STRATEGY FOR GLOBAL ASSET AND LIABILITY MANAGEMENT 2025 – 2028

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Message from the Ministry of Economy and Finance

There have been meaningful challenges in 2024, as well as valuable opportunities to strengthen resilience and the response of the country to a challenging and global economic environment. Our economy has proved to be macroeconomically solid, and through a clear and responsible policy, obstacles can be overcome, and sustainable growth can be achieved.

The Government is constantly focused on strengthening its institutions and enhancing confidence both in domestic and foreign investment, maintaining macroeconomic stability and fiscal responsibility. The recent improvement of the credit rating perspective by Moody’s and Fitch Ratings acknowledges this effort.

There have been difficulties on the road: over the last years, global uncertainty and the impact of adverse weather phenomena have been faced; nevertheless, we have had a clear response to this: acting with responsibility; maintaining fiscal discipline and promoting public policies designed to boost economic growth and social inclusion. At present, encouraging signs of recovery are seen, and concerning economic activity, the country has had a sustainable recovery, driven by sectors like mining, trade, manufacturing, transport and construction.

The Strategy for Global Asset and Liability Management for the period 2025 – 2028 is part of our mid-term vision as an essential tool for strengthening our balance-sheet, optimizing the use of public resources and managing debt efficiently. The Strategy has a global approach in line with a responsible and predictable policy with the aim of mitigating risks and ensuring a solid management of public finances. This strategy lets us ratify our commitment to maintaining a stable macroeconomic framework to respond to future challenges and to take advantage of growth opportunities.

On behalf of the Ministry of Economy and Finance, we reaffirm our commitment to continuing working on the stability, the growth and the progress of the country, ensuring an efficient and sustainable management of public resources. A road of opportunities is ahead, and full of confidence and resolution, we will continue building a country that is looking forward to the future, in hope and optimism.

JOSÉ BERLEY ARISTA ARBILDO
Minister of Economy and Finance

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EXECUTIVE SUMMARY

The global economic outlook is being adjusted, following the economic disruption caused by the pandemic and the subsequent inflationary process all over the world. Supply chain disruption, trade fragmentation and geopolitical conflicts have increased volatility in financial markets, and they have limited global growth. Although inflation has shown signs of moderation, still-restrictive interest rates continue to limit economic recovery, specifically in advanced economies such as the Eurozone and the United States of America.

In emerging economies, particularly in Latin America, monetary policy has started an easing cycle that has boosted the domestic recovery; nevertheless, structural risks such as the impact of the real estate crisis in China and the fiscal vulnerabilities in economies that depend on natural resources continue to shape the domestic and international economic outlook.

The International Monetary Fund (IMF) estimates a global growth of 3.2% for 2024 and 2025, mainly driven by emerging economies with a projected growth of 4.2% for 2024. With better growth projections for this year, Brazil, Chile and Peru are leading monetary policy normalization in the region, as advances in reducing inflation are shown. Nevertheless, the IMF has warned about the risks to fiscal stabilization in the context of expansive policies in countries with fiscal restrictions, which would damp recovery.

In Latin America, public finances are still facing important structural challenges that are translated into high debt levels and persistent fiscal deficits. Although recent reductions in financing costs have partly offset immediate pressures, the capacity of Governments to effectively face economic challenges has been restrained by fiscal limitations. The high share of resources aimed at debt servicing and current expenditures reduces the room for maneuver available to implement expansive policies or respond to economic, social and climatological emergencies. This situation stands out the urgency of adopting long-term and sustainable fiscal strategies that strengthen the financial resilience and improve the macroeconomic stability in the region.

The economy is recovering in Peru, recording a growth rate of 3.0% between January and September and a projected rate of 3.2% for 2024. The year-on-year inflation stood at 2.01% as of October 2024 and it is within the target range of the Central Bank of Reserve of Peru, easing the path to gradually reduce the benchmark rate from 6.75% at the end of 2023 to 5.0% in November 2024. This situation has largely contributed to fiscal stability, supported by a stable foreign exchange rate, lower financing costs for the public sector and a more favorable perception of the fiscal sustainability. Such conditions have raised confidence in the local public debt market, boosting the demand for sovereign bonds in soles and reducing volatility of their yields alongside the curve while increasing their value.

In this context, the 2025-2028 Strategy for Global Asset and Liability Management represents a key framework to strengthen the financial sustainability and to optimize the management of public resources in Peru. This document analyzes the position of the Non-Financial Public Sector (NFPS) at the close of the first half of 2024, incorporating a comprehensive approach with a projected evolution towards 2028. Additionally, it sets out strategic guidelines to consolidate fiscal resilience, to mitigate financial risk and to develop the public debt market in a challenging and demanding environment. Consequently, at the end of June 2024, the NFPS financial assets reached S/ 119.14 billion with a year-on-year increase of 1.2%, growth that is supported by improved budgetary execution and economic reactivation. Furthermore, over the same period, the financial liabilities increased to S/ 327.05 billion, with a rise of 4%, and showing a tendency toward the stabilization in the aftermath of the pandemic. Concerning the NFPS net debt, one of the main fiscal sustainability indicators, it stood at S/ 207.91 billion (20.1% of GDP), which means a prudent management of the financial resources.

Although the Peruvian public debt market has been resilient with lower volatility in comparison to previous years, which reflects a most favorable global financial environment, the structure of the public debt, despite being exposed to important financial risks, it indicates that the participation of the local currency is recovering, standing at 48.9% at the end of June 2024.

The 2025-2028 EGIAP is seen as a key instrument aimed at strengthening the fiscal sustainability of Peru and promoting a solid and dynamic economy development of the public debt market. This strategic approach is in line with its main objectives and includes:

1. To manage public debt in line with fiscal rules, contributing to debt sustainability
2. To consolidate a strategic local market of public debt in soles
3. To strengthen the efficient management of public resources

In the same vein, the guidelines of the Strategy have been revised and adjusted to help formulate the strategic actions that effectively adapt themselves to the current conditions of the Treasury in its role as the ruling entity of the National Systems of Treasury and Public Indebtedness. The 2025-2008 EGIAP guidelines are as follows:

a. Promoting competitiveness, participation and diversification of the domestic market of public debt.
b. Promoting an efficient use of Public Funds in line with the principle of Cash Unity and the use of liquidity management tools.
c. Guaranteeing the coverage of liquidity requirements for a suitable execution of the Public Budget and to reduce the liquidity costs
d. Managing Public Funds in anticipation of the financial needs resulting from adverse events.
e. Strengthening the global financial asset and liability management

As usual, the Strategy includes a quantitative analysis of financial scenarios for the period in force, and it incorporates projections of key indicators such as the share of debt in soles, average life of debt and payment concentration. Additionally, the Strategy sets detailed strategic actions supported by specific actions that are focused on Treasury modernization, debt structure optimization and improved financial risk management to strengthen the sustainability of the public finances on a mid-term basis. The Strategy also maintains the annual schedule for the regular auctions of Treasury securities program designed for fostering the development of the domestic market of public debt and ensuring transparency and predictability.

Finally, the Strategy for Global Asset and Liability Management reaffirms the commitment of the Government towards proactive and sustainable fiscal management being designed for strengthening the economic resilience and for responding to structural and timely challenges in Peru. Its comprehensive approach helps strengthen the macroeconomic stability and boost confidence in the public debt market, consolidating the foundations for a sustainable growth on a mid and long-term basis.

INTRODUCTION

The domestic and global economic outlook in 2024 shows a meaningful transition following the impact of the pandemic and the inflationary pressures that redefined the financial dynamics in recent years. In this context, the 2025-2028 EGIAP is seen as a strategic instrument that contributes to the fiscal sustainability of Peru, strengthening its capacity of response and adaptation to current and future economic challenges.

The global context shows signs of moderate inflation which has gradually brought flexibility to the monetary policies of the main central banks after a long period of high interest rates. Nevertheless, there are still geopolitical tension risks, trade disruption and structural challenges in emerging economies. In this situation, Peru is relatively placed in an advantageous and solid position in the region, supported by suitable and prudent fiscal management that has maintained low debt levels if compared to other countries in Latin America. Nevertheless, challenges to fiscal pressure and growing debt costs urge proactive management that prioritizes an efficient use of financial resources and the mitigation of volatility risk, fluctuations in the financial markets and accumulated concentrations on the short and mid-term basis.

On the domestic front, inflation convergence to the BCRP target range is helping reduce the key monetary interest rate, improving financial conditions. Nevertheless, the public debt market is facing pressure that comes from short-term maturity concentration, volatility in the foreign investment flows and the costs of debt service. In this regard, the 2025-2028 EGIAP prioritizes strategic management in line with the objectives of the 2025-2025 MMF, incorporating learned lessons and strengthening the capacity of the Government to respond to economic challenges with soundness and resilience.

Since its inception, the Strategy set a comprehensive planning that aligns financial management to fiscal policy. In this version, the Strategy lays in three key strategic pillars:

Sustainable management of public indebtedness: it seeks to ensure that financial requirements are in line with the fiscal rules set out on the 2025-2028 MMF, maximizing efficiency in the use of financial assets and minimizing cost and debt risks. This approach is supported by the diversification of financial sources and the execution of strategic debt management operations that are aimed at optimizing the composition, structure and duration of the public sector liability, thus ensuring efficient and sustainable management.

Consolidation of the local market debt in soles: it promotes diversification and liquidity of the sovereign bond market, boosting participation of a bigger investors' base and reducing exposure to exchange risks through a strategy for debt in soles.

Strengthening of the financial asset and liability management: it is focused on optimizing public fund management through the implementation of liquidity management tools that are designed to anticipate and mitigate financial risks resulting from changes in market conditions.

This document is divided into four main sections: the first section analyzes the world and local financial context, assessing its impact on the NFPS asset and liability management; the second section defines the scope of action of the strategic guidelines; the third section provides an insight into the NFPS financial position risks, standing out those risks that are related to interest rates, maturity concentration and exchange volatility. Finally, the four section introduces the reference framework and the strategic actions that will guide the implementation of the strategy, estimating the advantages during the period in force.

Based on these guidelines, the 2025-2028 EGIAP does not only seek to take on the immediate challenges but also lays the foundation for adaptive and resilient fiscal management that strengthens the financial position of the Government and lead to the economic well-being of its citizens. This global approach ensures the readiness of the country to capitalize on financial market opportunities while protecting its public finances against emerging risks.

ABBREVIATIONS AND ACCRONYMS

AFP. Administradora de Fondos de Pensiones	AFP. Pension Fund Administrator in Peru
AFSP. Administración Financiera del Sector Público	AFSP. Public Financial Management of the Public Sector
BCRP. Banco Central de Reserva del Perú	BCRP. Central Reserve Bank of Peru
BN. Banco de la Nación	BN. Bank of the Nation
CDS. *Credit Default Swaps*	CDS. Credit Default Swaps
CUT. Cuenta Única del Tesoro Público	TSA. Treasury Single Account
D.L. Decreto Legislativo	L.D. Legislative Decree
DGTP. Dirección General del Tesoro Público	DGTP. General Directorate of Public Treasury (Ministry of Economy and Finance)
EE. UU. Estados Unidos	US. United States
EGIAP. Estrategia de Gestión Integral de Activos y Pasivos	EGIAP. Strategy for the Global Asset and Liability Management
EMBIG. *J.P. Morgan Emerging Market Bond Index Global*	EMBIG. J.P. Morgan Emerging Market Bond Index Global
ESG. *Environmental, Social and Governance*	ESG. Environmental, Social and Governance
ETF. *Exchange-Traded Fund*	ETF. Exchange-Traded Fund
FCR. Fondo Consolidado de Reservas	FCR. Consolidated Pension Reserve Fund in Peru
FEF. Fondo de Estabilización Fiscal	FEF. Fiscal Stabilization Fund
FMI. Fondo Monetario Internacional	IMF. International Monetary Fund
GC. Gobierno Central	CG. Central Government
GG. Gobierno General	GG. General Government
LTP. Letras del Tesoro Público	T-Bills. Treasury Bills
MEF. Ministerio de Economía y Finanzas	MEF. Ministry of Economy and Finance
MIF. Módulo de Instrumentos Financieros	MIF. Module of Financial Instruments
MMM. Marco Macroeconómico Multianual	MMF. Multiannual Macroeconomic Framework
OAD. Operación de Administración de Deuda	OAD. Liability Management Operation
OCDE. Organización para la Cooperación y el Desarrollo Económico	OECD. Organization for Economic Co-operation and Development
p.p. Puntos porcentuales	p.p. percentage point
PBI. Producto Bruto Interno	GDP. Gross Domestic Product
pbs. Puntos básicos	bps. basis points
RO. Recursos Ordinarios	RO. Ordinary Resources
ROOC. Recursos por Operaciones Oficiales de Crédito	ROOC. Resources from Official Credit Operations
RSL. Reserva Secundaria de Liquidez	RSL. Secondary Liquidity Reserve
SNEP. Sistema Nacional de Endeudamiento Público	SNEP. National System of Public Indebtedness
SNT. Sistema Nacional de Tesorería	SNT. National System of Treasury
SPNF. Sector Público No Financiero	NFPS. Non-Financial Public Sector
VaR. Valor en riesgo	VaR. Value at Risk

I. GENERAL FRAMEWORK OF THE 2025-2028 STRATEGY FOR GLOBAL ASSET AND LIABILITY MANAGEMENT

1.1 Local and International Financial Context

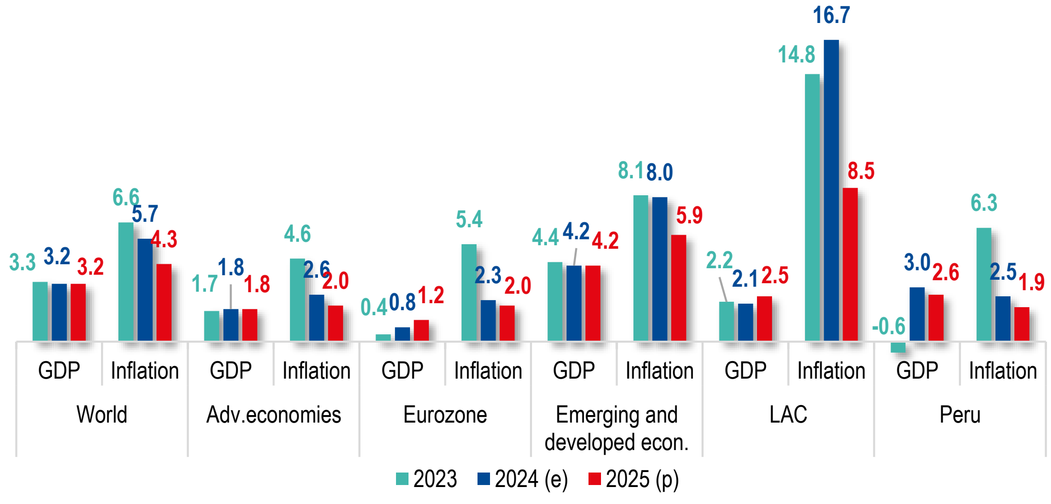
The world economy is in a transitional phase following the pandemic and inflationary shocks. Disruption of the global supply chains, the supply shocks and the demand rebound unleashed an increased inflation that made central banks tighten their monetary policies by significantly rising their interest rate causing volatility on the markets.

Since 2023, inflation has been better controlled which has led to start normalizing the monetary policy in developed countries. Since the end of 2023, there has been a moderate inflation in several regions which allowed central banks to start making their policies more flexible to meet their inflations targets. Nevertheless, restrictive interest rates are limiting global demand mainly in the Eurozone and the US, amidst geopolitical tensions and trade disruption.

The IMF states that global growth remains stable in the midst of a deflationary process; in this regard, the IMF maintains its global growth projection in 3.2% for 2024 and 2025 dependent on inflation performance, financial stability and geopolitical tensions, among others.

Although risks to global growth are balanced, the IMF warns that fiscal policies within electoral contexts may deteriorate fiscal stability and make rate cuts difficult, representing headwinds to global growth, mainly if they are combined with a slowdown in growth in US, the real estate crisis in China and a persistent inflation in the sector of service.

Chart 01*. GDP and Inflation Outlook, 2023-2025*
Annual % change

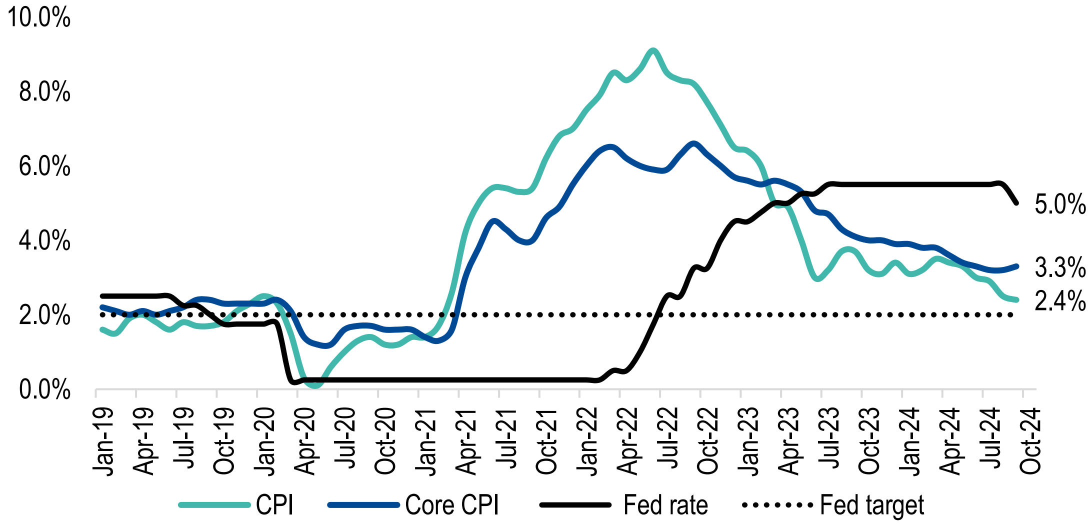


Source: IMF.
e/ Estimated.
p/ Projected

Emerging economies are leading the recovery all over the world with a projected growth of 4.2% for 2024 and 2025. Brazil, Chile and Peru have already started to reduce inflation which have normalized their monetary policies and boosted the local demand, thus improving growth expectations for 2024.In China, the real estate crisis and the decrease of the external demand would make it difficult to reach the estimated growth of 4.8%, while India will grow a solid 7.0%, largely contributing both to global growth in 2024.

US inflation has shown a downward trend, reaching a maximum of 3.5% in March, and since then, it has registered a year-on-year inflation of 2.6% in October, one of the lowest levels since February 2021. Although headline inflation has been slowing down, core inflation increased to 3.3% last month, which suggests that the process of inflation convergence could be more gradual. Furthermore, these results build confidence in the fact that inflation is converging sustainably towards the targeted 2%

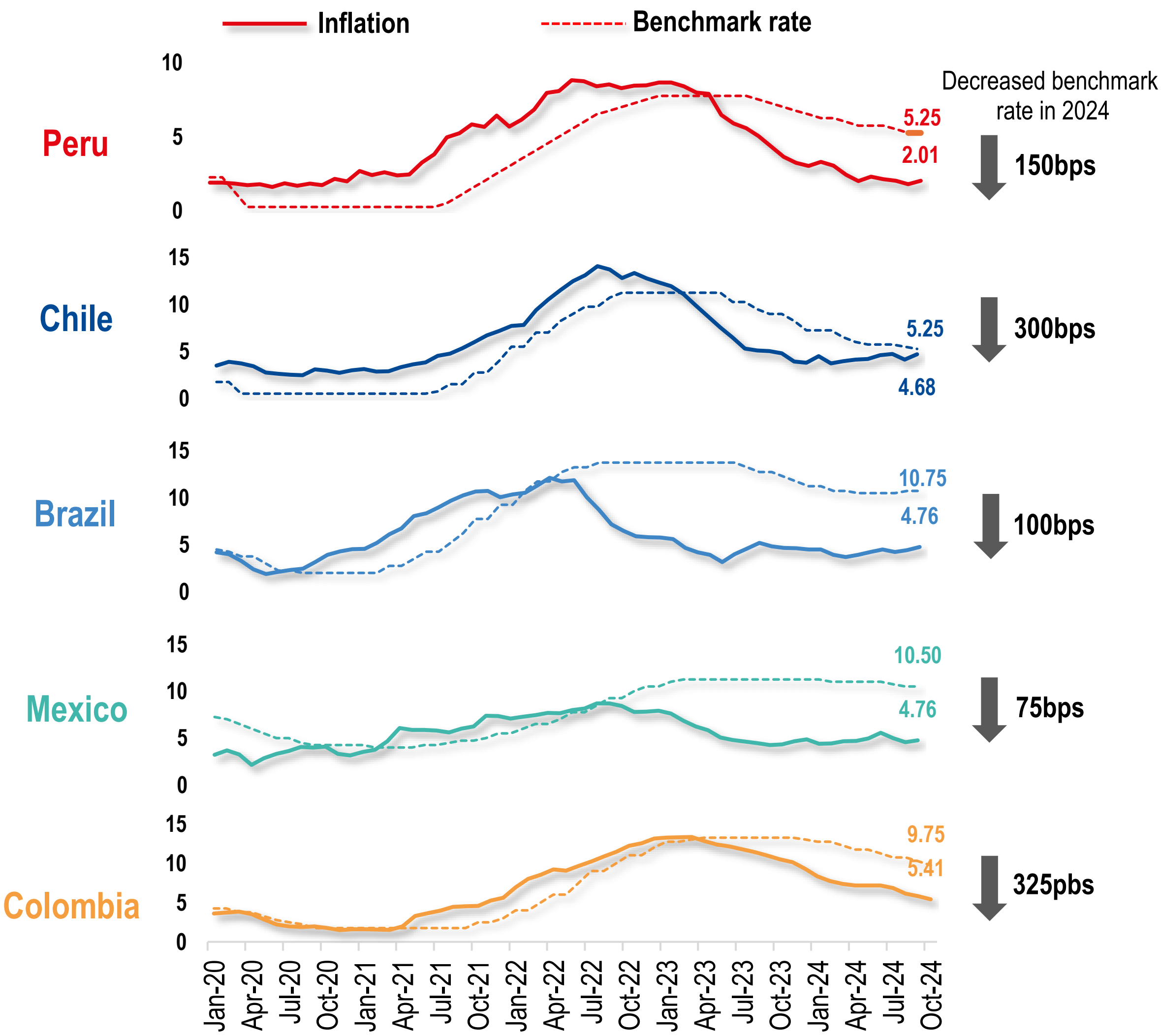
Chart 02. ***Total Inflation and Core Inflation in US***
Annual % change



Source: Bureau of Economic Analysis, U.S. Bureau of Labor Statistics.
Prepared by the author.

Monetary policies in the region have been gradually adjusted to make inflation rates be in line with their corresponding targets: In Peru, inflation has converged toward the BCRP target range; the year-on-year inflation reached 2.01% in October 2024, decreasing from 3.2% in the previous year; due to this, the BCRP reduced the benchmark rate from 6.75% in December 2023 to 5.00% in November 2024. In Chile, October inflation stood at 4.68%, above the target range, with a benchmark rate of 5.25%. In Brazil, the annual inflation reached 4.76%, the highest limit of its target range, which has made the Central Bank increase the Selic rate to 10.75% with further possible increases to ensure the inflationary control. In Mexico, the October inflation stands at 4.76% that is still out of the target range, which make Banxico reduce its benchmark rate to 10.5%. Colombia had an annual inflation of 5.10% and has lately started a cycle of rate reduction, going from 11.25% to 9.75% with the aim of approaching its inflationary range.

Chart 03. Inflation and Monetary Policy in LA5 Countries[1]
Annual % change and annual % rate

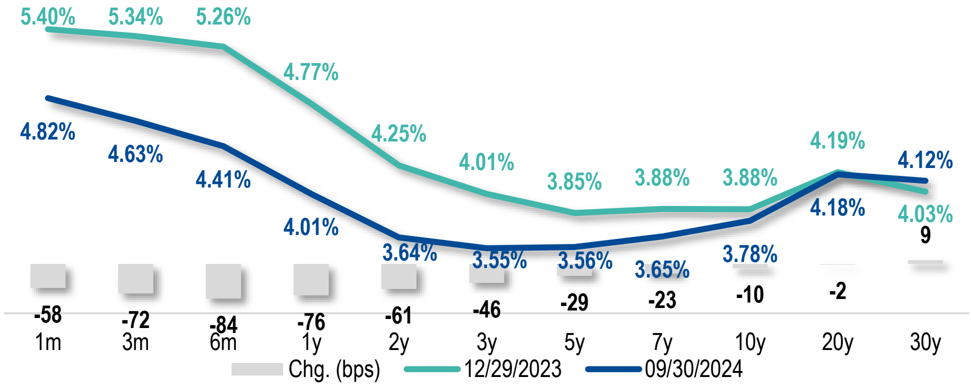


Source: BCRP and central banks in reference countries.
Prepared by the author.
[1] Brazil, Chile, Colombia, Mexico and Peru.

Greater certainty is achieved concerning the monetary policy trajectory, in particular in developed countries that are reducing their benchmark rates in accordance with a more flexible monetary stance, supporting debt instruments. The yield curve of the US Treasury bonds has shown significant fluctuations, remaining inverted over most of the year, although it has performed better compared to the close of 2023. Specifically, the bull flattener dynamic[1] observed at the end of September features short-term bond yields falling more quickly (2 and 3-year tenors) than the long-term bond yields (20 and 30-year tenors) which suggests that investors anticipate better economic conditions or a dovish monetary policy in the near future.

1 Situation in which short-term yield bonds fall more rapidly than the mid and long-term yield bonds making yield curve get flattened.

Chart 04. ***US Treasury Bond Yield Curve***
In % and change in bps

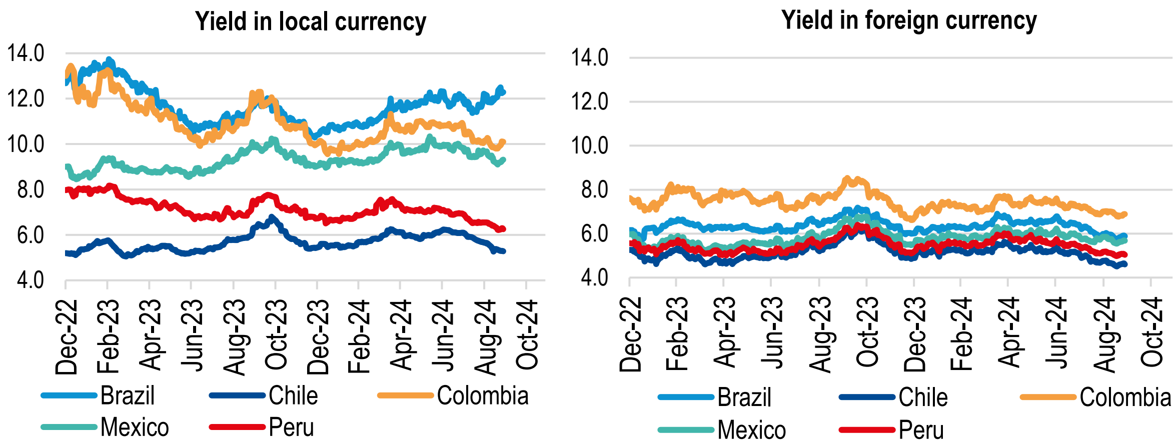


Source: Refinitiv.
Prepared by the author.

Similarly, sovereign curves in domestic currency have appreciated in LA5[2] countries, with the exception of Brazil. Sovereign curves in Colombia have greatly appreciated over the third quarter of the year with 90bps, on average, because of inflationary slowdown in which interest rates of short and mid-term bonds strongly decreased in comparison to long-term bonds. Peru followed with an appreciation of 78bps, driven mainly by an increase of short-term bonds in line with rate cuts by the BCRP. Mexico and Chile recorded appreciations of 72bps and 68bps, respectively. The sovereign curve in Brazil was the only that depreciated with a rise of 27bps because of a hawkish stance of the central bank concerning possible increases of the monetary policy rate.

Despite these appreciations, sovereign curves in these countries remain steeped as evidenced by the spread between tranches of 2 and 10 years. In Colombia and Peru, such differential has an average of 160bps, the highest differential in LA5 countries. Longer tenors of the curve have flattened due to a lower aversion to risk which means investors' moderate optimism to the future.

Chart 05. ***10-Year Benchmark Bond Yields of LA5 Countries***
In %

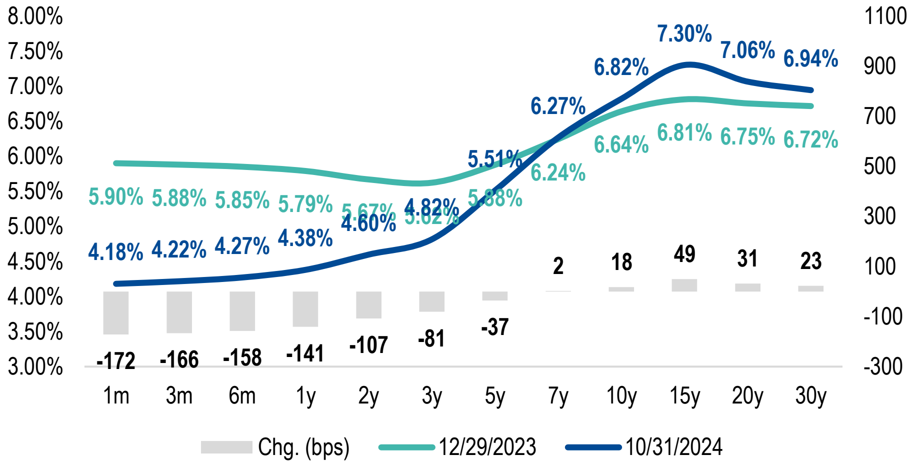


Source: Bloomberg Finance, L.P.
Prepared by the author.

2 Brazil, Chile, Colombia, Mexico and Peru.

At the close of October 2024, the sovereign curve in soles in Peru has shown less volatility if compared to last year, with an average appreciation of 62bps. This behavior has been partly influenced by expectations about the US monetary policy stance. The general decline of yields in short and mid-term tenors stand out. At the short-end of the curve, a fall of 159bps was recorded while at the mid-end of the curve the fall was 41 bps, reflecting a more favorable global financial environment and expectations of more accommodative monetary policies.

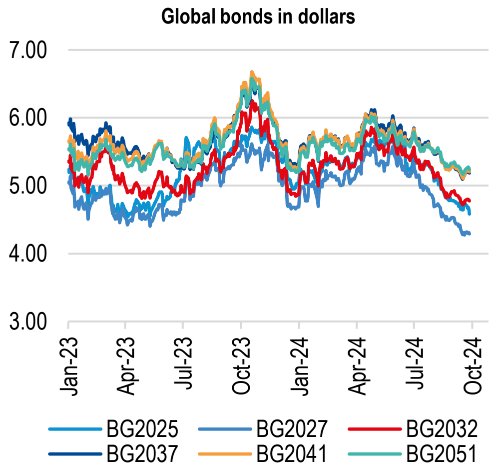
Chart 06. ***Peru: Sovereign Bond Yield Curve in Soles***
In % and change in bps

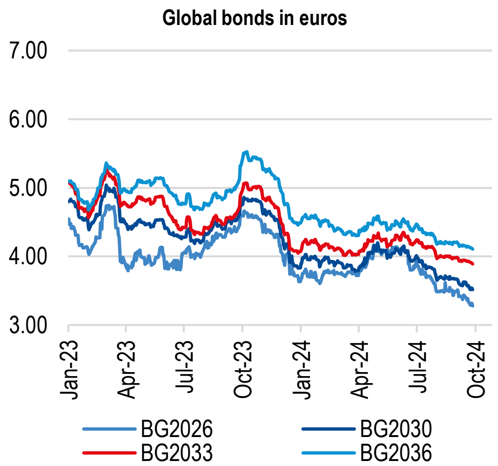


Source: Datatec.
Prepared by the author.

Over 2024, a significant reduction of interest rates of all maturities of the Peruvian public debt instruments, both in local and foreign currency was seen in comparison to the close of 2023. This decline is in line with global trends in debt markets, the current economic conditions, the financial environment and the start of a cycle of reduction of interest rates in developed economies.

Chart 07. ***Peru: Global Bond Yields***
In %





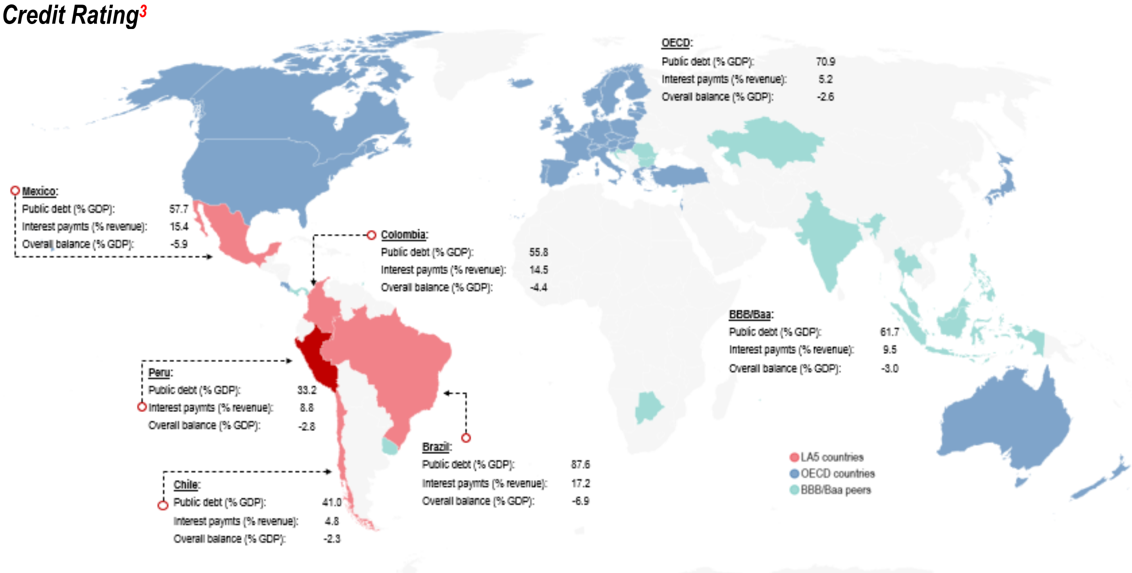
Source: Bloomberg Finance, L.P.
Prepared by the authors.

1.2 Fiscal Indicators in Peru and Reference Countries

In 2024, the fiscal situation is still challenging in Latin America and the Caribbean, influenced by the deterioration of fiscal balances in 2023 and lower-than-average growth expectations. Therefore, public finance in reference countries have followed different trajectories in terms of public debt, fiscal deficit and savings and investment policies, and some advances have been made in some cases such as revenue increase and fiscal reforms. Even if interest rates have started to decrease over the year, public debt levels that are rising since the pandemic continue to be a significant burden for the fiscal accounts and this has meant that fiscal deficit and public debt levels remain high in these countries.

With the aim of reducing public debt, Governments in the regions have made fiscal adjustments such as expenditure cuts, revenue increase and austerity policies. Nevertheless, the fiscal space remains limited as a result of cumulative debt that weakens the capacity of response to economic challenges in the future despite moderate financial costs.

Chart 08. ***Main Fiscal Indicators for Peru and Reference Countries in the Region,[1] OECD[2] and Similar Credit Rating[3]***



Source: MEF, IMF and Fitch Ratings.
Prepared by the authors.

[1] Brazil, Chile, Colombia and Mexico.

[2] OECD countries include: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Island, Irland, Israel, Italy, Japan, South Korea, Letonia, Lithuania, Luxemburg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States.

[3] As of October 31, 2024, all countries that had been awarded ratings in foreign currency of BBB-, BBB o BBB+ by Fitch or S&P in foreign currency or Baa1, Baa2 or Baa3 by Moody's are included: Andorra, Aruba, Botswana, Bulgaria, Colombia, Croatia, Curacao, Cyprus, Hungary, India, Indonesia, Italy, Kazakhstan, Malasia, Republic of Mauritius, Mexico, Montserrat, Oman Panama, Peru, The Philippines, Romania, Spain, Thailand, Trinidad and Tobago, Turks and Caicos Islands and Uruguay.

Within the context of persistent fiscal deficits, the IMF expects that the public debt in Latin America will remain high in the mid-term basis and estimated to reach around 70% of GDP in 2024, which is higher than those registered before the pandemic**.** Such projections reflect limited economic growth perspectives and pressure by high fiscal deficits which seem not to be reduced in the short-term basis. In this vein, a combination of lower revenues and sustained expenditure has led to an increase in debt levels and, consequently, to revised fiscal targets in several countries.

Peru maintains a good fiscal position compared to its peers and it is one of the countries with the lowest debt-to-GDP ratio in the region. In September 2024, the fiscal deficit reached 4.1% of the GDP due to a fall in fiscal revenues, and an increase in non-financial expenditures. Nevertheless, an improvement is expected towards the end of the year with a projected deficit of 2.8% of the GDP in accordance with the 2025-2028 MMF.

II. SCOPE OF APPLICATION AND METHODOLOGY ASPECTS

The 2025-2028 EGIAP sets the objectives, guidelines and the strategic actions that all entities and institutional units must follow within the framework of their corresponding constitutional or legal mandates.

It is important to note that the statistical information about debt balances in this document may differ from that published in the 2025-2028 MMF and that published by the BCRP, and this is mainly due to methodological factors:

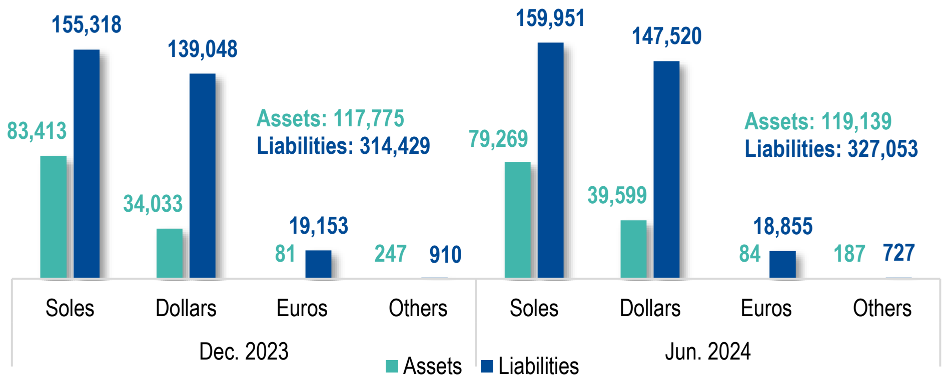
i) Valuation methodology for the ONP bonds.
ii) Information on debt balances exclude short-term debt.
iii) The foreign exchange rate is the one used at the end of the period.

It must be taken into consideration that the projections presented in this document include assumptions that may differ from those used on the 2025-2028 MMF due to market prices and liability management operations for the period of analysis, among others.

III. NFPS FINANCIAL ASSET AND LIABILITY RISKS[3]

Information on the NFPS financial assets and liabilities as of June 2024, compared to December 2023 is shown as follows:

Chart 09. NFPS Financial Assets and Liabilities by Currency
In millions of S/



Source: DGTP – MEF.

3 Analysis based on information as of June 2024.

3.1 Financial Assets and Related Risks

Financial Asset Position

The NFPS financial assets have reached S/ 119.14 billion, an increase of 1.2% compared to the end of 2023. This increase was favored by a recovery of economic activity of 3.4%[4] and an execution of the budget of 40%[5] as of June 30. Likewise, it is worthwhile to say that as result of the implementation of the liquidity management scheme, those resources that are to be returned to the CUT at the end of June 2024, attain S/ 12.41 billion (fiscal year 2023: S/ 6.56 billion; fiscal year 2024: S/ 5.86 billion).

The above is opposite to what has been observed in the previous year: in 2023, the assets recorded a fall of 9.9% which is equivalent to S/ 12.93 billion, resulting from a poor performance of the domestic economy[6], the use of financial assets to implement plans for an economic reactivation and the effects of the implementation of the liquidity management scheme.

The NFPS financial assets are mainly in the Treasury (55.4%) that is responsible for centralizing and managing the resources in the CUT with the aim of strengthening treasury management, its tools, as well as financial management. Concerning the FCR, it maintains 19.5% of total financial assets, and it is the most important NFPS entity in terms of asset holdings.

Table 01: ***Situation of the NPFS Financial Assets by Government Level***
In millions of S/ and %

	2020	2021	2022	2023	Jun.-24	Part. %
Central Government	93,203	122,305	121,508	108,101	107,933	90.6%
National Government	90,274	120,393	119,457	103,964	103,401	86.8%
In the Treasury	56,482	85,626	84,492	68,568	66,052	55.4%
FCR	20,346	19,096	21,023	22,143	23,211	19.5%
Others	13,446	15,671	13,941	13,253	14,137	11.9%
Regional Governments	718	669	940	1,208	1,428	1.2%
Local Government	2,211	1,243	1,111	2,929	3,104	2.6%
Non-financial companies and others	7,144	6,635	9,199	9,673	11,207	9.4%
TOTAL NFPS	**100,347**	**128,940**	**130,707**	**117,775**	**119,139**	**100%**

Source: MIF.
Prepared by the authors.

It is worth stating that the Treasury does not hold all the public funds: it holds resources from the RO and ROOC financing funds. Under the principle of Cash Unity, the Treasury manages resources held by the General Government. The aim is to promote the centralization of resources into the CUT and the promotion of its effective use by using liquidity management tools that have been set out in the existing legal framework.

Furthermore, there is more concentration on highly-liquid financial assets, such as demand and term deposits. As of June 2024, they represented 48.1% and 25.7% of the total of financial assets, respectively. Additionally, positions are held in sovereign bonds (6.5% of the total), investment funds (5.5%), mutual funds (3.3%) and corporative bonds (2.4).

4 According to the BCRP data, between Dec-23 and Jun-24, the economy in Peru grew by 3.4%.
5 As of the third quarter of 2024, the public budget execution was 63,3%.
6 According to the BCRP, the real GDP in Peru shrank by 0,6% in 2023.

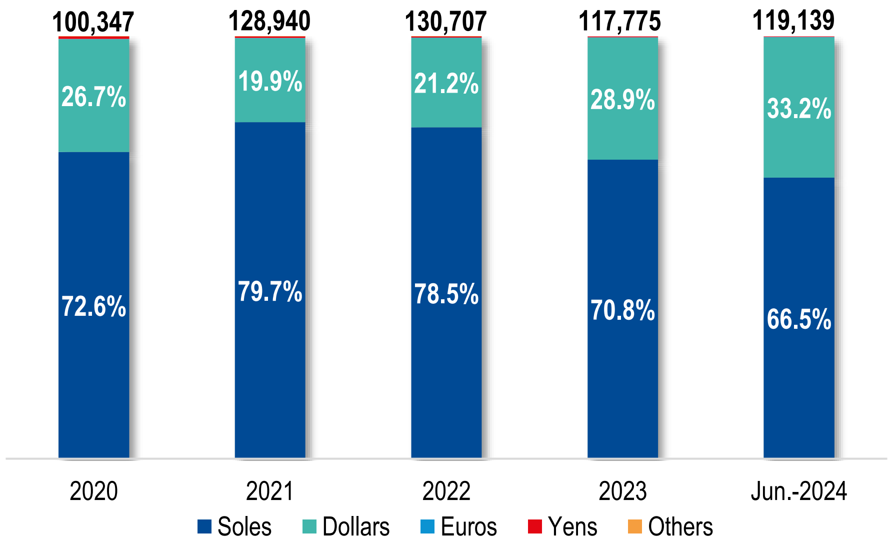
Table 02: ***NFPS Financial Assets by Type***
In millions of S/ and total %

	2020	2021	2022	2023	Jun.-24	%
Cash and equivalents	**73,771**	**103,086**	**102,475**	**88,388**	**87,896**	**73.8%**
Demand positions	25,612	26,431	26,501	27,312	30,614	25.7%
Term positions	48,159	76,655	75,974	61,076	57,282	48.1%
Fixed income	**8,461**	**8,972**	**10,965**	**11,670**	**11,851**	**9.9%**
Government's bonds	4,640	5,086	7,265	7,693	7,758	6.5%
Corporate bonds	3,146	3,150	2,794	2,803	2,804	2.4%
Others	675	737	905	1,174	1,289	1.1%
Variable income	**12,870**	**11,757**	**12,347**	**12,503**	**13,796**	**11.6%**
Investment funds	5,350	6,326	6,046	6,265	6,575	5.5%
Mutual funds	4,099	3,973	3,013	2,992	3,952	3.3%
Others	3,420	1,458	3,288	3,247	3,269	2.7%
Receivable accounts	**5,204**	**5,078**	**4,908**	**5,205**	**5,589**	**4.7%**
Others	**42**	**47**	**12**	**8**	**8**	**0.0%**
TOTAL	**100,348**	**128,940**	**130,707**	**117,775**	**119,139**	**100%**

Source: MIF.
Prepared by the authors.

Concerning distribution by currency, financial assets are mainly concentrated in domestic currency, attaining S/ 79.27 million, which is equivalent to 66.5% of the total. There is a growing trend in the position of financial assets in soles which has been steadily marked by the use of more financial assets and lower collection between 2023 and 2024.

Chart 10. ***Financial Assets by Currency***
In millions of S/ and %

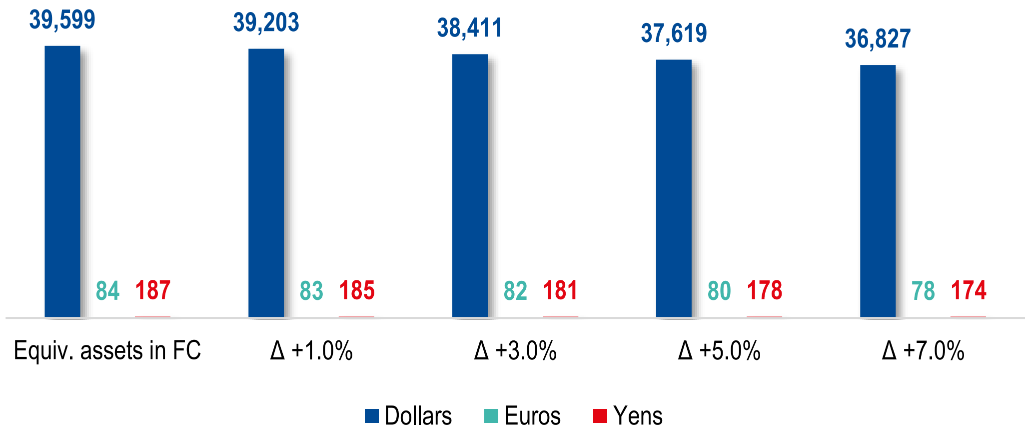


Source: MIF.
Prepared by the authors.

Foreign Exchange Risk

Considering the importance of the position of US dollars in the portfolio of financial assets, there is significant exposure to foreign exchange rate changes. Therefore, before a theoretical appreciation of 7% of soles, the financial assets in foreign currency would go from S/ 39.87 million to S/ 37.08 million, which represents a reduction of S/ -2.79 million.

Chart 11. ***Financial Asset Sensitivity Analysis by Exchange Rate Movements***
In millions of S/



Prepared by the authors.

Besides, it is estimated that the maximum loss of the NFPS financial asset in foreign currency ranges from S/ 4.94 million to S/ 10.53 million, at 95% and 99% of confidence, respectively, and this would represent between 3.5% and 7.6% of the total of the financial assets through the VaR under the historical method, in normal market conditions for an interval of time and the established confidence level.

Liquidity Risk

A distinctive feature of the NFPS entities is that they have mainly kept funds in liquid assets such as current accounts (25.7%) and in term liquid assets (53.0%). Furthermore, they keep market liquidity assets that are equivalent to 21.0% of the total assets, of which 9.2% of them are bonds. Therefore, there is a low probability that an entity does not have enough resources, or it might incur additional costs to meet its requirements.

Table 03: ***NFPS Financial Assets by Liquidity Capability***
In millions of S/ and total %

	2020	2021	2022	2023	Jun.-24	%
Liquid assets	**25,612**	**26,431**	**26,501**	**27,312**	**30,614**	**25.7%**
Term liquid assets	**53,467**	**81,844**	**81,001**	**66,511**	**63,156**	**53.0%**
Term deposits	46,142	74,058	73,878	58,476	53,317	44.8%
Resource transfers	4,881	4,827	4,606	4,565	5,100	4.3%
Others	2,444	2,959	2,518	3,471	4,739	4.0%
Market liquidity assets	**20,960**	**20,314**	**22,913**	**23,621**	**25,070**	**21.0%**
Bonds	8,342	8,787	10,549	10,933	11,017	9.2%
Investment funds	5,350	6,326	6,046	6,265	6,575	5.5%
Mutual funds	4,099	3,973	3,013	2,992	3,952	3.3%
Others	3,168	1,228	3,305	3,432	3,526	3.0%
Illiquid assets*	**266**	**304**	**280**	**322**	**292**	**0.2%**
Derivatives	42	47	**12**	**8**	**8**	**0.0%**
TOTAL	**100,348**	**128,940**	**130,707**	**117,775**	**119,139**	**100%**

Source: MIF.
Prepared by the authors.
*Illiquid asses are composed by trusts

Credit Risk

Greater concentration of financial assets are kept in the BCRP (47.8%) and in the BN (9.4%). It is of utmost importance monitoring such risk due to the credit exposition of the main counterparts and financial instruments held by the NFPS entities. Therefore, a counterparty analysis is made: Government, banks and entities that, due to their relevance, are treated individually such as the BCRP and the BN.

Table 04:*NFPS Financial Assets by Main Counterparts*
In millions of S/ and total %

	Ratings	Jun.-24	%
BCRP 1/	-	56,988	47.8%
BN	A	11,155	9.4%
Public Treasury 1/	-	7,738	6.5%
IBK	A	4,947	4.2%
SCB	A+	4,068	3.4%
BCP	A+	3,410	2.9%
BBVA	A+	3,215	2.7%
BanBif	A	1,701	1.4%
TOTAL		**93,222**	**78.2%**

Source: MIF.
Prepared by the authors.
1/ Although a BBB- rating has been awarded to the Government by international credit rating agencies, locally a risk-free benchmark is equivalent to a local AAA rating.

3.2 Financial Liabilities and Related Risks

Position of the Financial Liabilities

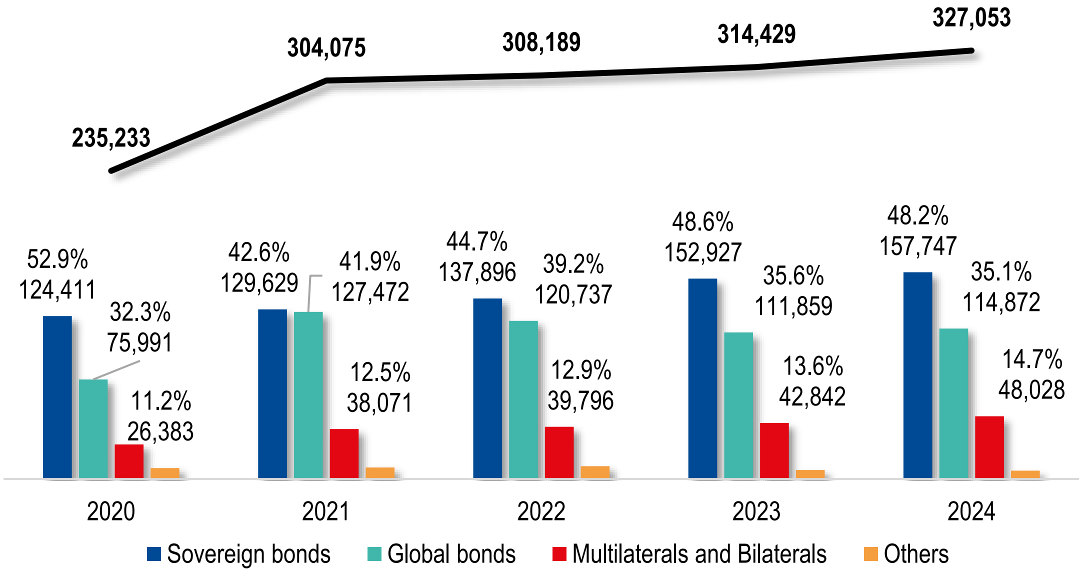
NFPS gross debt has stabilized in the aftermath of the pandemic, growing only 1.8%, on average, every year since the end of 2021; considering that the NFPS debt grew by 16%, on average, every year between 2019 and 2021, and this was due to additional financial requirements to face the health emergency and the economic crisis caused by measures implemented to offset the COVID-19 spread. In this sense, the new path of the NFPS’s indebtedness is looking forward to a mid-term consolidation in compliance with the Legislative Decree N° 1621[7], that sets out that the NFPS debt must be equal to or lower than 30% of GDP in 2035 at the latest, and the projections of the 2025-2028 MMF.

The COVID-19 pandemic did not only lead to an increase of public debt, but it also changed its composition. Given that the pandemic has significantly disrupted most of the world’s economies, the financial and capital markets have also been affected. Markets in emerging countries that lack both liquid and deep domestic capital markets were particularly impacted, which restrains the capacity to obtain financing in local currency at lower costs. Therefore, the Government prioritized funding in foreign currency through the issuance of global bonds and loans with Multilateral and Bilateral Organizations.

Other collateral factors also influenced its structure such as the exceptional withdrawal of pension private funds[8], that affected the liquidity of the domestic public debt market and discouraged the nonresident investors, which are the main holders of sovereign bond in soles, from demanding Peruvian debt.

7 Legislative Decree that regulates a gradual return to macrofiscal rules for the Non-Financial Public Sector.
8 Seven withdrawals of funds from AFP were approved between 2020 and 2024.

Chart 12. *NFPS Debt by Source*
In millions of S/ and in total %



Source: DGTP – MEF.
(*) Information as of 06.30.2024.

Therefore, the NFPS debt that was mainly composed of sovereign bonds (52.9%) in 2020 decreased to 48.6% at the end of 2023; as of June 2024, it stands at 48.2% of the total debt. It is worthwhile to say that debt in sovereign bonds increased by almost 4.4 bp between 2022 and 2023 due to the prioritization of debt in local currency through the regular issuance of sovereign bonds and the implementation of a liability management operation in June 2023 for S/ 20 billion that included the repurchase of global bonds in dollars and the exchange and repurchase of sovereign bonds.

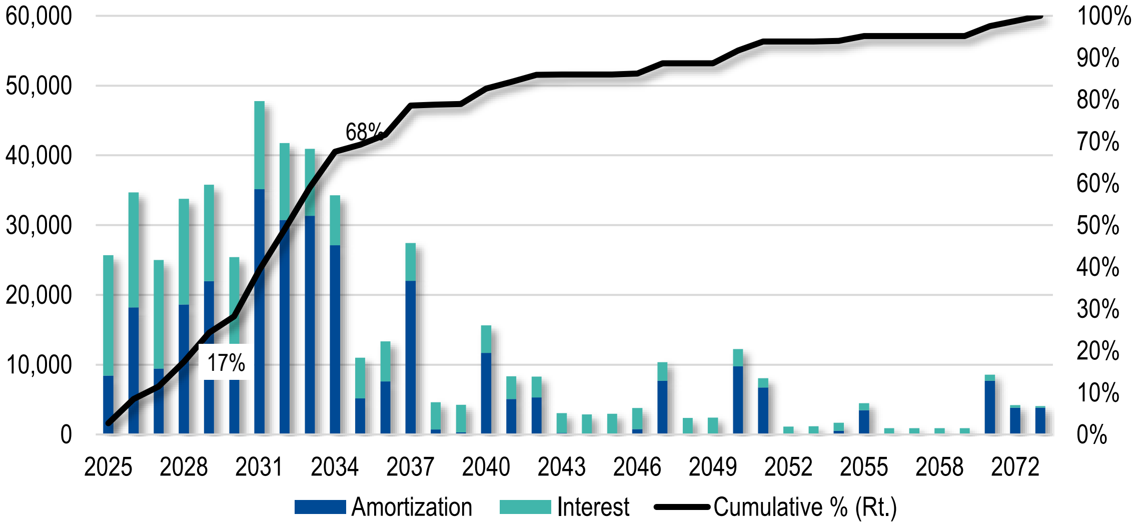
It is worthwhile saying that in July this year, a liability management operation was carried out to reduce the concentration risk through the exchange and repurchase of sovereign bonds in soles and the repurchase of global bonds in dollars and euros. Such operation represented a debt service relief: in 2024; it diminished by S/ 3.37 billion and, on average, amortization payment relief is estimated in S/ 2.09 billion each year between 2024 and 2031.

<u>**Concentration and Market Risk**</u>

During the period when the 2025-2028 EGIAP is in force, debt concentrates 17% of the total payment, while 68% of the debt will be redeemed by 2034, which represents a refinancing and concentration risk exposure. Concerning amortizations for this period, they represent 5.3% of GDP; furthermore, in the next 10 years, there will be peaks in debt service payments that will exceed S/ 40.00 billion in 2031, 2032 and 2033. Similarly, for 2026, 2028 and 2029, debt service will exceed S/ 30.00 billion each year. During the above-mentioned 6 years, the cumulative debt service will reach S/ 259.76 billion.

This concentration of amortization payments is due to the structure of marketable debt, both in sovereign bonds in domestic currency and in global bonds in dollars and euros; therefore, debt amortizations between 2031-2033 exceeds S/ 30.00 billion each year.

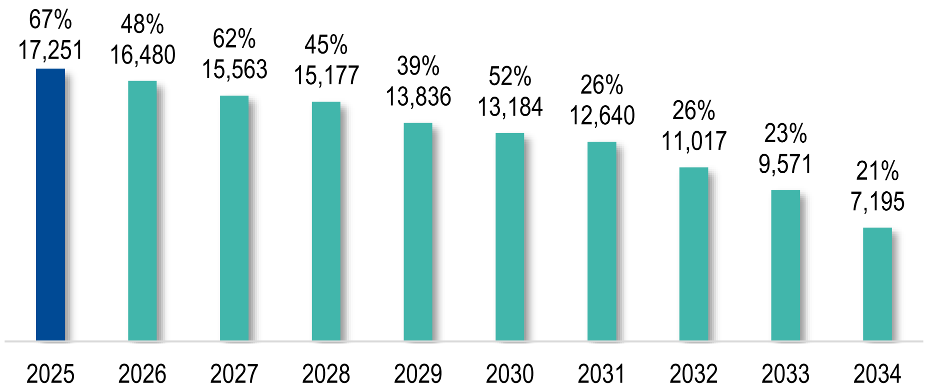
Chart 13. ***NFPS Gross Public Debt Service Profile***
In millions of S/ and total %



Source: DGTP – MEF.

For the following years, there will be a significant financial burden for debt as well; 67% of debt service due in 2025 and 62% in 2027, respectively, are interest payments and these percentages will reduce to 21% in 2034. Considering the structure of the gross public debt, marked by a significant participation of market instruments in local and foreign currency (83% of the total), the implementation of liability management operations[9] would have a partial impact on the debt service structure, since amortizations could be reshaped or the debt structure by currency be modified by using marketable instruments; nevertheless, financial burden cannot be modified.

Chart 14. ***Pressure of The NFPS Gross Debt Financial Burden***
Interest as % of the debt service and millions of S/

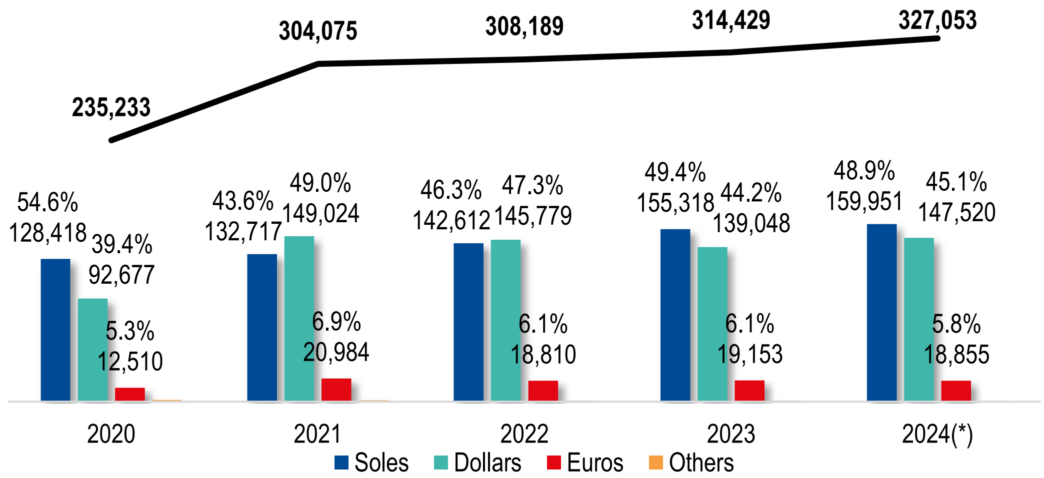


Source: DGTP – MEF.

It must be pointed out that in 2023, debt in soles increased significantly compared to 2022 due to a recovery of the domestic public debt market with respect to previous years, so that greater resources in soles to finance the public budget were obtained. In addition, in 2023 a liability management operation was carried out for S/ 20 billion which led to an increase in the share of debt in soles. During 2024, a similar operation was implemented for S/ 21.23 billion to reduce debt service concentration and to increase local currency participation.

[9] Under exchange and repurchase of sovereign and global bonds.

Chart 15. ***NFPS Gross Public Debt by Currency***
In millions of S/ and %

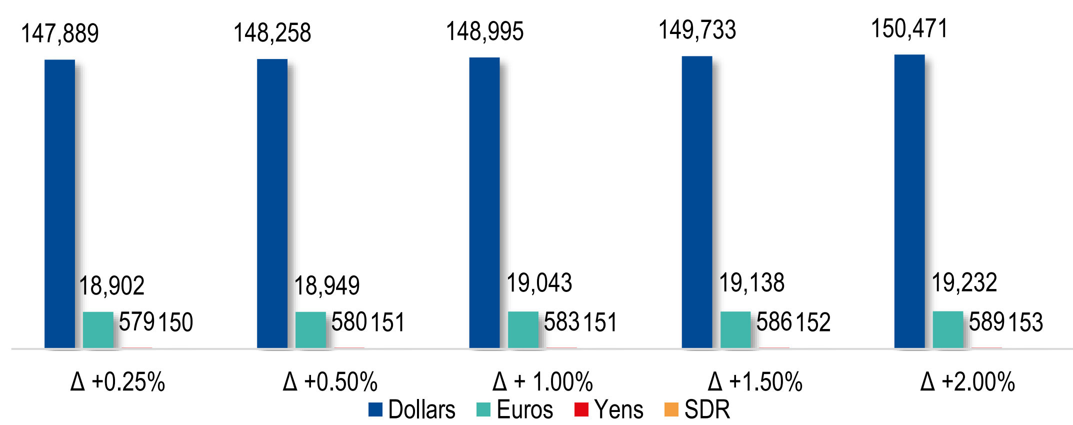


Source: DGTP – MEF.
(*) Information as of 06.30.2024.

Concerning the exchange rate risk, the current composition of the NFPS debt is exposed to exchange rate movements, considering that, as of June 2024, foreign currency debt accounts for 51.1% of total debt, mostly US dollars (45% of the total) and to a lesser extent, euros (5.8% of the total)

As of June 30, 2024, there is an exposure to a potential increase of S/ 1.06 billion due to movements of exchange rates in one day, according to the VaR metric for exchange rates under the historical method, through 1,000 observations (4 years of historical data approximately) with a 95% confidence level, representing 0.72% of the current value of the debt in foreign currency. Assuming an exchange rate shock like that of 95% that occurred in the last 4 years, debt in foreign currency would rise in a day for the said amount. Moreover, through a sensitivity analysis of the debt in foreign currency facing adverse movements of exchange rates, it is estimated that an increase in exchange rates of 2% against the sol would raise debt by 1.0%.

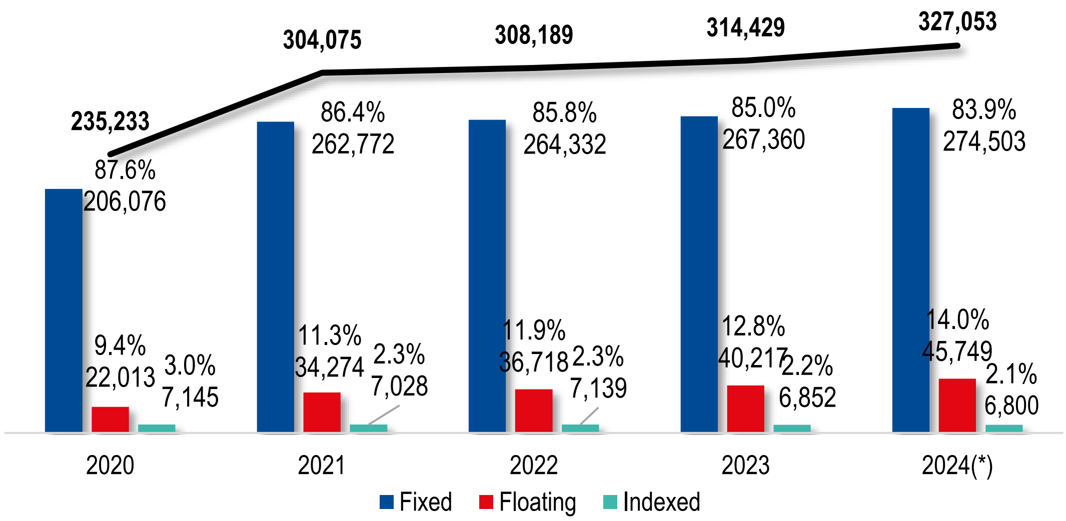
Chart 16. ***Sensitivity of the Due Balance in Foreign Currency Facing Exchange Changes***
In millions of S/



Source: DGTP – MEF.
Prepared by the authors.

Regarding debt by type of interest rate, 83.9% of the total is at a fixed rate while 14.0% is at floating rate, while the remaining is indexed debt (VAC bonds and ONP bonds). Although such amounts have remained high during the period of analysis, further indebtedness through loans from Multilateral and Bilateral Organizations has increased the exposure of debt to market rate movements in recent years. Despite that the NFPS floating rate debt represents a small percentage of the debt portfolio, this percentage has risen by 4.6 p.p. over the last 5 years.

Chart 17. ***NFPS Gross Public Debt by Rate***
In millions of S/ and in %

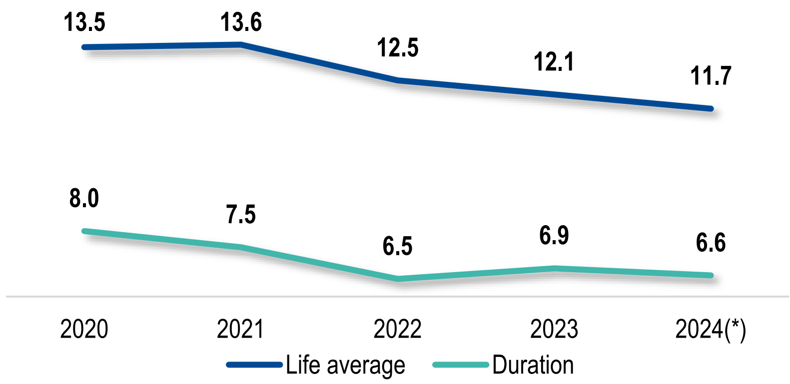


Source: DGTP – MEF.
(*) Information as of 06.30.2024.

The duration of the NFPS debt portfolio has decreased from 8.0 years to 6.6 years between December 2020 and June 2024. This is explained by the fact that the market debt issued to finance the public budget is concentrated around 10 years. Furthermore, loans from Multilateral and Bilateral Organizations, having a smaller maturity based on their nature and being subject to amortizations, decrease the portfolio duration.

In the same vein, the NFPS debt average life has gradually decreased from 13.5 years in 2020 to 12.1 years at the end of 2023. As of June 2024, this indicator stands at 11.7 years. This fall is explained by lower-term market instruments issuances, which are mainly concentrated until 2034, as well as common lower term-to-maturity loans.

Chart 18. ***Duration and The NFPS Gross Debt Average Life***
In years



Source: DGTP – MEF.
(*) Information as of 06.30.2024.

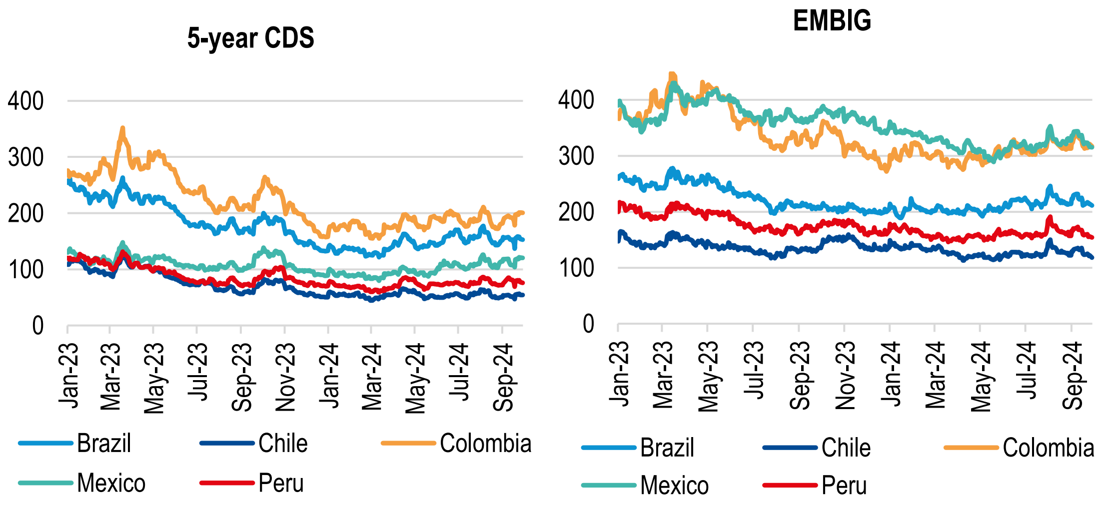
Public debt is exposed to an increase of S/ 13 million in a day due to movements of exchange rates, a theoretical exercise that uses the Value at Risk (VaR) metric under the historical method, through 1,000 observations (4 years of historical data approximately) with a confidence level of 95%, representing 0.03% of the present value of variable debt. Hence, assuming shocks that are comparable to 95% of those that happened in the last 4 years, variable debt would rise S/ 13 million in a day.

Under the parametric method, the one-day VaR due to exchange rate movements is S/ 27 million, estimating the mean and standard deviation through 1,000 observations, with a 95% confidence level, representing 0.06% of the present value of variable debt.[10]

Country Risk

Peru remains as the second lowest country risk in Latin America. The hawkish cycle of interest rates in Peru reached its peak in 2023 due to a better inflation control and, since August this year, the BCRP started normalizing its monetary policy stance by cutting its benchmark rate from 7.75% in August 2023 to 5.00% up to November 2024. Favorable financial conditions and growth perspectives for the country in 2024 have eased country risk. Thus, since the beginning of 2023, the 5-year CDS has decreased from 120 bps to 78 bps in October this year, being similar in the case of the EMBIG. Such indicators are positive for the country as they represent a lower risk perception to invest in Peruvian debt when compared to its peers in the region, with lower financing costs.

Chart 19. ***Risk Indicators in LA5 Countries***
In bps



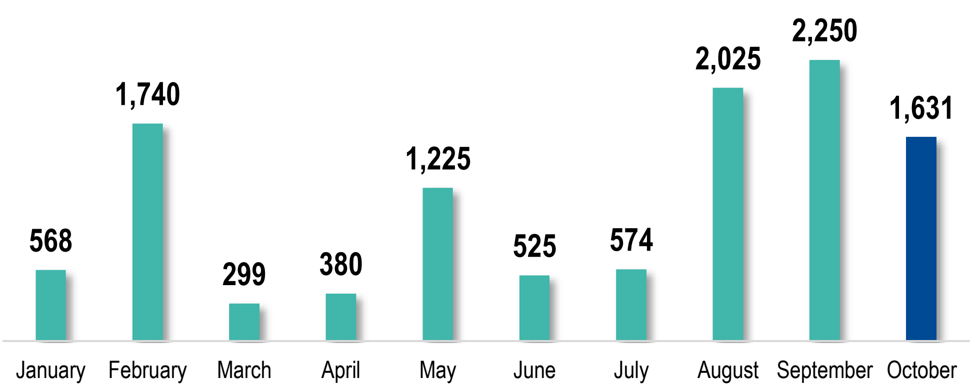
Source: BCRP and Bloomberg Finance, L.P.

Liquidity Risk

The domestic sovereign bond market has maintained similar sale levels at auctions compared to last year. Nevertheless, contrary to 2023, auctions became dynamic on the second half of 2024 with a total awarded amount of 57.8% until October. As of October, the Treasury has carried out 28 auctions and it has awarded S/ 11.22 billion, representing 44.7% of the amount authorized by the Law N° 31955, *Law for the Public Sector Indebtedness for the Fiscal Year 2024.*

10 Nevertheless, the methodological limitations of such estimates should be taken into account; on the one hand, the historical method assumes that recent market conditions and events would repeat in similar way; on the other hand, the parametric method assumes a normal distribution of data variations, which is not necessarily true, among other limitations.

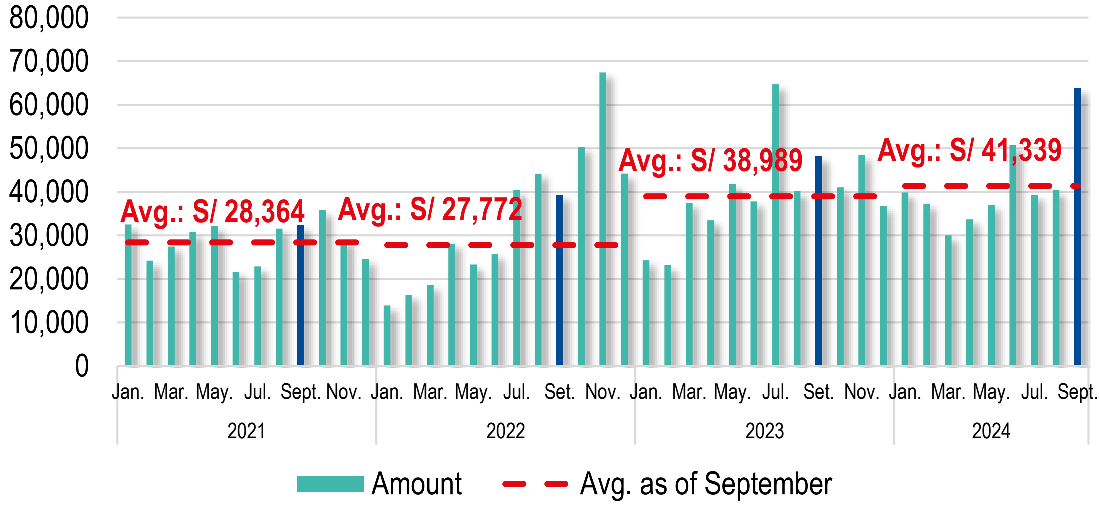
Chart 20. ***Sale Levels at Sovereign Bond Auctions***
In millions of S/



Source: DGTP – MEF.
Note: Information as of 10.17.2024

Similarly, the secondary market has continued to be dynamic for a third year in a row, amidst more favorable financial conditions for this type of securities, increased investors' appetite and lower uncertainty about legislation such as a law for fund withdrawals from AFP's. Concerning the September monthly average, the traded amount is 28.8% higher this year than in 2023 and 66.9% higher than in 2022.

Chart 21. ***Sovereign Bonds Trading on the Secondary Market***
In millions of S/



Source: CAVALI.
Prepared by the authors.

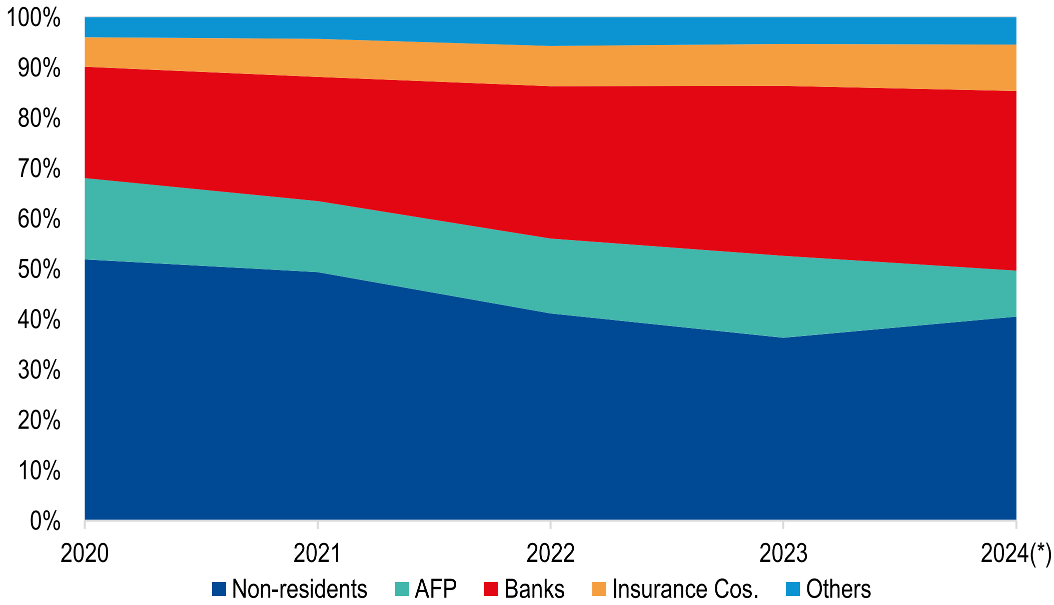
Sovereign bonds in circulation attain S/ 159.44 billion (15.4% of GDP) until the third quarter of 2024. The auctioned bonds are mainly concentrated in the mid tranche of the curve (BS2031, BS2032, BS2033 and BS2034) and in the long-tranche of the curve (BS2037, BS2040 y BS2055) in line with what is established in the 2024-207 EGIAP. Additionally, inflation-indexed benchmarks (BS2046 VAC and BS2054 VAC) were issued to provide this market segment with liquidity.

Other Risks

A high percentage of sovereign bond held by non-resident investors means confidence in debt management and in the country perspectives; nevertheless, it is also considered risky since this sort of investors are volatile in emerging economies; if an external event occurs, an important number of foreign capitals that might be exposed to the Peruvian debt could exit. This, in turn, could lead to harsher financial conditions for indebtedness.

The postpandemic period also affected the participation of non-resident investors which means lower sovereign bonds holdings. Several factors have affected this situation: since the pandemic, the financial context has been marked by a significant increase of interest rates as a result of higher global inflation which led to a severely affected appetite for debt instruments. This, together with political and social uncertainty in the country, made investors focus on safer fixed income assets.

Chart 22. *Holdings of Sovereign Bonds*
In %



Source: DGTP – MEF.
(*) Information as of 10.31.2024.

The exceptional withdrawal of funds from the AFP's has impacted on the participation of these entities on the sovereign bond market. Their holdings have diminished from 16.2% at the end of 2020 to 9.2% in October 2024, resulting in a recompositing of holdings by domestic entities as banks increased their position of sovereign bonds from 22.1% in 2020 to 35.7% in October in 2024. Concerning foreign investors, they have gradually recovered their position in sovereign bonds in soles with 40.5% at the end of October 2024, becoming again the main institutional investors of this market.

Box N° 1. *Theoretical Projection of the Demand for Sovereign Bonds for 2025*

In Peru, sovereign bonds are a pillar for the financial and economic development of the country. Such instruments are essential for financing the Public Budget while they represent a stabilizing mechanism in a macroeconomic context. Apart from ensuring resources for the State, sovereign bonds play a key role in attracting local and foreign investors as they provide competitive returns with low risks. This attraction reinforces investors' confidence and makes the public debt market dynamic, fostering a sustainable and stable economic development.

The importance of sovereign bonds stem from their capacity to provide stability to the investment portfolio of financial institutions such as banks, pension funds and insurance companies. A key indicator of efficiency is the reduced bid/ask spread that shows a high liquid and transparent Peruvian sovereign debt market; its narrow margin allows easy transactions, increases participants' confidence and attracts international investors that are interested in solid and competitive markets. Furthermore, it shows a suitable balance between supply and demand, ensuring prices represent an intrinsic value of the bonds.

Internationally, the Peruvian sovereign bonds are underpinned by the fiscal soundness of the country and its record of fulfillment of its financial obligations, allowing the attraction of diversified investor base, helping Peru improve its integration into international capital markets. At the same time, these bonds have been a reference for the development of other financial instruments locally, fostering depth and transparency of the domestic securities market. During periods of economic uncertainty, sovereign bonds have appeared to be a safe shelter for both local and international investors, strengthening their position as an essential element in the Peruvian financial structure and a pillar for sustainable growth.

Under such circumstances, a structural and theoretical estimation of sovereign bonds demanded by the main investors is made.

¿What is the structural estimation of the demand for sovereign bonds?
It is defined as a detailed analysis of a projected range of amounts of sovereign bonds that will be demanded by the institutional investors (local and non-residents). Its aim is to anticipate the behavior of the demand at a defined time horizon; for this case, it is a short-term horizon until 2025. This analysis involves the dynamics of the domestic market and the impact of macroeconomic and financial factors such as monetary policy, and regulatory factors such as withdrawals from the AFPs and loan perspectives.

Key factors that define the demand are as follows:

- **Monetary policy:** changes in the BCRP interest rates that affect the expected bond yield; in this case, recent reductions of the benchmark rate have had a positive influence on the market perception.
- **Withdrawals from AFPs:** regulatory decisions have allowed to make extraordinary withdrawals of pension funds, forcing AFPs to liquidate their positions in sovereign bonds.
- **Credit ratings:** changes in sovereign ratings change the country-risk perception, affecting or favoring investors' confidence.
- **External economic variables:** indicators such inflation, GDP growth and country-risk play an important role.

Methodology – Main models:

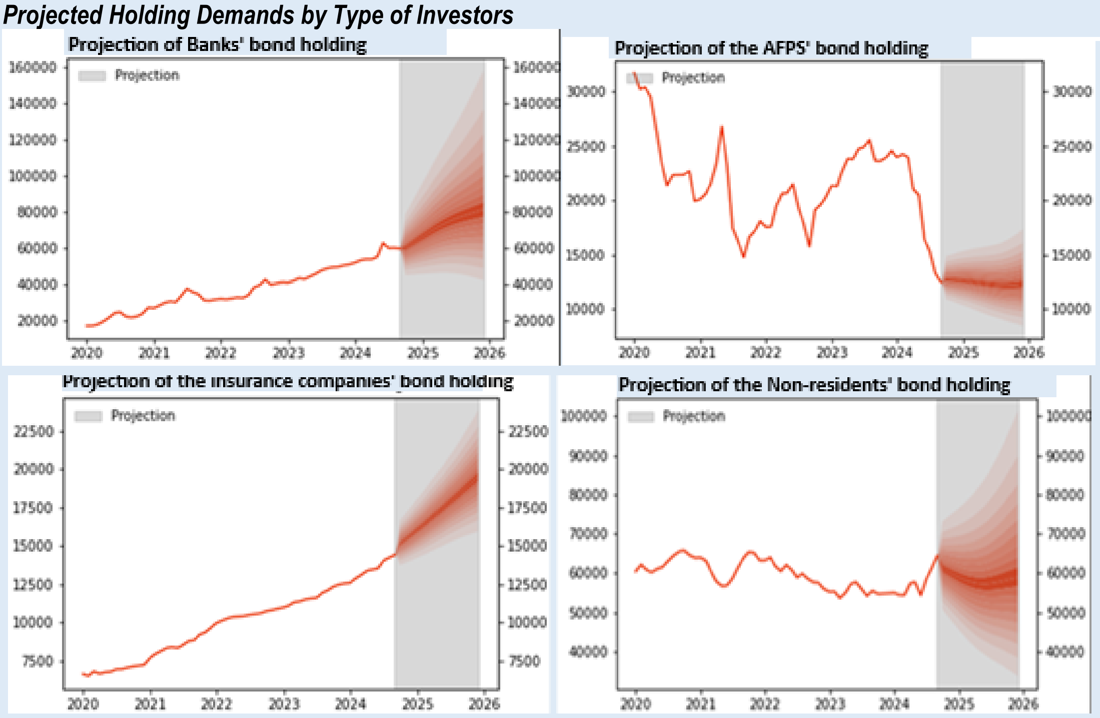
BVARX (Bayesian Vector Autoregressive model with Exogenous variables): it captures the internal dynamics by analyzing historical patterns of investors' holdings. Besides, it includes external factors (inflation, GDP, interest rate) that capture external shocks that affect the demand for sovereign bonds.

Expected results: Based on the results of the holding estimations by type of investor, an increased total demand for sovereign bonds of 13.9% is projected towards the end of 2025. Details are shown as follows:

Investor	Expected period change (%)	PROJ. 2025 (units of bonds in thousands)	Interval of confidence of the projected participants (%) at 95%	Implications
Banks	36.13	81 306	[24.5 - 91.8]	It shows the strength of banks as key players on the domestic market, increasing their holdings through the purchase of position of their investors, with an approach on short and mid-term instruments.
AFP	-1.37	12 267	[4.9 - 10.0]	Reduction of their holdings due to extraordinary withdrawals, although their strategic importance is held as well as their preference for lower-risk assets on a long-term basis.
Insurance companies	35.40	70 436	[9.3 - 13.9]	A moderate increase due to their preference for long-term safe assets.
Funds	4.65	28 651	[0.04 - 0.38]	A stable participation that shows marginal growth and a less volatile behavior.
Non-residents	-8.50	58 962	[19.6 - 58.8]	A reduced participation or moderate growth with an interest based on the macroeconomic stability of Peru while investors assess the positive credit perspective of the country.

Prepared by: DPFE.

Projected Holding Demands by Type of Investors



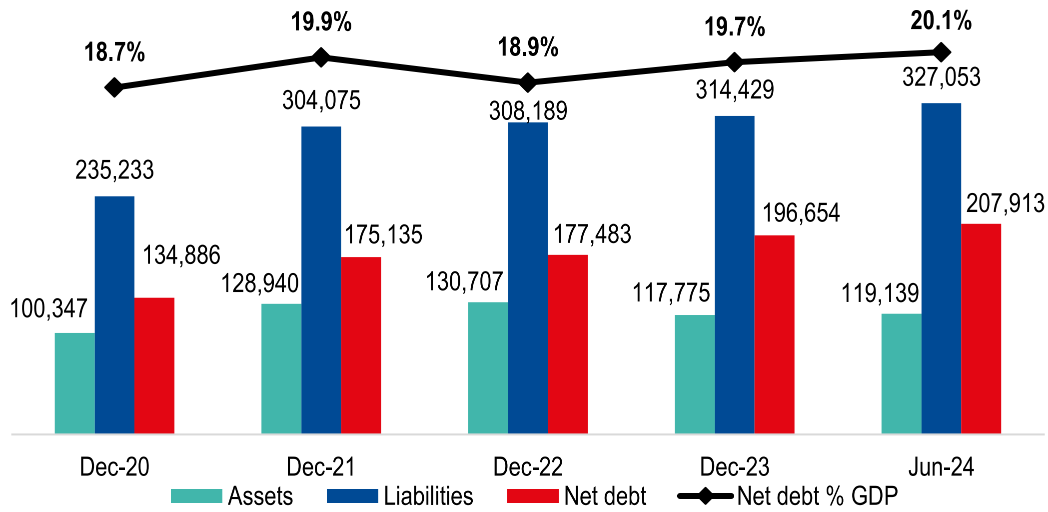
Estimated holdings build a solid structural demand for sovereign bonds towards 2025. Among institutional investors, these projections show that banks and insurance companies consolidate their participation through macroeconomic stability and favorable monetary policies. Although the AFPs have reduced their participation due to extraordinary withdrawals, they are still highly represented, and they could be reoriented towards long-term strategies. Regarding nonresidents, they tend to maintain their participations within the current range, boosted by a positive credit rating perspective, reinforcing the diversification and the market sustainability. In this context, estimations show a stable situation that is suitable for issuance strategies that are in line with the Central Government's needs.

3.3 Position of the NFPS Net Public Debt

The NFPS net public debt has increased over the last years mainly due to the COVID-19 pandemic fallout. Between 2020 and June 2024, net debt has been increasing from 18.7% of GDP to

20.1%. The increase of the gross public debt is based on the pace of growth of financial liabilities. During the period of analysis, financial liabilities have increased by S/ 91.82 billion (chg.39.0%) while assets only rose by S/ 18.79 billion (chg.18.7%). This high increase recorded between 2020 and 2021 was the result of the use of the Government savings (fall of assets) and financing on international markets (increase of liabilities) during the COVID-19 pandemic. Between December 2023 and June 2024, net debt grew by S/ 11.26 billion due to the increase of the gross public debt by S/ 12.62 billion, which is equivalent to an increase of 5.7% of the net debt which means that the net debt as of June 2024 rose to S/ 207.91 billion.

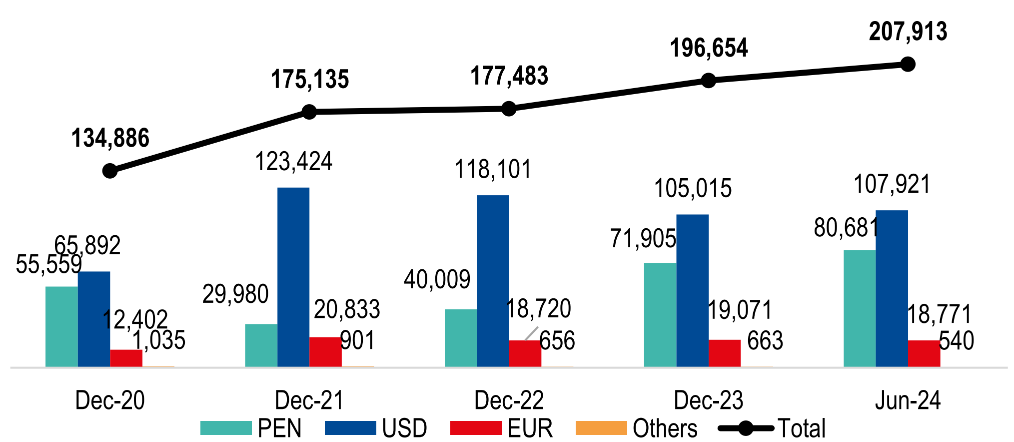
Chart 23. ***Evolution of the NFPS Net Public Debt***
In millions of S/ and in % GDP



Prepared by the authors.

Similarly, the composition of the NFPS net public debt has had a significant change between 2020 and 2021 since the financial strategy took into consideration the use of the Government savings (mainly the FEF recorded in US dollars). Thus, the NFPS net public debt in US dollars reached its peak in 2021, representing 70.5% of the net debt which means a greater exposure to foreign exchange rate changes. Debt management has allowed the decrease of US dollars participation to 51.9% while the participation of soles was 38.8%.

Chart 24. ***NFPS Net Public Debt Composition by Currency***
In millions of S/



Prepared by the authors.

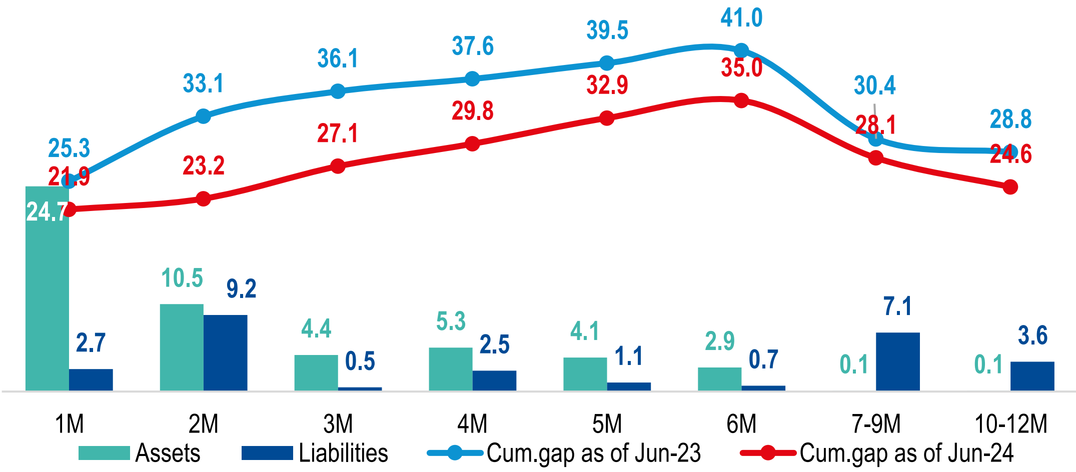
Central Government Structural Balance Risk

The entities hold financial assets and liabilities at different terms, interest rates and currencies, creating different mismatches and exposure to financial risks. Structural risk management is part of the global financial assets and liabilities management that mainly allows for the management of short-term financial exposure impact.

Liquidity Risk

The Central Government financial assets and liabilities have different maturity terms. The assets are short-term high liquid instruments, while the liabilities are mainly mid and long-term debt instruments. Such mismatches that arise from temporal distribution of assets and liabilities are known as liquidity gap.

Chart 25. ***One-Year Liquidity Gap***
In billions of S/



Prepared by the authors.

The analysis of the Treasury liquidity gap is concentrated in a one-year term since the Treasury does not have financial assets to manage on a long-term basis[11].

Liquidity gaps as of June 2024 are similar to those observed in December 2022, both showing highly concentrated assets in a monthly-length time window while payment obligations remain at very low levels in the following 12 months. Furthermore, as of June 2024, the monthly liquidity gaps are positive; consequently, the cumulative gap is as well.

Interest Rate Risk

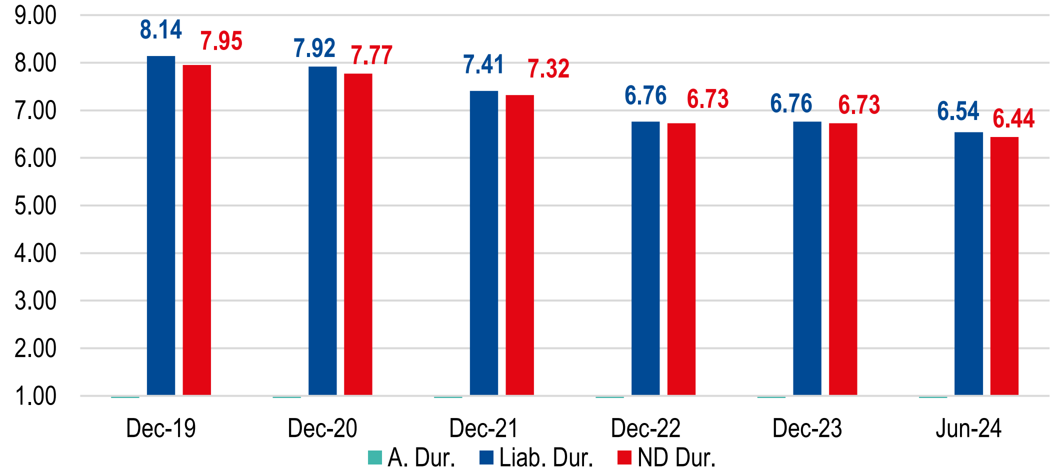
An exercise of liability management is to minimize the possible mismatch between the duration of the financial assets and liabilities. As seen, the duration of both components of the financial balance sheet differs due to the nature of their instruments, such as current accounts and term deposits for assets and bonds and loans for liabilities. Thus, the projected duration of the assets is 0.45 years and 6.54 years for the liabilities as of June 2024.

11 Resources from the Stabilization Fiscal Fund are not considered short-term assets as their use is subject to the fulfillment of some requirements.

The duration of the NFPS gross net public debt is estimated based on the duration of the financial assets and liabilities. As observed, the duration of the liabilities is considerably higher than that of the assets due to its structure, and this broadly determines the duration of the net debt that was of 6.44 years as of June 2024.

Concerning its composition by currencies, the net public debt in soles shows the largest duration (6.7 years) which is slightly shorter than that recorded in December 2023 (7.21 years).

Chart 26. ***Duration of the Financial Assets and Liabilities and Duration of the CG Net Public Debt***
In years



Prepared by the authors.

Exchange Rate Risk

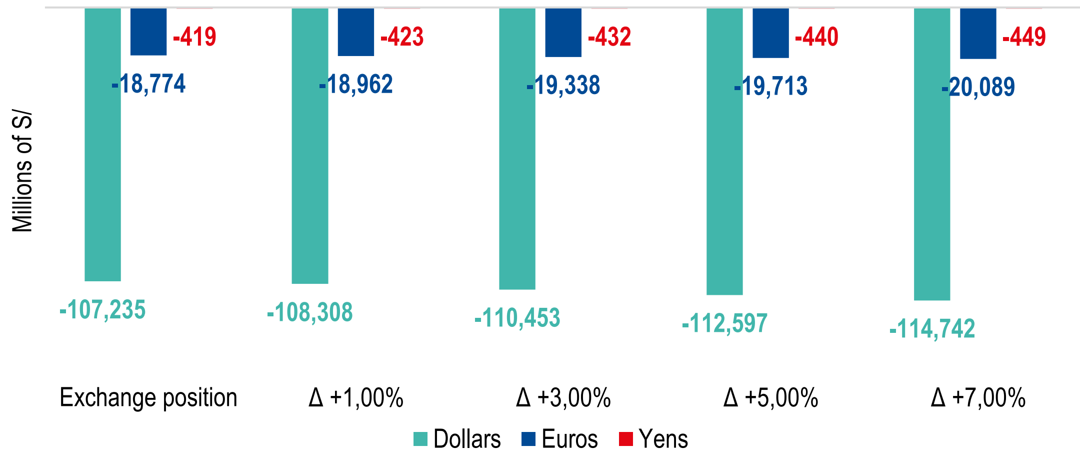
The Central Government financial assets and liabilities are mainly in soles and dollars; furthermore, they are less exposed to risks in euros and yens, among other currencies, which means that the Central Government structural balance sheet is exposed to foreign exchange rate variations. The global position is defined as the difference between the financial assets and liabilities per currency and it is denominated in local currency.

As previously seen, the financial assets are highly concentrated in soles, while the financial liabilities are mainly concentrated in foreign currency, making the Central Government exchange position negative. During the period of analysis, the global exchange position in foreign currency increased from S/ -80.45 billion in 2020 to S/ -126.58 billion in June 2024. In the meantime, as of June 2024, the Value-at-Risk (VaR), calculated through the historical method for the NFPS net debt is S/ 4.36 billion with a 95% monthly horizon which is equivalent to 3.4% of the exchange position. The result indicates that within a month, considering 5% of probability, the exchange position would increase by S/ 4.36 billion at minimum, reaching S/ -130.94 billion, while the Central Government net debt would increase from S/ 239.57 billion to S/ 243.93 billion.

These results are exclusively a consequence of the foreign exchange volatility showing the risk that is posed to public accounts because of the increase of debt in the foreign currency.

As of June 30, in terms of the sensitivity of the global exchange position in foreign currency due to foreign exchange, an adverse theoretical movement of 3% of the foreign exchange rate at every currency would result in a rise of S/ 2.53 billion in the mismatch in foreign currency and net debt.

Chart 27. ***Sensitivity of the Positions of Foreign Currencies vs. Exchange Variations***
In millions of S/



Prepared by the authors.

IV. IMPLEMENTATION OF THE GLOBAL STRATEGY FOR ASSET AND LIABILITY MANAGEMENT

4.1 Framework for Asset and Liability Management

The AFSP[12] is the legislative framework under which the State manages its assets and honors their financial or non-financial obligations, among others. The guidelines of this legislative framework set out the global financial assets and liabilities management, seen as *"the global management of the non-financial Public Sector Financial Assets and Liabilities with the aim of providing financial sustainability to the execution of the economic activities in line with the availability of Public Funds."*

Thus, the global financial asset and liability management requires to set out objectives for the 2025-2028 EGIAP that are in line with the aim of the PFM that addresses various aspects in which the Treasury's actions are involved. The strategic objectives are as follows:

1. To manage public debt in line with the fiscal rules, contributing to debt sustainability.
2. To consolidate a strategic public debt market in soles.
3. To strengthen the efficient use of public resources.

Likewise, the Strategy guidelines have been updated so that they will allow to set out strategic actions to better address the Treasury's current situation, in its role as the governing body of the National Systems of Treasury and Public Indebtedness. The 2025-2028 EGIAP guidelines are the following:

a. To promote competition, participation and diversification of the public debt local market.
b. To promote efficiency in the use of Public Funds in line with the principle of Cash Unity and in the use of liquidity management tools.
c. To guarantee the coverage of liquidity requirements for a suitable execution of the Public Budget; capitalize Public Fund surpluses; and reduce liquidity costs.
d. To manage Public Funds by anticipating financial requirements resulting from adverse events.
e. To strengthen the global financial asset and liability management.

[12] It is regulated by the Legislative Decree N° 1436, the Legislative Decree that sets the framework for the Public Sector Financial Management.

4.2 Financial Strategy and Projections for the 2025-2028 Period

The postpandemic period has been marked by harsh financial conditions regarding a sustained increase in global inflation which led to a cycle of upward interest rates. On the one hand, the immediate effect on Public Fund management is an increased debt cost for both loans and sovereign bond issuances in soles and global bonds issuances in foreign currency and, on the other hand, an increase in the capitalization of the financial assets managed by the Treasury.

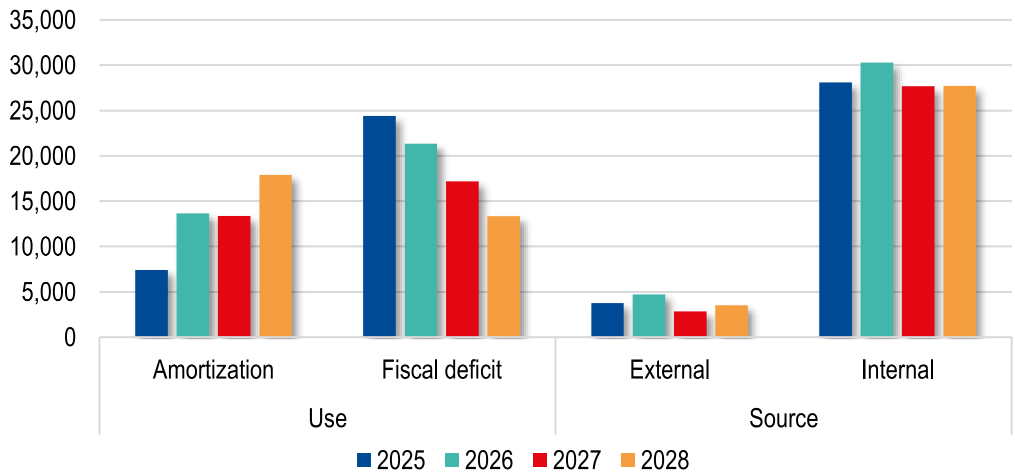
Since 2023, considering that the inflation in developed and emerging countries was under control, a period of normalization of the monetary policy started; especially, in emerging economies like Peru, which gave greater certainty to the financial markets, pushing yields of debt instruments downward, including Peruvian securities.

The Treasury's financial strategy considers the domestic and international macrofinancial environment for decision-making on the use of Public Funds, if they involve public indebtedness operations. In this regard, the EGIAP is developed within the Public Sector Financial Management, and in accordance with the global financial asset and liability management under the National Systems of Treasury and Public Indebtedness regulated by the DGTP.

A financial strategy that is based on the global asset and liability management needs to take into consideration the debt cost in comparison to the opportunity cost of the use of the financial assets, with the aim of minimizing the cost for the Government, reducing financial risks to which it is exposed and contributing to the fiscal strengthening of the public finances and the debt sustainability, in line with the fiscal policy established on the 2025-2028 MMF.

The NFPS financial requirements will be, on average, 2.6% of GDP for the 2025-2028 projected period according to the 2025-2028 MMF projections. This percentage is significantly lower than the average in emerging economies that stand at 14.7% of GDP. The level of the financial requirements of Peru has been partly favored by a lower level of public debt in comparison to the average of emerging countries and by the higher average term to maturity of their debt at around 11.7 years against an average of 8 years in emerging economies. Another factor that helps moderate the financial requirements is the gradual reduction of the fiscal deficit projected for the following years in line with the fiscal consolidation efforts of the country.

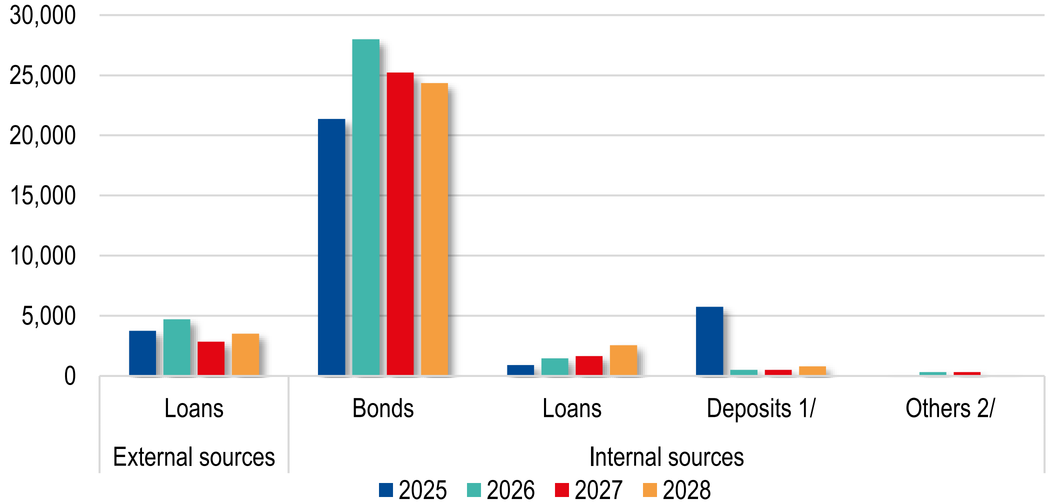
Chart 28. ***Use and Financial Sources for the 2025-2028 Period***
In millions of S/



Source: MEF.
Prepared by the authors.

The domestic sources will be the main financing source over the 2025-2028 period, especially sovereign bonds that would represent, on average, 89% of the financing source during the whole period. The external sources in the form of a loan negotiation will represent the remaining 11%.

Chart 29. ***NFPS Financing Sources***
In millions of S/



Source: MEF.
Prepared by the authors.
1/ Positive values show the use of deposits and negative values show accumulated deposits.
2/ Includes internal loans and privatization.

The Government has succeeded in diversifying its financing sources with the aim of minimizing the financial cost of the debt and through different financial alternatives in line with the current financial conditions. With the aim of financing investment projects and paying the debt service, the Government can have access to the domestic securities market through the issuance of sovereign bonds or to the external securities market through the issuance of bonds, both in domestic and foreign currency. Additionally, the Government can agree loans with multilateral and bilateral organizations and, thus, to have quick access to contingent lines if financial crisis or natural disasters occur.

During the period when the EGIAP is in force, the strategy for the sovereign bond issuance seeks to cover all the sovereign curve tranches to maintain liquid references that promote a dynamic market and provide references to the domestic securities market. Nevertheless, issuances at the mid and long-end of the curve will be prioritized to maintain debt average life without near-term maturities.

Concerning funding from the domestic public debt market, the ability of the market to absorb bond sales must be assessed, taking into consideration the history of market behavior. As said, S/ 11.22 billions have been awarded at sovereign bond auctions until October 2024, and issuances made this year are projected to be in line with prepandemic sale levels that averaged S/ 11.97 billion a year, showing a peak of S/ 15.03 billion in 2019. If this source cannot meet scheduled requirements, Public Funds can be temporarily used in application of the Fungibility Principle while chances for bond issuances are being sought on the international securities markets.

For implementation purposes, the DGTP can use Public Funds that are made up of the CUT, under the liquidity management framework and the Fungibility Principle established in the National System of Treasury. The DGTP is enabled to make temporary use of the resources that are part of the CUT --- they must be returned when financial conditions improve ---, the Treasury bills balance and the Secondary Liquidity Reserve. It is worth saying that the use of the RSL under liquidity management does not need any return of its funds as its goal is to finance temporary liquidity mismatches.

Box N° 2. ***Use of Public Funds within the Framework of the Fungibility Principle of the National Treasury System in 2024***

Liquidity management ensures the availability of public funds that are necessary to meet in a timely manner the obligations incurred through collected or levied resources. In this context, within the framework of the management of resources that are held in the CUT, the Fungibility Principle helps deal with temporary cash mismatches and it ensures the payment of obligations incurred under law.

Over the first quarter of 2024, the financial conditions of the domestic debt were exposed to higher volatility in terms of yield rates and sovereign bonds and a lower liquidity alongside the sovereign curve, as a consequence of the enactment of the Law N° 32002 which authorized an extraordinary and optional withdrawal of funds for those that are subscribed in the private pension system. Such context affected the regular implementation of the schedule of sovereign bond issuance under the Market Maker Program to finance the Public Budget.

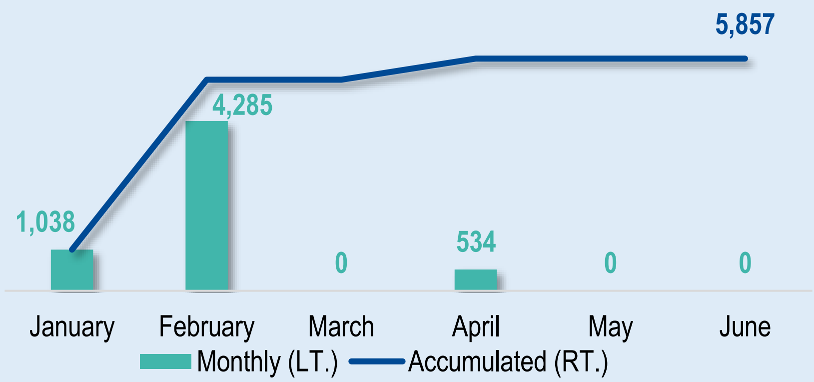
Volatility could be overcome with the temporary use of the resources from the CUT within the Fungibility Principle, providing financial coverage through resources that did not come from bond issuance, ensuring payment in accordance with the Opportunity Principle. The relevance of liquidity management is that it allows to respond to:

- Situations in which income does not come in due time to meet the expenditure of the corresponding fiscal year, showing a cash deficit in the corresponding financing source. These situations would lead to a temporary cash mismatch that would bring potential risk for the adequate financing of the Public Sector Budget.

- Situations when financial conditions of the debt market are not favorable to issue bonds internally and/or externally, considering different assumptions of temporary cash mismatches. In this case, the DGTP provides financial coverage even if it is not the current fiscal year with assets that are part of the CUT within the framework of the Global Asset and Liability Management

The monthly and cumulative resources or the CUT that have been used under the Fungibility Principle between January to June 2024 attain S/ 5.86 million.

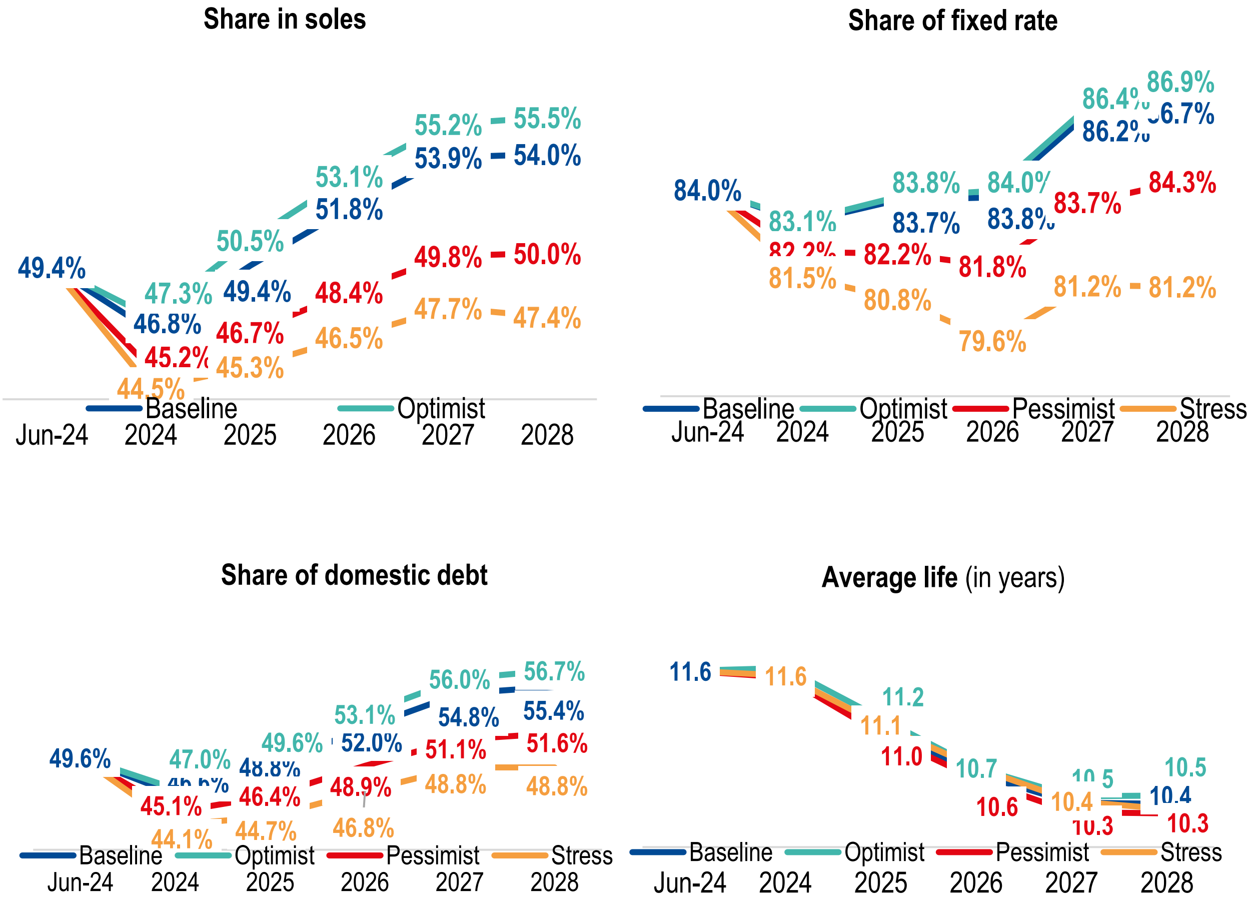
Application of the Fungibility Principle of 2024
In millions of S/



Source: DGTP – MEF.
Prepared by the authors.

Furthermore, the NFPS gross public debt assessment has been made based on the financial requirements set out on the 2025-2028 MMF, the possible financing sources and their impact on the main monitoring indicators. In this regard, four deterministic scenarios have been outlined (baseline, optimistic, pessimistic and stress scenarios) with the aim of setting out the ranges for the reference quantitative goals of the NFPS gross debt for the 2025-2028 period. The results of some of these indicators to be possibly achieved at the close of the validity period of this Strategy are the following for the four scenarios.

Chart 30. ***NFPS Gross Debt Indicators***



Source: DGTP – MEF.
Prepared by the authors.

Following the assessment of the financial conditions, if the financial strategy is effectively implemented, the reference debt indicators must be at the established ranges in the following table. These projections are consistent with the NFPS gross public debt strategy that is basically aimed at reducing the exposure to market risks and refinancing, based on the results of the pessimistic and optimistic scenarios.

Table 05: ***Referred Quantitative Targets of the NFPS Debt at the Close of 2028***

Concept	Dec-28
Share of debt in soles	50.0% - 55.5%
Share of debt at fixed rate	84.3% - 86.9%
Share of domestic debt	51.6% - 56.7%
Average-term-to-maturity (years)	10.3 - 10.5
Average-term-to-reprice (years)	9.5 - 9.9
Accumulated amortizations for the following 12 months 1/	4.3% - 3.9%
Share of financing in local currency 2/	53.5% - 62.6%

Source: DGTP – MEF.
1/ Indicator that measures the most immediate pressure on payment.
2/ Includes the financing of liability management operations to be carried out.

Projections for the 2025-2028 Period

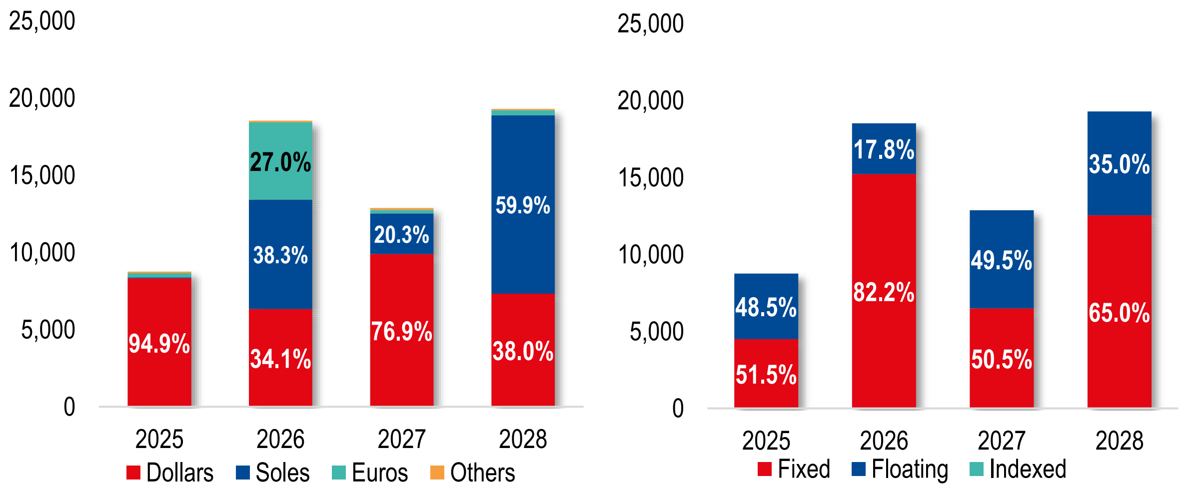
Given the assumptions for the analysis of the scenarios for projections on the different monitoring indicators of the gross public debt, the results of the baseline scenario are projected to be closer to be met; therefore, as a reference, the analysis of the position and the projections of the NFPS gross debt are based on this scenario.

- Projections of the payment of amortizations of the NFPS gross public debt for the following 4 years

  The 2025 amortizations represent around 2.4% of the total due and their average is around 3.5% up to 2028. In relative terms, the payment pressure of the debt service in the Public Budget will range between 11.1% to 13.9% of the annual revenues.

  Concerning payment in dollars, they account for 95% in 2025 and 61%, on average, for maturities from 2025 to 2028. In this vein, in 2025, fixed interest rate loans represent 52%, while 66% corresponds to the next 3-year period.

Chart 31. ***Gross Public Debt Maturity by Currency and NFPS Interest Rates***
In millions of S/ and in %



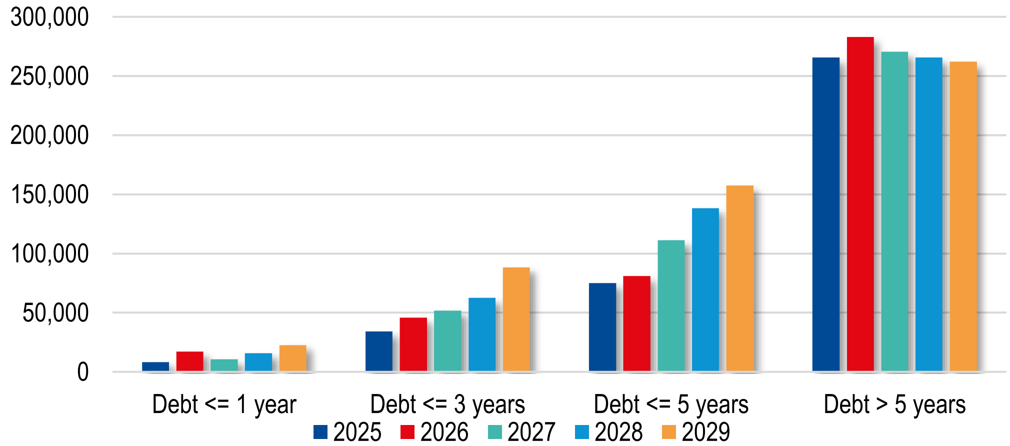
Source: DGTP – MEF.
Prepared by the authors.

- Projection for the composition by maturity

It has been projected that in the current loan maturity structure and in those ones that are expected to be obtained for the next years, terms will slightly increase for debt longer than five year, even if this concentration decreases in 2027, 2028 and 2029 in comparison to the year 2026. Although the effect of shorter-than-5-year maturity structure is increasing, this does not mean an important pressure in the national treasury, and there is always the possibility of carrying out liability management operations to mitigate it even more.

In the baseline scenario, the percentage of longer-than-5-year maturities are projected to be around 65.8% in December 2028, which is a relatively lower position than the one observed at the previous range. This situation is explained by factors that are related to liability management operations, and their financing implies mid-term sovereign bond issuance. The average life indicator confirms this position, while in the baseline scenario closing in 2028, it is expected to be about 10.4 years.

Chart 32. ***NFPS Gross Public Debt Term-to-Maturity***
In millions of S/



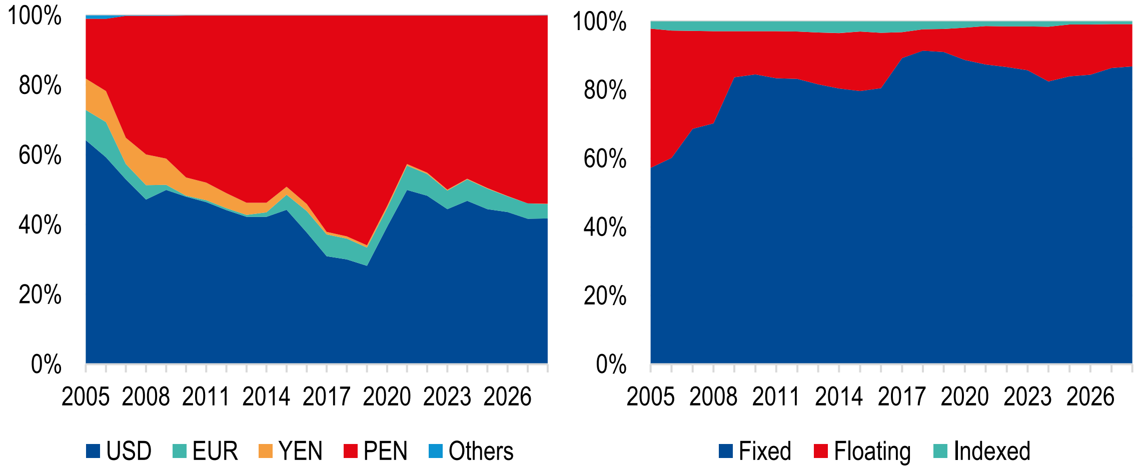
Source: DGTP – MEF.
Prepared by the authors.

- Projection of the composition by currency and interest rates

The participation of the local currency in the total gross debt would be around 54% at the close of 2028, and it is higher than 46.8% that would be reached in 2024. Increasing the participation of the currency in soles in the total gross debt is one of the most important objectives to consolidate low-risk positions or, at least, diminishing the disadvantages of this indicator against that of other comparative countries, favoring a potential improvement in credit rating by credit rating agencies and, therefore, in a lower debt cost for the private and public sector.

Concerning the projected fixed rate component in the gross debt structure for the following years, it remains above 75% recorded since 2009, attaining around 87% at the close of 2028. This position allows for the maintenance of predictable flows for the preparation of the corresponding budget.

Chart 33. ***Evolution of the NFPS Gross Public Debt by Currencies and Interest Rates***
In %

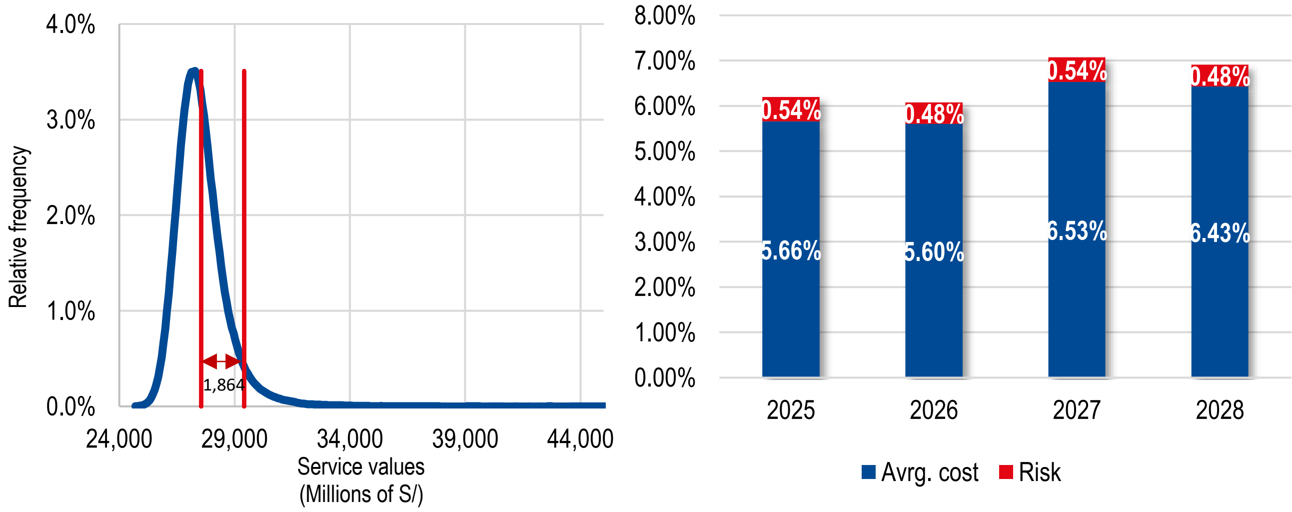


Source: DGTP – MEF.
Prepared by the authors.

- <u>Cost and risk of the NFPS gross public debt</u>

The projected debt service for 2025 would increase to S/ 27.55 billion due to fluctuations of interest rates and exchange rates. Making an analysis of the Service at Risk (SeR), with 95% of confidence, these changes could indicate further expenditure compared to the expected service[13] for S/ 1.86 billion (6.8% additional to the projected debt service payment).

Chart 34. ***Service at Risk and Cost and Risk of the NFPS Gross Public Debt for the 2025-2028 Period***
In %



Source: DGTP – MEF.
Prepared by the authors.

- <u>Debt ratios and amortization profile</u>

In relative terms, some debt-to-GDP indicators that are expected for the following years have been estimated with the aim of determining their budgetary feasibility. The NFPS gross public debt is

13 Measured by the difference between the 95% percentile and the average.

increasing until 2027, followed by a decrease of up to 32.0% of GDP in 2028 in line with the debt consolidation trajectory.

Table 06: ***NFPS Gross Public Debt Ratios***
In % of GDP

	2025	2026	2027	2028
NFPS debt/GDP	32.3%	32.3%	32.4%	32.0%
NFPS service payments/GDP	2.2%	2.9%	2.4%	2.8%
NFPS amortization payments/PBI	0.7%	1.4%	0.8%	1.2%
NFPS interest payments/GDP	1.5%	1.6%	1.6%	1.6%

Source: DGTP – MEF.
Note: The results of these indicators may differ from projections published on the MMF due to market prices, liability management operations, among others.
Prepared by the authors.

Concerning the assessment of the NFPS gross public debt in relation to its returns, it measures the Government’s payment capacity. The indicator of the gross debt balance shows an upward trend until 2027; nevertheless, the debt service and the amortizations go up in 2026, mainly due to important debt maturities over that year.

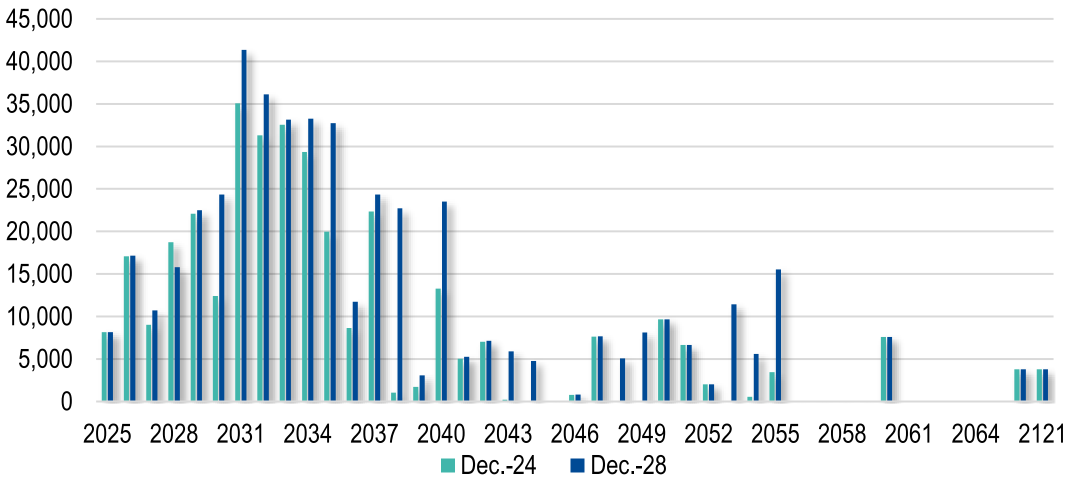
Table 07. ***Nfps Gross Public Debt Ratios***
In % of revenues

	2025	2026	2027	2028
NFPS debt/Revenues	159.6%	162.2%	163.1%	161.2%
NFPS service payments/Revenues	11.1%	15.0%	12.1%	13.9%
NFPS amortizations payments/Revenues	3.6%	7.3%	4.3%	6.0%
NFPS interests payments/Revenues	7.5%	7.7%	7.8%	7.9%

Source: DGTP – MEF.
Prepared by the authors.

With the aim of mitigating the refinancing and market risks relative to fluctuations of exchange rates and interest rates, the DGTP is permanently assessing opportunity windows and market conditions to carry out liability management operations. Based on the results from the baseline scenario, the results that such operations would have on the debt service profile toward the end of the period of validity of the EGIAP are shown as follows.

Chart 35. ***Projection of the Amortization Profile of the NFPS Gross Public Debt***
In millions of S/



Source: DGTP – MEF.
Prepared by the authors.

4.3 Strategic Actions

The strategic actions that are set out on the 2025-2028 EGIAP help strengthen the financial planning and the global financial asset and liability management, modernize the treasury and develop the local public debt market within the framework of the defined strategic objectives and proposed guidelines.

a. <u>To promote the competitiveness, the participation and diversification of the public debt domestic market</u>

- **To make the public debt domestic market more dynamic through a wider diversity of financial instruments,** which will help promote more participation of investors in this market. Among these, the new sovereign debt exchange fund under the World Bank’s Issuer-Driven Exchange Traded Fund Program and repo operations with sovereign bonds. Likewise, increasing the participation of retail investors on the public debt market will be sought by means of schemes or instruments that promote its development.

  To promote the mobilization of resources towards projects and sustainable expenditures through the issuance of social, green and sustainable bonds on the capital market, not only succeeding in expanding the investors’ base, considering market conditions, but also contributing to the political, environmental and social objectives of the country. Furthermore, the use of other thematic instruments such as Sustainability-linked bonds (SBL)[14] or other thematic financial structures will continue being explored as alternatives of financing for the development of sustainable financing and the fulfillment of the climatological commitments on which Peru is working.

  Besides, the issuance of Treasury bills is part of the financial strategy of the DGTP to complete the short-end of the sovereign curve and provide the investors of this segment with new instruments.

[14] *Sustainability-linked bonds.*

- **To continue issuing sovereign bonds, following the Regular Schedule for Treasury's Securities,** considering the local market capacity to absorb these securities; therefore, sovereign bond issuance will include the debt service concentration and the market condition analysis.

b. **To promote the efficiency in the use of the treasury management in line with the principle of Cash Unity, optimizing the use of liquidity management tools and better track of the information based on good practice**

- **To consolidate the centralization of the Public Funds into the CUT**; the transfer of balances in bank accounts that manage Public Funds, as well as the transfer of accounts that hold resources that come from transactions with Public Funds, both at the BN and other companies of the Financial National System and their corresponding closing.

- **To implement Public Trust in the CUT in application of the existing legal framework**, application of the exempt of seizure of the CUT, bank accounts held by the General Directorate of Public Treasury, and the accounts authorized by this General Directorate, established by the legislation in force.

- **To consolidate the process of implementation of the use of electronic and digital means for the State's payment operations for all expenditure** and for the collection of public returns flows in favor of the Treasury and the Public Sector entities, and if necessary, **the corresponding returns**.

c. **To guarantee that the liquidity needs were met for a suitable execution of the Public Budget, to capitalize the Public Fund surpluses and to reduce their liquidity cost.**

- **Implementation of operational improvements in terms of financial income and expenditure flows,** consolidating the operativity of the CUT through the BCRP**.**

- **Implementation of a strategy that is aimed at strengthening consistency, track, coverage and timely information of financial flows,** strengthening the back office, incorporating the accounting record of receivable accounts (in charge of the revenues managing entities) and the payable accounts (in charge of entities executing the Public Sector Budget and entities that receive transfers from the Treasury by mandate of express rule) so that the predictability for both daily cash projections and financial planning can be increased, making monitoring and control easy beyond better decision-making capability in terms of treasury management and the strengthening of the financial asset and liability management.

- **To diversify the investment of the temporary cash surpluses, mainly by instruments and counterparts.** Improvement of regulations that allows to increase capitalization of the Treasury's cash surpluses must be implemented for the current state-of-affairs. Such improvement must include the Treasury's risk profile, the preservation of the Public Funds and the opportunity of capitalization alternatives; and the risk associated to these operations must be monitored.

d. **To manage Public Fund in anticipation of financial requirements that arise from adverse events**

- **To maintain contingency funds such as liquidity reserves, credit lines and other instruments that allow to respond to crisis and post-crisis scenarios**. In the context of financial economic crisis or natural disasters, it is important that the Government has public funds to deal with exceptional situations. This involves but it is not limited to hold resources in the Stabilization Fiscal Fund, to have contingent credit lines, to assess the issuance of market instrument for risk transfers, among others. The use of these resources must be in line with a financial protection strategy that has been previously outlined to respond to crisis and post-crisis scenarios.

- **To set priority in the use of Public Funds and financial instruments that are available to finance crisis and post-crisis events.** In line with a previous strategic action, a better scheme of Public Fund use must be established, considering the opportunity cost of the resources and the opportunity of getting them.

e. **<u>To strengthen the global financial asset and liability management</u>**

- **The methodology for the assessment of decisions on public indebtedness based on objective financial criteria must be standardized.** Establishing financial criteria that contribute to strengthening the assessment of indebtedness alternatives. In this sense, setting priorities for the debt sources, considering the opportunity to get funded and its cost.

- **To periodically monitor financial risks to which financial assets and liabilities are exposed.** Within the framework of the National Systems of Treasury and Public Indebtedness, there must be a periodical monitoring of the financial risk of the financial assets and liabilities in compliance with the risk management cycle pursuant to the Legislative Decree N°1441 that involves: (i) identification, (ii) measurement, (iii) mitigation and (iv) monitoring.

APPENDIX 1: Schedule of the 2025 Regular Auction of Treasury's Securities Program

The schedule of the 2024 Regular Auction of Treasury's Securities Program has been arranged in line with the strategic actions, and it is a reference for the implementation of the securities auctions on the local market

January 2025

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February 2025

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

March 2025

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April 2025

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May 2025

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June 2025

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July 2025

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August 2025

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September 2025

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October 2025

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November 2025

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December 2025

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

On Tuesdays: Auction of Treasury's notes.

On Thursdays: Auction of sovereign bonds.

The Schedule of the Treasury's securities is presented as a reference, and it is subject to changes by the General Directorate of Public Treasury (DGTP) as deemed appropriate.

Strategy of Issuances

The placement of sovereign bonds to maintain benchmarks for 3, 5, 10 and 30 years will be privileged.

APPENDIX 2: Advances Prior to the 2024 – 2027 EGIAP Implementation

The 2024-2027 EGIAP contains guidelines and strategic actions. The main advances in the strategic actions that have been set out are shown as follows:

Guideline 1. To promote competitiveness, participation and diversification of the public debt local market

(i) **Make the domestic public debt market dynamic through a greater diversity of financial instruments.**
As part of liability management operation, the Government issued its second sustainable bond in soles for S/ 15.44 billion in July 2024

(ii) **To continue issuing sovereign bonds, in accordance with the Auction Schedule.**
Regular sovereign bond auctions were conducted on the local market until October within the framework of the Market Makers Program, for a nominal value of S/ 11,226 million**.** The demand for sovereign bonds was 1.76 times the amount placed for that period.

Guideline 2. To promote efficiency in the utilization of Public Funds in line with the principle of Cash Unity and the use of liquidity management tools.

To strengthen the global financial asset and liability management by using liquidity management tools.
Resources from the Secondary Liquidity Reserve for S/ 549 million were incorporated into the Public Budget for the 2024 Fiscal Year during July in application of Law N°32103. Therefore, the Secondary Liquidity Reserve balance attained S/ 751 million at the close of July 2024.

Furthermore, the liquidity management tool has been used to maintain continued payments of the obligations foreseen in the public budget, as conditions of the local debt market showed high volatility during some parts of the year, affecting compliance with the auction schedule on the local market or, in some cases, the amount to be raised.

Guideline 3. To ensure coverage of liquidity requirements for a suitable execution of the Public Budget, to maximize the capitalization of Public Fund surpluses, and to reduce the cost of their liquidity.

Maintain liquidity levels that allow for covering budget financing mismatches.
As of July, balances of demand deposits for S/. 2,909 million and balances of term deposits of S/. 35,226 million were maintained on average The liquidity observed during the period has allowed the Treasury to meet its obligations accordingly.

Guideline 4. To manage Public Funds in anticipation of the financial requirements that arise from adverse events, fully applying the Principle of Fungibility

(i) **To maintain contingency funds such liquidity reserves, credit lines and other instruments to respond to crisis and post-crisis scenarios**
The Stabilization Fiscal Fund is a public savings scheme that allows the improvement of the State´s response capacity to deal with scenarios that would have a meaningful and direct impact on the national economy, such as emergency situations or recessions. The Stabilization Fiscal Fund balance attained US$ 3.22 billion at the close of August 2024.

The FONDES (The Development Fund) was established with the aim of financing public investment projects for mitigation, response-capacity, restoration and reconstruction in response to the occurrence of natural disasters. At the close of June 2024, FONDES held a balance of S/ 64 million in local currency accounts and in foreign currency accounts for US$ 0.4 million.

Likewise, as part of a financial strategy to address unexpected adverse financial strategy, the MEF has loans and contingent credit lines with multilateral organizations. As of July 2024, the availability of loans and credit lines accounted for US$ 500 million.

Guideline 5. To make borrowing decisions based on comparable financial criteria, reducing exposure to financial risk

(i) To make decision-making in line within the framework of fiscal risk management

One of the main tools of the Treasury to reduce risks to which the public debt is exposed are the liability management operations. In July 2024, the DGTP completed the implementation of a liability management operation for S/ 21.00 billion under the repurchase or the exchange of sovereign bonds in soles and the repurchase of global bonds in dollars and euros with the aim of reducing pressure of amortizations for bonds between 2024 and 2031 and providing support for debt in soles.

APPENDIX 3: NFPS Gross Debt: Projection of Some Indicators

In millions of S/ and %

	Jun-24	2024	2025	2026	2027	2028
Baseline scenario						
Gross total debt	**323,863**	**342,539**	**365,637**	**383,243**	**405,296**	**421,075**
Fixed rate	84.0%	83.1%	83.7%	83.8%	86.2%	86.7%
Soles	49.4%	46.8%	49.4%	51.8%	53.9%	54.0%
Securities debt	83.5%	81.9%	82.6%	81.8%	83.5%	83.1%
Domestic debt	49.6%	46.6%	48.8%	52.0%	54.8%	55.4%
Soles (in 3 years)	0.0%	25.6%	48.0%	65.4%	63.2%	57.4%
Fixed rate (in 3 years)	0.0%	67.5%	75.6%	77.7%	81.4%	85.4%
Financing in soles	46.6%	24.0%	50.7%	63.1%	60.7%	65.0%
Average life (years)	11.61	11.57	11.10	10.67	10.41	10.40
Average reprice (years)	10.86	10.67	10.23	9.85	9.71	9.78
Equivalent rate	5.8%	6.2%	6.2%	6.3%	6.3%	6.3%

	Jun-24	2024	2025	2026	2027	2028
Optimistic scenario						
Gross total debt	**321,663**	**339,581**	**363,634**	**383,478**	**406,225**	**423,201**
Fixed rate	83.9%	83.1%	83.8%	84.0%	86.4%	86.9%
Soles	49.7%	47.3%	50.5%	53.1%	55.2%	55.5%
Securities debt	83.4%	81.9%	82.7%	82.0%	83.7%	83.4%
Domestic debt	49.9%	47.0%	49.6%	53.1%	56.0%	56.7%
Soles (in 3 years)	0.0%	26.3%	49.2%	66.2%	64.5%	58.7%
Fixed rate (in 3 years)	0.0%	66.4%	75.2%	78.0%	81.5%	85.5%
Financing in soles	46.6%	25.6%	53.7%	65.6%	62.6%	67.4%
Average life (years)	11.65	11.64	11.18	10.73	10.47	10.47
Average reprice (years)	10.89	10.74	10.31	9.92	9.78	9.87
Equivalent rate	5.5%	5.9%	6.0%	6.0%	6.1%	6.1%

	Jun-24	2024	2025	2026	2027	2028
Pessimistic scenario						
Gross total debt	**329,483**	**355,733**	**380,206**	**397,459**	**419,317**	**434,436**
Fixed rate	84.1%	82.2%	82.2%	81.8%	83.7%	84.3%
Soles	48.5%	45.2%	46.7%	48.4%	49.8%	50.0%
Securities debt	83.5%	81.1%	81.1%	79.8%	80.9%	80.8%
Domestic debt	48.7%	45.1%	46.4%	48.9%	51.1%	51.6%
Soles (in 3 years)	0.0%	23.5%	43.3%	59.6%	57.3%	53.2%
Fixed rate (in 3 years)	0.0%	67.9%	72.3%	72.7%	76.4%	83.1%
Financing in soles	46.6%	22.4%	42.7%	56.1%	53.5%	59.2%
Average life (years)	11.58	11.55	11.04	10.62	10.32	10.31
Average reprice (years)	10.83	10.51	9.98	9.59	9.41	9.46
Equivalent rate	6.1%	6.5%	6.5%	6.6%	6.6%	6.6%

	Jun-24	2024	2025	2026	2027	2028
Stress scenario						
Gross total debt	**333,077**	**363,833**	**395,440**	**417,974**	**444,251**	**463,228**
Fixed rate	84.1%	81.5%	80.8%	79.6%	81.2%	81.2%
Soles	48.0%	44.5%	45.3%	46.5%	47.7%	47.4%
Securities debt	83.5%	80.2%	79.7%	77.6%	78.6%	77.8%
Domestic debt	48.2%	44.1%	44.7%	46.8%	48.8%	48.8%
Soles (in 3 years)	0.0%	22.2%	43.4%	62.7%	57.7%	53.2%
Fixed rate (in 3 years)	0.0%	69.8%	74.9%	76.1%	77.7%	83.2%
Financing in soles	46.6%	21.0%	37.9%	49.1%	49.0%	52.0%
Average life (years)	11.55	11.57	11.12	10.73	10.42	10.35
Average reprice (years)	10.80	10.41	9.83	9.34	9.13	9.09
Equivalent rate	6.4%	6.9%	6.9%	7.1%	7.1%	7.1%