichever comes first:

	2021						Total S/ (000)
	Up to 1 month S/ (000)	From 1 to 3 months S/ (000)	From 3 to 12 months S/ (000)	From 1 to 5 years S/ (000)	More than 5 years S/ (000)	No interest accrued S/ (000)	
Active							
Available	21,168	-	-	-	-	915	22,083
Loan Portfolio, Net	95,098	17,093	91,359	485,723	195,285	-	884,558
Accounts receivable	-	-	-	-	-	48,189	48,189
Other assets	-	-	-	-	-	123,907	123,907
Total assets	116,266	17,093	91,359	485,723	195,285	173,011	1,078,737
Passive							
Debts and financial obligations	30,329	18,099	114,800	685,718	18,233	-	867,179
Other Accounts Payable	-	-	-	-	-	59,006	59,006
Other liabilities	-	-	-	-	-	6,967	6,967
Net worth	-	-	-	-	-	145,585	145,585
Total liabilities and Net Worth	30,329	18,099	114,800	685,718	18,233	211,558	1,078,737
Marginal Gap	85,937	(1,006)	(23,441)	(199,995)	177,052	(38,547)	-
Accumulated Gap	85,937	84,931	61,490	(138,505)	38,547	-	-
	2020						
	Up to 1 month S/ (000)	From 1 to 3 months S/ (000)	From 3 to 12 months S/ (000)	From 1 to 5 years S/ (000)	More than 5 years S/ (000)	No interest accrued S/ (000)	Total S/ (000)
Active							
Available	59,414	-	-	-	-	583	59,997
Loan portfolio, net	64,031	23,674	136,358	561,579	116,216	-	901,858
Accounts receivable	-	-	-	-	-	26,920	26,920
Other assets	-	-	-	-	-	98,054	98,054
Total assets	123,445	23,674	136,358	561,579	116,216	125,557	1,086,829
Passive							
Debts and financial obligations	23,606	10,014	191,026	641,299	16,825	-	882,770
Other Accounts Payable	-	-	-	-	-	39,430	39,430
Other liabilities	-	-	-	-	-	4,436	4,436
Net worth	-	-	-	-	-	160,193	160,193
Total liabilities and net worth	23,606	10,014	191,026	641,299	16,825	204,059	1,086,829
Marginal gap	99,839	13,660	(54,668)	(79,720)	99,391	(78,502)	-
Accumulated gap	99,839	113,499	58,831	(20,889)	78,502	-	-

Notes to Financial Statements (continued)

Sensitivity to interest rates changes -

Below is the income statement sensitivity analysis and its valuation in front of various interest rate fluctuations. Fluctuations affect both expected flows and balances value.

In the case of income statement, calculation reflects the expected variation in the financial margin in the equivalent period of one year. To do this, the current income and expenses position is considered and the effect of the variations in the rates is annualized. Figures express the expected change in asset value minus liabilities for various time gaps.

Considered interest rate fluctuations apply equally along the entire performance curve; that is, a parallel movement of the curve is considered. The effects are considered independently for each of the two presented currencies.

Calculations are based on the regulatory interest rate risk model approved by the SBS, in force at the date of the financial position statement. Sensitivities are calculated before the effect of income tax.

Interest rate exposure is supervised by the Assets and Liabilities Committee, as well as by the GIR Committee, being the latter the one who approves the maximum permitted limits.

The effects of the estimated changes in interest rates as at December 31, 2021 and 2020 are as follows:

Currency	2021	
	Changes in basic points	Sensitivity in net results S/
Peruvian Soles	+/- 50	222,174
Peruvian Soles	+/- 75	333,261
Peruvian Soles	+/- 100	444,348
Peruvian Soles	+/- 150	666,522
U.S. Dollars	+/- 50	35,294
U.S. Dollars	+/- 75	52,941
U.S. Dollars	+/- 100	70,588
U.S. Dollars	+/- 150	105,883

Notes to Financial Statements (continued)

Currencies	2020	
	Changes in basic points	Sensitivity in net results S/
Peruvian Soles	+/- 50	130,426
Peruvian Soles	+/- 75	195,639
Peruvian Soles	+/- 100	260,853
Peruvian Soles	+/- 150	391,279
U.S. Dollars	+/- 50	81,813
U.S. Dollars	+/- 75	122,720
U.S. Dollars	+/- 100	163,626
U.S. Dollars	+/- 150	245,439

(ii) Foreign Currency Exchange Rate Risk -

Foreign currency exchange risk is related to the change in the value of positions inside and outside the financial position statement that are adversely affected by exchange rate movements. The Edpyme is exposed to exchange rate risk only in US dollars which, as at December 31, 2021 and 2020, represent -4.70 and 4.40 percent, respectively, of its effective equity. The Edpyme has set limits for such exposure, following the provisions of the regulatory body.

As at December 31, 2021, the weighted average exchange rate of free market published by the SBS for U.S. dollar transactions was S/3.975 for US\$1 for purchase and S/3.998 for US\$1 for sale (S/3.618 and S/3.624 as at 31 December 2020, respectively). As at December 31, 2021, the exchange rate for accounting assets and liabilities accounts in foreign currency set by the SBS was S/3.987 for US\$1 (S/3.621 as at December 31, 2020).

Notes to Financial Statements (continued)

The detail of Edpyme's assets and liabilities in foreign currency, in thousands of US dollars:

	2021 US\$(000)	2020 US\$(000)
Active		
Available	2,532	9,306
Loan Portfolio	60,628	59,862
Other assets	2,419	426
Total	<u>65,579</u>	<u>69,594</u>
Passive		
Debts and financial obligations	66,502	66,760
Other liabilities	981	905
Total Liabilities	<u>67,483</u>	<u>67,665</u>
Net position in foreign currency	<u>(1,904)</u>	<u>1,929</u>

During 2021 and 2020, the Edpyme registered a net profit of approximately S/393,000 and S/1,496,000, respectively, as "Foreign exchange gain, net" in the comprehensive income statement; which is made up of both the monetary assets and liabilities levelling in US dollars and the profit and/or loss generated in foreign exchange operations carried out by the Edpyme to meet its obligations in US dollars in respect of credit operations carried out with their customers throughout the year.

Below is the sensitivity analysis for the case of reasonably possible changes in the US dollar. Negative variations represent potential losses while positive ones represent potential gains.

Sensitivity analysis	Currency conversion change	2021	2020
	%	S/ (000)	S/ (000)
Devaluation -			
U.S. Dollar	5	380	(349)
U.S. Dollar	10	759	(698)
Revaluation -			
U.S. Dollar	5	(308)	349
U.S. Dollar	10	(759)	698

Notes to Financial Statements (continued)

22.3 Liquidity risk -

Liquidity risk consists of the Edpyme's inability to meet the maturity of its obligations by incurring losses that significantly affect its equity position. This risk can manifest itself as a result of various events, such as: unexpected reduction of funding sources, inability to liquidate assets quickly, among others.

The liquidity of the Edpyme is managed by the Finance Management. This Management chairs the Assets and Liabilities Committee where the positions, movements, indicators and limits on liquidity management are presented. The liquidity risk is in turn supervised by the Comprehensive Committee of Risk, where the level of risk that the Edpyme is willing to assume is defined and the corresponding indicators, limits and controls are reviewed.

The Edpyme has a set of indicators that are daily monitored and reported. These indicators establish the minimum levels of liquidity allowed in short term. The indicators reflect various aspects of risk such as: concentration, stability, position by currencies, main debts, etc. Risk Management is responsible for monitoring these indicators.

In addition, the Edpyme evaluates liquidity in the medium and long term through a structural analysis of its fund's income and withdrawals in various maturities dates. This process allows to know for each currency the different sources of funding, how the liquidity needs are increased and what terms are undermined. Based on this information, the necessary decisions are made to maintain the target liquidity levels.

Notes to Financial Statements (continued)

Edpyme's cash flows payable as of December 31, 2021 and 2020 are presented below, according to contractual terms agreed. In the case of liabilities with undetermined maturity, terms are assumed according to statistical models. The amounts disclosed are the cash flows according to undiscounted contracted terms and include their respective accrued interest.

Exposure to liquidity risk	2021					
	Up to 1 month S/ (000)	More than 1 month to 3 months S/ (000)	More than 3 up to 12 S/ (000)	More than 1 year S/ (000)	No interest accrued S/ (000)	Total S/ (000)
Passive						
Debts and financial obligations	30,329	18,099	114,800	708,842	-	872,070
Other accounts payable	-	-	-	-	59,006	59,006
Other liabilities	-	-	-	-	6,967	6,967
Total	30,329	18,099	114,800	708,842	65,973	938,043

Exposure to liquidity risk	2020					
	Up to 1 month S/ (000)	More than 1 month to 3 months S/ (000)	More than 3 up to 12 S/ (000)	More than 1 year S/ (000)	No interest accrued S/ (000)	Total S/ (000)
Passive						
Debts and financial obligations	23,606	10,014	191,026	663,388	-	888,034
Other accounts payable	-	-	-	-	39,430	39,430
Other liabilities	-	-	-	-	4,436	4,436
Total	23,606	10,014	191,026	663,388	43,866	931,900

The following are changes in liabilities from funding activities as at December 31, 2021 and 2020:

	2021					
	Cash flow					
Balance as at January 1, 2021 S/ (000)	Cash outflows S/ (000)	Cash inflows S/ (000)	Movement of foreign currency S/ (000)	Movement of interests and commissions S/ (000)	Other S/ (000)	Balance as at December 31 S/ (000)
Debts and financial obligations	882,770	(135,324)	35,704	74,605	9,424	867,179
Total	882,770	(135,324)	35,704	74,605	9,424	867,179

	2020					
	Cash flow					
Balance as at January 1, 2020 S/ (000)	Cash outflows S/ (000)	Cash inflows S/ (000)	Movement of foreign currency S/ (000)	Movement of interest and commissions S/ (000)	Other S/ (000)	Balance as at December 31 S/ (000)
Debts and financial obligations	823,351	(91,413)	123,812	20,467	6,553	882,770
Total	823,351	(91,413)	123,812	20,467	6,553	882,770

Notes to Financial Statements (continued)

23. Fair value

Fair value is the amount for which an asset can be exchanged between a duly informed buyer and seller; or the amount for which an obligation between a debtor and a creditor with sufficient information can be settled under the terms of a free competition transaction.

Fair value is a market-based measurement, so a financial instrument marketed in a real transaction on a liquid and active market has a price that supports its fair value. When the price for a financial instrument is not observable, fair value should be measured using another valuation technique, seeking to maximize the use of relevant observable variables and minimize the use of non-observable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively quoted on the market and that has similar characteristics can be used, or it can be obtained through some analytical technique, such as discounted flow analysis or valuation using multiples.

The assumptions and calculations used to determine fair value for financial assets and liabilities are as follows:

1. Financial instruments accounted at fair value. - The fair value is considered according to the price of the instrument; in the case of instruments quoted on active markets, the fair value will be the quotation price; in the case that the instrument is not quoted, the value of an identical instrument that is quoted on an active market will be assigned; and in the absence of an active market on which it is listed or comparable, valuation techniques using data from observable markets (market rate curves and price vector provided by SBS) shall be used.
2. Instruments whose fair value is similar to the book value. - The fair value of instruments is considered as their book value in the case of short-term assets or liabilities. This method considers the available assets. Likewise, this method is used for assets or liabilities that do not have a greater impact by market variables such as assets or liabilities with floating rates and alike.
3. Financial instruments measured at a fixed rate. - Financial instruments measured at a fixed rate are considered to be the portfolio of credits, obligations to the public and deposits from companies in the financial system, according to the Official Letter SBS N° 1575-2014, which indicates that the fair value of these accounts corresponds to their book value.

Based on the criteria described above, Management estimates that there are no significant differences between the book value and fair value of Edpyme's financial instruments as at December 31, 2021 and 2020.

Notes to Financial Statements (continued)

24. Judicial and administrative processes

The Edpyme has pending various lawsuits, litigations and other processes that are related to the activities it develops, which in the opinion of the Management and its legal advisors will not accrue in additional liabilities, that is, they are not considered as probable.

25. Subsequent events

From January 1, 2022 to the date of this report, no significant event affecting the financial statements has occurred, in addition to what is reported in the Notes to financial statements.

COLLEGE OF PUBLIC ACCOUNTANTS OF LIMA

(seal of College of Public Accountants of Lima)

Certificate of Authorization

The Dean and the Director Secretary of the College of Public Accountants of Lima, who subscribe, declare that, based on the records of the institution, it has been verified that:

TANAKA VALDIVIA & ASOCIADOS S. CIVIL DE R.L. REGISTRATION N°: SO761

is **AUTHORIZED**, for the exercise of the professional functions empowered by Law N° 13253 and its amendment Law N° 28951 and in accordance with the Statute and Internal Regulations of this College; in faith of which and at the request of a party, it extends this record for any purpose deemed appropriate. This certificate is valid until April 30, 2022.

Lima, August 2, 2021.

(signature)

(signature)

**CPC. GUILLERMINA ZAVALA PAUCAR
DEAN**

**CPC. GLADYS MILAGROS BAZAN ESPINOZA
DIRECTOR SECRETARY**

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