

InterCorp Financial Services Inc. and Subsidiaries

Interim consolidated financial statements as of December 31, 2021 (unaudited) and 2020 (audited) and for the years then ended

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Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of financial position

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

	Note	31.12.2021 S/(000)	31.12.2020 S/(000)		Note	31.12.2021 S/(000)	31.12.2020 S/(000)
Assets				Liabilities and equity			
Cash and due from banks	4(a)			Deposits and obligations	9		
Non-interest bearing		4,025,873	3,397,663	Non-interest bearing		9,270,255	9,354,487
Interest bearing		12,488,242	14,750,135	Interest bearing		39,627,689	37,794,788
Restricted funds		590,350	617,684			48,897,944	47,149,275
		17,104,465	18,765,482	Inter-bank funds	4(e)	-	28,971
Inter-bank funds	4(e)	30,002	18,105	Due to banks and correspondents	10	8,522,849	9,660,877
Financial investments	5	24,547,294	24,277,115	Bonds, notes and other obligations	11	8,389,672	7,778,751
Loans, net:	6			Due from customers on acceptances		152,423	16,320
Loans, net of unearned interest		45,070,500	43,504,274	Insurance contract liabilities	12	11,958,058	12,501,723
Impairment allowance for loans		(2,064,917)	(2,984,851)	Other accounts payable, provisions and other liabilities	8	2,477,601	2,146,152
		43,005,583	40,519,423	Deferred Income Tax liability, net		-	11
				Total liabilities		80,398,547	79,282,080
Investment property	7	1,224,454	1,043,978	Equity, net	13		
Property, furniture and equipment, net		815,118	844,427	Equity attributable to IFS's shareholders:			
Due from customers on acceptances		152,423	16,320	Capital stock		1,038,017	1,038,017
Intangibles and goodwill, net		1,044,749	1,042,585	Treasury stock		(3,363)	(2,769)
Other accounts receivable and other assets, net	8	1,887,454	1,355,029	Capital surplus		532,771	532,771
Deferred Income Tax asset, net		142,367	353,565	Reserves		5,200,000	5,200,000
Total assets		89,953,909	88,236,029	Unrealized results, net		(168,300)	836,773
				Retained earnings		2,904,912	1,303,317
						9,504,037	8,908,109
				Non-controlling interest		51,325	45,840
				Total equity, net		9,555,362	8,953,949
				Total liabilities and equity, net		89,953,909	88,236,029

The accompanying notes are an integral part of these interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of income

For the years ended December 31, 2021 (unaudited) and 2020 (audited)

	Note	31.12.2021 S/(000)	31.12.2020 S/(000)
Interest income and similar items	15	4,605,625	4,664,967
Interest expense and similar items	15	(1,057,937)	(1,192,284)
Net interest income and similar items		3,547,688	3,472,683
Impairment loss on loans, net of recoveries	6(d.1) and (d.2)	(381,577)	(2,393,944)
Recovery (loss) due to impairment of financial investments	5(c)	30,898	(32,904)
Net interest income and similar items after impairment loss		3,197,009	1,045,835
Fee income from financial services, net	16	823,808	723,500
Net gain on foreign exchange transactions		423,022	318,422
Net gain on sale of financial investments		288,923	185,383
Net gain on financial assets at fair value through profit or loss		24,800	165,883
Net gain on investment property	7(b)	79,399	44,929
Other income	17	89,498	62,117
		1,729,450	1,500,234
Insurance premiums and claims			
Net premiums earned	18(a)	645,267	514,981
Net claims and benefits incurred for life insurance contracts and others	18(b)	(917,346)	(794,051)
		(272,079)	(279,070)
Other expenses			
Salaries and employee benefits		(807,382)	(749,246)
Administrative expenses		(965,505)	(748,617)
Depreciation and amortization		(280,372)	(268,750)
Other expenses	17	(209,510)	(144,047)
		(2,262,769)	(1,910,660)
Income before translation result and Income Tax		2,391,611	356,339
Translation result		(89,320)	(45,723)
Income Tax	14(e)	(502,112)	72,933
Net profit for the year		1,800,179	383,549
Attributable to:			
IFS's shareholders		1,790,155	383,259
Non-controlling interest		10,024	290
		1,800,179	383,549
Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles)	19	15.510	3.320
Weighted average number of outstanding shares (in thousands)	19	115,419	115,447

The accompanying notes are an integral part of these interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of other comprehensive income

For the years ended December 31, 2021 (unaudited) and 2020 (audited)

	31.12.2021 S/(000)	31.12.2020 S/(000)
Net profit for the year	1,800,179	383,549
Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:		
Revaluation of gains on equity instruments at fair value through other comprehensive income	146,161	8,176
Income Tax	(31)	(36)
Total unrealized gain that will not be reclassified to the consolidated statement of income	<u>146,130</u>	<u>8,140</u>
Other comprehensive income to be reclassified to the consolidated statement of income in subsequent periods:		
Net movement of debt instruments at fair value through other comprehensive income	(2,282,111)	635,669
Income Tax	8,404	(2,643)
	<u>(2,273,707)</u>	<u>633,026</u>
 Insurance premiums reserve	 <u>1,392,280</u>	 <u>(332,536)</u>
Net movement of cash flow hedges	97,943	(17,968)
Income Tax	(15,696)	3,559
	<u>82,247</u>	<u>(14,409)</u>
 Translation of foreign operations	 <u>95,674</u>	 <u>76,935</u>
Total unrealized (loss) gain to be reclassified to the consolidated statement of income in subsequent periods	<u>(703,506)</u>	<u>363,016</u>
Total other comprehensive income for the year, net of Income Tax	<u>1,242,803</u>	<u>754,705</u>
 Attributable to:		
IFS's shareholders	1,236,980	752,973
Non-controlling interest	5,823	1,732
	<u>1,242,803</u>	<u>754,705</u>

The accompanying notes are an integral part of these consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of changes in equity

For the years ended December 31, 2021 (unaudited) and 2020 (audited)

Attributable to IFS's shareholders														
	Number of shares		Capital stock S/(000)	Treasury stock S/(000)	Capital surplus S/(000)	Reserves S/(000)	Unrealized results, net							
							Instruments that will not be reclassified to the consolidated statement of income	Instruments that will be reclassified to the consolidated statement of income						
	Issued (in thousands)	In treasury (in thousands)						Equity instruments at fair value S/(000)	Debt instruments at fair value S/(000)	Insurance premiums reserves S/(000)	Cash flow hedges reserve S/(000)	Translation of foreign operations S/(000)	Retained earnings S/(000)	Total S/(000)
Balances as of January 1, 2020	115,447	(1)	1,038,017	(196)	530,456	4,700,000	264,883	1,036,159	(923,855)	(22,758)	88,476	2,145,688	8,856,870	46,578
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	383,259	383,259	290
Other comprehensive income	-	-	-	-	-	-	8,175	630,944	(331,990)	(14,350)	76,935	-	369,714	1,442
Total other comprehensive income	-	-	-	-	-	-	8,175	630,944	(331,990)	(14,350)	76,935	383,259	752,973	1,732
Declared and paid dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(698,228)	(698,228)	-
Purchase of treasury stock, Note 13(b)	-	(23)	-	(2,573)	-	-	-	-	-	-	-	-	(2,573)	-
Transfer of retained earnings to reserves, Note 13(e)	-	-	-	-	-	500,000	-	-	-	-	-	(500,000)	-	-
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,432)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	24,154	-	-	-	-	(24,154)	-	(40)
Others	-	-	-	-	2,315	-	-	-	-	-	-	(3,248)	(933)	2
Balance as of December 31, 2020	115,447	(24)	1,038,017	(2,769)	532,771	5,200,000	297,212	1,667,103	(1,255,845)	(37,108)	165,411	1,303,317	8,908,109	45,840
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,790,155	1,790,155	10,024
Other comprehensive income	-	-	-	-	-	-	145,899	(2,266,729)	1,389,995	81,986	95,674	-	(553,175)	(4,201)
Total other comprehensive income	-	-	-	-	-	-	145,899	(2,266,729)	1,389,995	81,986	95,674	1,790,155	1,236,980	5,823
Declared and paid dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(633,853)	(633,853)	-
Purchase of treasury stock, Note 13(b)	-	(5)	-	(594)	-	-	-	-	-	-	-	-	(594)	-
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(328)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(451,898)	-	-	-	-	451,898	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	(6,605)	(6,605)	(10)
Balance as of December 31, 2021	115,447	(29)	1,038,017	(3,363)	532,771	5,200,000	(8,787)	(599,626)	134,150	44,878	261,085	2,904,912	9,504,037	51,325

The accompanying notes are an integral part of these interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of cash flows

For the years ended December 31, 2021 (unaudited) and 2020 (audited)

	31.12.2021 S/(000)	31.12.2020 S/(000)
Cash flows from operating activities		
Net profit for the year	1,800,179	383,549
Plus (minus) adjustments to net profit		
Impairment loss on loans, net of recoveries	381,577	2,393,944
(Recovery) loss due to impairment of financial investments	(30,898)	32,904
Depreciation and amortization	280,372	268,750
Provision for sundry risks	14,872	4,918
Deferred Income Tax	205,752	(308,068)
Net gain on sale of financial investments	(288,923)	(185,383)
Net gain of financial assets at fair value through profit or loss	(24,800)	(165,883)
Gain for valuation of investment property	(21,969)	(5,438)
Translation result	89,320	45,723
Increase in accrued interest receivable	(16,108)	(207,474)
Decrease in accrued interest payable	(63,839)	(13,692)
Net changes in assets and liabilities		
Net increase in loans	(2,949,964)	(5,663,256)
Net increase in other accounts receivable and other assets	(200,704)	(129,457)
Net decrease in restricted funds	19,146	620,292
Increase in deposits and obligations	1,893,763	9,138,664
(Decrease) increase in due to banks and correspondents	(1,138,320)	5,672,189
Increase in other accounts payable, provisions and other liabilities	2,150,274	1,344,951
Increase of investments at fair value through profit or loss	(659,972)	(233,680)
Net cash provided by operating activities	<u>1,439,758</u>	<u>12,993,553</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim consolidated statement of cash flows (continued)

	31.12.2021 S/(000)	31.12.2020 S/(000)
Cash flows from investing activities		
Net sale of financial investments	(1,911,799)	(3,737,749)
Purchase of property, furniture and equipment	(84,468)	(52,371)
Purchase of intangible assets	(172,545)	(196,056)
Purchase of investment property	(156,892)	(61,243)
Net cash used in investing activities	(2,325,704)	(4,047,419)
Cash flows from financing activities		
Dividends paid	(633,853)	(698,228)
Issuance of bonds, notes and other obligations	-	1,150,000
Payment of bonds, notes and other obligations	(91,000)	(837,400)
Net (increase) decrease in receivable inter-bank funds	(11,897)	66,901
Net decrease in payable inter-bank funds	(28,971)	(140,167)
Purchase of treasury stock, net	(594)	(2,573)
Dividend payments to non-controlling interest	(328)	(2,202)
Lease payments	(93,379)	(89,162)
Net cash used in financing activities	(860,022)	(552,831)
Net (decrease) increase in cash and cash equivalents	(1,745,968)	8,393,303
Gain (loss) from exchange rate variation on cash and cash equivalents	110,814	(99,113)
Cash and cash equivalents at the beginning of the year	18,145,919	9,851,729
Cash and cash equivalents at the end of the year	16,510,765	18,145,919

The accompanying notes are an integral part of these interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Notes to the interim consolidated financial statements

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

1. Business activity

(a) Business activity -

Intercorp Financial Services Inc. and Subsidiaries (henceforth "IFS", "the Company" or "the Group"), is a limited liability holding company incorporated in the Republic of Panama on September 19, 2006, and is a Subsidiary of Intercorp Perú Ltd. (henceforth "Intercorp Perú"), a holding Company incorporated in 1997 in the Commonwealth of the Bahamas. As of December 31, 2021, Intercorp Perú holds directly and indirectly 70.65 percent of the issued capital stock of IFS, equivalent to 70.64 percent of the outstanding capital stock of IFS (70.64 percent of the issued and outstanding capital stock of IFS, as of December 31, 2020).

IFS's legal domicile is located at Av. Carlos Villarón 140 Urb. Santa Catalina, La Victoria, Lima, Peru.

As of December 31, 2021 and 2020, IFS holds 99.30 percent of the capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "Interbank"), 99.84 percent of the capital stock of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), 100 percent of the capital stock of Inteligo Group Corp. (henceforth "Inteligo").

The operations of Interbank and Interseguro are concentrated in Peru, while the operations of Inteligo and its Subsidiaries (Interfondos S.A. Sociedad Administradora de Fondos, Inteligo Sociedad Agente de Bolsa S.A. and Inteligo Bank Ltd.) are mainly concentrated in Peru and Panama.

The interim consolidated financial statements as of December 31, 2021, have been approved by the Audit Committee and Board of Directors held on February 09 and February 10, 2022, respectively. The audited consolidated financial statements as of December 31, 2020, were approved by the General Shareholders' Meeting held on March 31, 2021.

(b) Global pandemic Covid-19 -

(b.1) State of National and Sanitary Emergency

In December 2019, a new coronavirus strain (SARS-CoV-2) was identified in Wuhan, China, which causes the coronavirus disease 2019 known as "Covid-19", and subsequently, in March 2020, it was declared a global pandemic by the World Health Organization. Covid-19 has had a significant impact on the world economy. Many countries imposed travel bans, social isolation, and even people in many places have been and are subject to quarantine measures.

In Peru, in March 2020, the Government declared a State of National and Sanitary Emergency ordering the closure of borders, mandatory social isolation, the closure of businesses considered non-essential (the exceptions were the production, distribution and commercialization of food and pharmaceuticals, financial services and healthcare), among other measures related to the health and well-being of citizens.

In May 2020, through Supreme Decree No. 080-2020, the government approved the gradual resumption of economic activities in order to mitigate the economic negative effects of the pandemic. The proposed reactivation would be in four phases based on the impact of each sector on the economy, being mining and

Notes to the interim consolidated financial statements (continued)

industry, construction, services and tourism and commerce the first ones to restart, followed by manufacturing. The last phase had considered the reopening of the entertainment sector with reduced capacity.

As of the date of this report, the State of National Emergency has been extended until February 28, 2021, as provided through Supreme Decree No. 010-2022-PCM.

(b.2) Economic measures adopted by the Peruvian Government

Within this context, the Ministry of Economy and Finance (henceforth "MEF"), the Central Reserve Bank of Peru (henceforth "BCRP") and the Superintendence of Banking and Insurance and private Pension Fund Administrators (henceforth "SBS"), activated extraordinary measures aimed to alleviate the financial and economic impact of Covid-19, in particular on customers of the financial system (due to the closure of most sectors of economic activity), as well as some additional measures focused on securing the continuity of the economy's payment chain.

The main measures implemented in the financial system are related to facilities for loan rescheduling (payment deferrals), suspension of counting of past due days, partial or total withdrawal of deposits from compensation from service time accounts, setting of Repo operations with the BCRP and the launching of credit programs guaranteed by the Peruvian Government, such as "Reactiva Peru", created through Legislative Decree No. 1455-2020 and expanded through Supreme Decree No. 1485-2020, which has the purpose to secure the continuity of companies' payment chain to face the impact of Covid-19.

Such program grants guarantees to companies to obtain working capital loans and thus fulfill their short-term obligations to their workers and suppliers of goods and services. This program manages guarantees for the Peruvian financial system whose total amounted to S/60,000 million.

As of December 31, 2021 and 2020, Interbank held loans of the "Reactiva Peru" program for an amount of S/4,896,137,000 and S/6,615,768,000, respectively, out of which S/4,421,999,000 and S/5,855,826,000, respectively, are guaranteed by the Peruvian Government.

(b.3) Measures adopted by the Company and Subsidiaries

Management and the Board of IFS monitors the situation closely and is focusing on four fundamental pillars which is going to allow the continuity of its operations; taking the following measures in each one of these pillars:

i) Liquidity and solvency

Active participation in the BCRP's daily operations, thus raising funds through loan reporting operations represented by securities. These funds were aimed to loans under the "Reactiva Peru" program, which in turn allowed a higher collection in the levels of deposits. Likewise, in order to strengthen its capital and regulatory capital to face with the volatile environment, the Group implemented the following measures:

Interbank:

- The General Shareholders' Meeting of Interbank held on April 3, 2020, approved the reduction in the percentage of distributable dividends for the 2019 period, from 45 percent to 25 percent. In addition, through the General Shareholders' Meeting held on March 25, 2021, approved the capitalization of the net profit generated in the first quarter of 2020 for S/231,887,000.

Notes to the interim consolidated financial statements (continued)

- On June 30, 2020, Interbank placed an International subordinated bonds for US\$300,000,000.

Interseguro:

- On September 30, 2020, Interseguro placed subordinated bonds for US\$25,000,000.
- Later in General Shareholders' Meeting held on December 24, 2020, Interseguro approved the capitalization of S/48,148,000 with charge to the retained earnings.
- Through the General Shareholders' Meeting held on March 09, 2021, Interseguro approved the capitalization of S/62,962,963.

ii) Operations

In order to sustain the Group's operations, the following measures have been taken:

- Provide to employees with technological tools
- Implementation of new protocols for business continuity under the current circumstances
- Monitoring of supplier operations related to the supply of cash
- Reinforcement of IT systems and cybersecurity

iii) Distribution channels

- Financial stores – implementation of flexible opening hours
- ATMs – Maintenance and cash availability of cash at full capacity
- Call center – Increase of telephone operators
- Apps and home banking

iv) Employees

- Implementation of Covid-19 protocols and health surveillance
- Home office implementation
- Testing kits to detect Covid-19 acquired for the Group's employees and daily health tracking in case of contagion

In Management's opinion, these and other additional measures implemented will sufficiently enable IFS to address the negative effects of the Covid-19 pandemic.

2. Subsidiaries

IFS's Subsidiaries are the following:

(a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -

Interbank is incorporated in Peru and is authorized by the Superintendence of Banking, Insurance and Private Pension Funds (henceforth "SBS", by its Spanish acronym) to operate as a universal bank in accordance with Peruvian legislation. The Bank's operations are governed by the General Act of the Banking and Insurance System and Organic Act of the SBS – Act No. 26702 (henceforth "the Banking and Insurance Act"), that establishes the requirements, rights, obligations, restrictions and other operating conditions that financial and insurance entities must comply with in Peru.

Notes to the interim consolidated financial statements (continued)

As of December 31, 2021, Interbank had 189 offices (215 offices as of December 31, 2020). Additionally, IFS holds approximately 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	Manages securitization funds.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand "American Express".

(b) Interseguro Compañía de Seguros S.A. and Subsidiary -

Interseguro is incorporated in Peru and its operations are governed by the Banking and Insurance Act. It is authorized by the SBS to issue life and general risk insurance contracts.

Interseguro holds participations in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth "Patrimonio Fideicometido - Interproperties Perú"), that is a structured entity, incorporated in April 2008, and in which several investors (related parties to the Group) contributed investment properties. Each investor or investors have ownership of and specific control over the contributed investment property. The fair values of the properties contributed by Interseguro, which were included in this structured entity as of December 31, 2021 and 2020, amounted to S/71,302,000 and S/118,892,000, respectively. For accounting purposes and under IFRS 10 "Consolidated Financial Statements" the assets included in said structure are considered "silos", because they are ring-fenced parts of the wider structured entity (the Patrimonio Fideicometido - Interproperties Perú). The Group has ownership and decision-making power over these properties and the Group has the exposure or rights to their returns; therefore, the Group has consolidated the silos containing the investment properties that it controls.

(c) Inteligo Group Corp. and Subsidiaries -

Inteligo Group is an entity incorporated in the Republic of Panama. As of December 31, 2021 and 2020, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services, mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Inteligo Perú Holding S.A.C.	Financial holding company incorporated in Peru in December 2018. As of December 31, 2021 and 2020, it holds 99.99 percent interest in Interfondos S.A. Sociedad Administradora de Fondos, company that manages mutual funds and investment funds.
Inteligo USA, Inc.	Incorporated in the United States of America in January 2019. Provides investment consultancy and related services.

Notes to the interim consolidated financial statements (continued)

(d) **Negocios e Inmuebles S.A. and Holding Retail Perú S.A. -**

These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura in 2017. In April 2021, Negocios e Inmuebles S.A. (absorbing company) merged with Holding Retail Perú S.A. (absorbed company), the latter being extinguished without the need to liquidate. As of December 31, 2021, Negocios e Inmuebles S.A., holds 8.50 percent of Interseguro's capital stock (as of December 31, 2020, as a result of the merger between Interseguro and Seguros Sura, Negocios e Inmuebles S.A. and Holding Retail Perú S.A. held 8.50 percent of Interseguro's capital stock).

(e) **San Borja Global Opportunities S.A.C. -**

Its corporate purpose is the marketing of products and services through Internet, telephony or related and it operates under the name of Shopstar, an online marketplace, dedicated to the sale of products from different stores locally.

(f) **IFS Digital S.A.C. -**

Entity incorporated in August 2020, its corporate purpose is to perform any type of investments and related services.

3. **Significant accounting policies**

3.1 **Basis of presentation and use of estimates -**

The interim consolidated financial statements as of December 31, 2021 and 2020, have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated audited financial statements as of December 31, 2020 and 2019 (henceforth "Annual Consolidated Financial Statements").

The accompanying interim consolidated financial statements have been prepared on a historical cost basis, except for investment property, derivative financial instruments, financial investments at fair value through profit or loss and through other comprehensive income, which have been measured at fair value. The interim consolidated financial statements are presented in Soles, which is the functional currency of the Group, and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The preparation of the interim consolidated financial statements, in accordance with the International Financial Reporting Standards (henceforth "IFRS") as issued by the International Accounting Standards Board (IASB), requires Management to make estimations and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of significant events in the notes to the interim consolidated financial statements.

In that sense, the estimates and criteria are continually assessed and are based on historical experience, as well as other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Existing circumstances and assumptions about future developments, however, may change due to markets' behavior or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying interim consolidated financial statements are related to the calculation of the impairment of the portfolio of loan and financial investments, the measurement of the fair value of the financial investments and investment property, the assessment of the impairment of goodwill, the liabilities for insurance contracts and measurement of the fair value of derivative financial instruments; also, there are other estimates such as provisions for litigation, the estimated useful life of intangible assets and property, furniture and equipment, the estimation of deferred Income Tax and the determination of the terms and estimation of the interest rate of the lease contracts.

Notes to the interim consolidated financial statements (continued)

3.2 Basis of consolidation -

The interim consolidated financial statements of IFS comprise the financial statements of InterCorp Financial Services Inc. and Subsidiaries. The method adopted by IFS to consolidate information with its Subsidiaries is described in Note 3.3 to the Annual Consolidated Financial Statements.

4. Cash and due from banks and inter-bank funds

(a) The detail of cash and due from banks is as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Cash and clearing (b)	2,457,780	2,152,432
Deposits in the BCRP (b)	10,445,851	14,102,067
Deposits in banks (c)	3,607,134	1,891,420
Accrued interest	3,350	1,879
	<hr/> 16,514,115	<hr/> 18,147,798
Restricted funds (d)	590,350	617,684
	<hr/> 17,104,465	<hr/> 18,765,482
Total		

(b) In accordance with rules in force, Interbank is required to maintain a legal reserve in order to honor its obligations with the public. This reserve is comprised of funds kept in Interbank and in the BCRP.

The legal reserve funds maintained in the BCRP are non-interest bearing, except for the part that exceeds the minimum reserve required. As of December 31, 2021, Interbank maintained excess reserves in foreign currency, whose funds did not accrue interest in US Dollars and did not maintain excess reserves in national currency. As of December 31, 2020, the excess in foreign currency accrued interest in US Dollars at an annual average rate of 0.01 percent and did not maintain excess reserves in national currency.

In Group Management's opinion, Interbank has complied with the requirements established by the rules in force related to the computation of the legal reserve.

(c) Deposits in domestic banks and abroad are mainly in Soles and US Dollars, they are freely available and accrue interest at market rates.

Notes to the interim consolidated financial statements (continued)

(d) The Group maintains restricted funds related to:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Repurchase agreements with BCRP (*)	419,410	542,922
Derivative financial instruments	121,613	70,559
Inter-bank transfers (**)	47,227	-
Others	2,100	4,203
Total	590,350	617,684

(*) As of December 31, 2021, corresponds to deposits maintained in the BCRP which guarantee agreements amounting to S/370,000,000 (guaranteed agreements amounting to S/520,000,000 as of December 31, 2020); see Note 10(b).

(**) Funds held at BCRP to guarantee transfers made through the Electronic Clearing House ("CCE", by its Spanish acronym).

The balance of cash and cash equivalents presented in the consolidated statements of cash flows exclude restricted funds and accrued interest.

(e) Inter-bank funds -

Corresponds to loans made between financial institutions with maturity, in general, minor than 30 days. As of December 31, 2021, Inter-bank funds assets accrued interest at an annual rate of 2.50 percent in national currency. As of December 31, 2020, Inter-bank funds assets accrued interest at an annual rate of 0.25 percent in foreign currency and Inter-bank funds liabilities accrued interest at an annual rate of 0.25 percent in foreign currency and did not have specific guarantees.

5. Financial investments

(a) This caption is made up as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Debt instruments measured at fair value through other comprehensive income (b) and (c)	17,629,787	17,902,352
Investments at amortized cost (d)	3,225,174	2,650,930
Investments at fair value through profit or loss (e)	2,706,271	2,042,777
Equity instruments measured at fair value through other comprehensive income (f)	623,718	1,373,548
Total financial investments	24,184,950	23,969,607
Accrued income		
Debt instruments measured at fair value through other comprehensive income (b)	291,488	251,140
Investments at amortized cost (d)	70,856	56,368
Total financial investments plus accrued interest	24,547,294	24,277,115

Notes to the interim consolidated financial statements (continued)

(b) Following is the detail of debt instruments measured at fair value through other comprehensive income:

	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Maturity	Annual effective interest rates			
		Gains S/(000)	Losses (c) S/(000)			S/		US\$	
						Min %	Max %	Min %	Max %
As of December 31, 2021									
Corporate, leasing and subordinated bonds (*)	8,125,394	326,929	(300,143)	8,152,180	Jan-22 / Feb-97	0.31	12.48	0.74	23.15
Sovereign Bonds of the Republic of Peru	7,374,357	44	(655,048)	6,719,353	Aug-24 / Feb-55	3.03	6.91	-	-
Negotiable Certificates of Deposit issued by BCRP	1,620,741	131	(721)	1,620,151	Jan-22 / Mar-23	0.04	2.28	-	-
Global Bonds of the Republic of Peru	537,871	-	(11,148)	526,723	Jul-25 / Dec-32	-	-	1.81	2.83
Bonds guaranteed by the Peruvian Government	529,142	7,973	(12,710)	524,405	Oct-24 / Oct-33	3.35	5.51	3.53	7.62
Global Bonds of the Republic of Colombia	88,180	-	(1,205)	86,975	Mar-23 / Feb-24	-	-	1.93	2.48
Total	18,275,685	335,077	(980,975)	17,629,787					
Accrued interest				291,488					
Total				17,921,275					

	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Maturity	Annual effective interest rates			
		Gains S/(000)	Losses (c) S/(000)			S/		US\$	
						Min %	Max %	Min %	Max %
As of December 31, 2020									
Corporate, leasing and subordinated bonds (*)	8,031,775	1,046,789	(121,797)	8,956,767	Mar-21 / Feb-97	0.04	13.33	0.44	10.73
Sovereign Bonds of the Republic of Peru	5,765,074	589,423	(154)	6,354,343	Aug-24 / Feb-55	0.15	6.13	-	-
Negotiable Certificates of Deposit issued by BCRP	1,279,644	4,087	(5)	1,283,726	Jan-21 / Mar-23	0.25	2.28	-	-
Bonds guaranteed by the Peruvian Government	566,915	79,762	-	646,677	Oct-24 / Jul-34	0.58	2.61	2.64	4.24
Global Bonds of the Republic of Peru	491,791	9,189	-	500,980	Jul-25 / Dec-32	-	-	1.04	1.79
Global Bonds of the Republic of Colombia	157,405	2,454	-	159,859	Jul-21 / Feb-24	-	-	0.25	1.38
Total	16,292,604	1,731,704	(121,956)	17,902,352					
Accrued interest				251,140					
Total				18,153,492					

(*) As of December 31, 2021 and 2020, Inteligo holds corporate bonds and mutual funds from different entities for approximately S/391,616,000 and S/393,364,000, respectively, which guarantee loans with Credit Suisse First Boston and Bank J. Safra Sarasin; see Note 10(a).

Notes to the interim consolidated financial statements (continued)

- (c) The Group, according to the business model applied to these debt instruments, has the capacity to hold these investments for a sufficient period that allows the early recovery of the fair value, up to the maximum period for the early recovery or the due date.

Following is the movement of the provision for expected credit loss for these debt instruments, measured at fair value through other comprehensive income:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Expected credit loss at the beginning of the year	71,560	34,743
New assets originated or purchased	952	120
Assets derecognized or matured (excluding write-offs)	(820)	(8,879)
Effect on the expected credit loss due to the change of the stage during the year	586	7,646
(Recovery) impairment loss	(33,198)	37,595
Others	1,582	(3,578)
(Recovery) loss due to impairment on financial investments	(30,898)	32,904
Effect of foreign exchange variation	436	3,913
Expected credit loss at the end of the year	41,098	71,560

- (d) As of December 31, 2021 and 2020, the balance of investments at amortized cost corresponds to Sovereign Bonds of the Republic of Peru issued in Soles, for S/3,296,030,000 and S/2,707,298,000, respectively, including accrued interest. Said investments present low credit risk and the expected credit loss is not significant.

As of December 31, 2021 and 2020, these investments have maturities between September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 6.58 percent and estimated fair value amounting to approximately S/3,181,392,000 (as of December 31, 2020, these investments have maturity dates that range from September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 5.15 percent and estimated fair value amounting to approximately S/2,988,539,000).

As of December 31, 2021 and 2020, Interbank keeps loans with the BCRP that are guaranteed with these sovereign bonds, classified as restricted, for approximately S/1,643,293,000 and S/1,071,740,000, respectively; see Note 10(a).

Notes to the interim consolidated financial statements (continued)

- (e) The composition of financial instruments at fair value through profit or loss is as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Equity instruments	2,666,884	1,779,547
Debt instruments	<u>39,387</u>	<u>263,230</u>
Total	<u>2,706,271</u>	<u>2,042,777</u>

- (f) As of December 31, 2021 and 2020, it corresponds to investments in shares in the biological sciences, energy, financial and massive consumption sectors that are listed on the domestic and foreign markets.
- (g) In October 2021, the Group sold the 2,396,920 shares it held in InRetail Perú Corp., which represented 2.33 percent of its capital stock. The sale was trade through Lima Stock Exchange, at market value for a total amount of US\$84,108,000, equivalent to S/341,646,000. Since the acquisition date, the Group had recorded a cumulative gain on valuation for approximately S/270,993,000; due to the sale, said gain was recorded as a decrease in the caption "Unrealized results, net" and an increase in the caption "Retained earnings" of the interim consolidated statements of changes in equity.
- (h) The Group rates its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When the financial assets are first recognized, the Group recognizes an allowance based on 12 months ECLs. Stage 1 also includes financial assets whose credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 also includes financial assets whose credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3: Financial assets considered credit -impaired. The Group records an allowance for the lifetime financial asset.

For more information, see Note 30.1 of the Annual Consolidated Financial Statements.

Notes to the interim consolidated financial statements (continued)

Below are the debt instruments measured at fair value through other comprehensive income and investments at amortized cost according to the stages indicated by IFRS 9 as of December 31, 2021 and 2020:

Debt Instruments measured at fair value through other comprehensive income and at amortized cost	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Sovereign Bonds of the Republic of Peru	9,944,527	-	-	9,944,527
Corporate, leasing and subordinated bonds	7,342,650	809,530	-	8,152,180
Negotiable Certificates of Deposit issued by BCRP	1,620,151	-	-	1,620,151
Global Bonds of the Republic of Peru	526,723	-	-	526,723
Bonds guaranteed by the Peruvian Government	524,405	-	-	524,405
Global Bonds of the Republic of Colombia	-	86,975	-	86,975
Total	19,958,456	896,505	-	20,854,961

Debt Instruments measured at fair value through other comprehensive income and at amortized cost	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Sovereign Bonds of the Republic of Peru	9,005,273	-	-	9,005,273
Corporate, leasing and subordinated bonds	8,744,627	212,140	-	8,956,767
Negotiable Certificates of Deposit issued by BCRP	1,283,726	-	-	1,283,726
Bonds guaranteed by the Peruvian Government	646,677	-	-	646,677
Global Bonds of the Republic of Peru	500,980	-	-	500,980
Global Bonds of the Republic of Colombia	159,859	-	-	159,859
Total	20,341,142	212,140	-	20,553,282

Notes to the interim consolidated financial statements (continued)

6. Loans, net

(a) This caption is made up as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Direct loans		
Loans	35,490,230	34,718,320
Credit cards and other loans (*)	4,814,758	4,379,884
Leasing	1,110,958	1,211,324
Discounted notes	572,334	468,664
Factoring	867,765	571,994
Advances and overdrafts	40,978	39,414
Refinanced loans	236,520	287,119
Past due and under legal collection loans	1,554,679	1,405,185
	<u>44,688,222</u>	<u>43,081,904</u>
Plus (minus)		
Accrued interest from performing loans	404,923	445,122
Unearned interest and interest collected in advance	(22,645)	(22,752)
Impairment allowance for loans (d)	(2,064,917)	(2,984,851)
Total direct loans, net	<u>43,005,583</u>	<u>40,519,423</u>
Indirect loans	<u>4,440,458</u>	<u>4,611,931</u>

(*) Includes non-revolving consumer loans related to credit card lines that, as of December 31, 2021 and 2020, amounted to S/2,536,448,000 and S/2,343,079,000, respectively.

(b) The classification of the direct loan portfolio is as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Commercial loans	22,118,918	22,001,567
Consumer loans	12,514,499	11,416,175
Mortgage loans	8,552,304	7,721,267
Small and micro-business loans	1,502,501	1,942,895
Total	<u>44,688,222</u>	<u>43,081,904</u>

During the year 2020, the balance of the direct loans includes disbursements made by Interbank within the "Reactiva Peru" program for approximately S/6,617 million, out of which S/5,159 million were granted to clients of its commercial loans and S/1,458 million to clients of its small and micro-business loans. As of December 31, 2021, the balance of loans under said program amounts to S/4,896 million (as of December 31, 2020 amounted to S/6,616 million).

For purposes of estimating the impairment loss in accordance with IFRS 9, the Group's loans is segmented into homogeneous groups that share similar risk characteristics; the Group determined these 3 types of portfolios: Retail Banking (consumer and mortgage loans), Commercial Banking (commercial loans) and Small Business Banking (loans to small and micro-business).

Notes to the interim consolidated financial statements (continued)

(c) The following table shows the credit quality and maximum exposure to credit risk based on the credit rating as of December 31, 2021 and 2020. The amounts presented do not consider impairment.

(c.1) Direct loans:

	31.12.2021					31.12.2020				
Direct loans	Commercial S/(000)	Consumer S/(000)	Mortgage S/(000)	Small and micro- business S/(000)	Total S/(000)	Commercial S/(000)	Consumer S/(000)	Mortgage S/(000)	Small and micro- business S/(000)	Total S/(000)
Not impaired										
High grade	17,918,605	7,875,584	5,940,661	698,463	32,433,313	16,633,358	6,824,559	5,471,121	1,395,591	30,324,629
Standard grade	1,510,952	1,302,116	795,558	184,319	3,792,945	3,868,508	1,198,315	567,501	254,780	5,889,104
Sub-standard grade	1,392,873	1,237,877	843,440	183,326	3,657,516	429,130	674,312	589,199	159,466	1,852,107
Past due but not impaired	782,247	625,851	550,855	261,538	2,220,491	833,836	1,015,382	649,966	72,944	2,572,128
Impaired										
Individually	41,069	-	-	-	41,069	7,678	-	-	-	7,678
Collectively	473,172	1,473,071	421,790	174,855	2,542,888	229,057	1,703,607	443,480	60,114	2,436,258
Total direct loans	22,118,918	12,514,499	8,552,304	1,502,501	44,688,222	22,001,567	11,416,175	7,721,267	1,942,895	43,081,904

(c.2) Indirect loans:

Indirect loans	31.12.2021 S/(000)	31.12.2020 S/(000)
Not impaired		
High grade	4,224,498	4,398,624
Standard grade	53,098	172,878
Sub-standard grade	137,771	10,367
Past due but not impaired	-	-
Impaired		
Individually	12,909	22,607
Collectively	12,182	7,455
Total indirect loans	4,440,458	4,611,931

Notes to the interim consolidated financial statements (continued)

(d) The balances of the allowance for impairment of the direct and indirect loan portfolio and the movement of the respective allowance for expected credit loss, calculated according to IFRS 9, is as follows:

(d.1) Direct loans

	31.12.2021					31.12.2020				
Direct loans	Commercial S/(000)	Consumer S/(000)	Mortgage S/(000)	Small and micro- business S/(000)	Total S/(000)	Commercial S/(000)	Consumer S/(000)	Mortgage S/(000)	Small and micro- business	Total
Expected credit loss at the beginning of year balances	237,760	2,413,393	187,984	145,714	2,984,851	146,250	1,058,600	121,682	68,247	1,394,779
Impairment loss on direct loans (*)	116,741	225,606	(36,114)	93,771	400,004	101,443	2,112,853	63,748	98,947	2,376,991
Write-offs	(27,392)	(1,414,948)	(2,419)	(80,335)	(1,525,094)	(27,817)	(868,121)	(4,350)	(25,672)	(925,960)
Recovery of written-off loans	1,404	175,287	-	5,278	181,969	1,756	100,760	-	3,879	106,395
Foreign exchange effect	14,928	2,343	5,749	167	23,187	16,128	9,301	6,904	313	32,646
Expected credit loss at the end of year balances	343,441	1,401,681	155,200	164,595	2,064,917	237,760	2,413,393	187,984	145,714	2,984,851

(d.2) Indirect loans (substantially, all indirect loans correspond to commercial loans)

Indirect loans	31.12.2021 S/(000)	31.12.2020 S/(000)
Expected credit loss at the beginning of year balances	57,723	39,694
Impairment loss on indirect loans (*)	(18,427)	16,953
Write-offs	-	-
Recovery of written-off loans	-	-
Foreign exchange effect	1,033	1,076
Expected credit loss at the end of year balances	40,329	57,723

(*) In order to reflect the impact of the uncertainty due to Covid-19 pandemic, see Note 1(b), the Group decided to apply its expert judgment to perform migrations of clients with higher risk from Stage 1 to Stage 2 and Stage 3, and from Stage 2 to Stage 3. These migrations to higher risk stages led to higher provisions for expected losses, during 2020 compared to 2021.

Notes to the interim consolidated financial statements (continued)

7. Investment property

(a) This caption is made up as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)	Acquisition or construction year	Valuation methodology as of December 31, 2021 and 2020
Land				
San Isidro – Lima	281,535	241,112	2009	Appraisal
San Martín de Porres – Lima	66,408	79,080	2015	Appraisal
Nuevo Chimbote	33,863	-	2021	Appraisal
Sullana	19,818	17,703	2012	Appraisal
Santa Clara – Lima	17,906	14,162	2017	Appraisal
Others	9,680	9,161	-	Appraisal / Cost
	<u>429,210</u>	<u>361,218</u>		
Completed investment property - “Real Plaza” Shopping Malls				
Talara	32,554	34,982	2015	DCF
	<u>32,554</u>	<u>34,982</u>		
Buildings				
Orquídeas - San Isidro – Lima	153,452	158,825	2017	DCF
Piura (d)	116,595	107,992	2008/2020	DCF/Appraisal
Ate Vitarte – Lima	116,432	109,980	2006	DCF/Appraisal
Paseo del Bosque (d)	105,398	-	2021	DCF
Chorrillos – Lima	67,043	67,424	2017	DCF
Chimbote	44,212	42,805	2015	DCF
Maestro-Huancayo	31,965	32,395	2017	DCF
Cusco	30,852	31,586	2017	DCF
Panorama – Lima	20,509	20,449	2016	DCF
Pardo y Aliaga – Lima	19,569	21,285	2008	DCF
Trujillo	17,681	18,111	2016	DCF
Cercado de Lima – Lima	16,025	14,697	2017	DCF
Others	22,957	22,229	-	DCF
	<u>762,690</u>	<u>647,778</u>		
Total	<u>1,224,454</u>	<u>1,043,978</u>		

DCF: Discounted cash flow

(i) As of December 31, 2021 and 2020, there are no liens on investment property.

Notes to the interim consolidated financial statements (continued)

- b) The net gain on investment properties as of December 31, 2021 and 2020, consists of the following:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Income from rental of investment property	57,430	39,491
Gain on valuation of investment property	21,969	5,438
Total	79,399	44,929

- (c) The movement of investment property is as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Beginning of period balances	1,043,978	972,096
Additions (d)	156,892	61,243
Valuation gain	21,969	5,438
Others	1,615	5,201
End of year balances	1,224,454	1,043,978

- (d) During 2021, it mainly corresponds to the purchase of the "Paseo del Bosque" building.

Notes to the interim consolidated financial statements (continued)

8. Other accounts receivable and other assets, net, and other accounts payable, provisions and other liabilities

(a) These captions are comprised of the following:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Accounts receivable and other assets		
Financial Instruments		
Accounts receivable related to derivative financial instruments (b)	793,361	395,249
Other accounts receivable, net	455,060	357,783
Operations in process	86,193	93,933
Assets for technical reserves for claims and premiums by reinsurers	52,973	59,235
Accounts receivable from sale of investments	12,366	111,237
Others	22,880	35,952
	<u>1,422,833</u>	<u>1,053,389</u>
Non-financial instruments		
Income Tax paid to recover	255,437	149,356
Investments in associates	99,767	70,344
Deferred charges	75,316	52,939
Realizable assets, received as payment and seized through legal actions	26,871	23,224
Prepaid rights to related entity, Note 20(f)	3,399	3,400
Others	3,831	2,377
	<u>464,621</u>	<u>301,640</u>
Total	<u>1,887,454</u>	<u>1,355,029</u>
Other accounts payable, provisions and other liabilities		
Financial Instruments		
Contract liability with investment component	736,637	505,177
Other accounts payable	547,747	421,364
Accounts payable related to derivative financial instruments (b)	413,797	271,326
Lease liabilities	234,946	269,755
Operations in process	169,515	175,194
Workers' profit sharing and salaries payable	113,874	110,640
Allowance for indirect loan losses, Note 6(d.2)	40,329	57,723
Accounts payable for acquisitions of investments	17,817	185,432
Accounts payable to reinsurers and coinsurers	4,215	7,176
	<u>2,278,877</u>	<u>2,003,787</u>
Non-financial instruments		
Taxes payable	76,823	38,853
Provision for other contingencies	64,935	48,711
Deferred income	46,145	46,976
Others	10,821	7,825
	<u>198,724</u>	<u>142,365</u>
Total	<u>2,477,601</u>	<u>2,146,152</u>

Notes to the interim consolidated financial statements (continued)

(b) The following table presents, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts as of December 31, 2021 and 2020:

	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive income during the year S/(000)	Maturity	Hedged instruments	Caption of the consolidated statement of financial position where the hedged item has been recognized
As of December 31, 2021							
Derivatives held for trading -							
Forward exchange contracts	53,421	128,250	8,631,830	-	Between January 2022 and December 2022	-	-
Interest rate swaps	40,139	30,325	2,969,027	-	Between January 2022 and June 2036	-	-
Currency swaps	220,979	162,917	4,162,325	-	Between January 2022 and April 2028	-	-
Cross currency swaps	-	92,299	234,667	-	January 2023	-	-
Options	-	6	1,816	-	Between January 2022 and June 2022	-	-
	<u>314,539</u>	<u>413,797</u>	<u>15,999,665</u>	<u>-</u>			
Derivatives held as hedges - Cash flow hedges:							
Cross currency swaps (CCS)	343,535	-	1,758,267	37,251	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	135,287	-	599,700	44,735	October 2027	Senior bonds	Bonds, notes and obligations outstanding
	<u>478,822</u>	<u>-</u>	<u>2,357,967</u>	<u>81,986</u>			
	<u>793,361</u>	<u>413,797</u>	<u>18,357,632</u>	<u>81,986</u>			
	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive income during the year S/(000)	Maturity	Hedged instruments	Caption of the consolidated statement of financial positio where the hedged item has been recognized
As of December 31, 2020							
Derivatives held for trading -							
Forward exchange contracts	23,512	13,935	3,661,038	-	Between January 2021 and December 2022	-	-
Interest rate swaps	140,906	139,531	4,382,535	-	Between May 2021 and June 2036	-	-
Currency swaps	69,007	50,192	2,520,758	-	Between April 2021 and April 2028	-	-
Cross currency swaps	-	67,523	213,125	-	January 2023	-	-
Options	-	145	22,700	-	Between January 2021 and June 2021	-	-
	<u>233,425</u>	<u>271,326</u>	<u>10,800,156</u>	<u>-</u>			
Derivatives held as hedges - Cash flow hedges:							
Cross currency swaps (CCS)	126,839	-	1,596,861	(10,768)	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	34,985	-	543,150	(5,904)	October 2027	Senior bonds	Bonds, notes and obligations outstanding
Interest rate swaps (IRS) (*)	-	-	-	964	-	-	-
Interest rate swaps (IRS) (*)	-	-	-	677	-	-	-
Interest rate swaps (IRS) (*)	-	-	-	681	-	-	-
	<u>161,824</u>	<u>-</u>	<u>2,140,011</u>	<u>(14,350)</u>			
	<u>395,249</u>	<u>271,326</u>	<u>12,940,167</u>	<u>(14,350)</u>			

(*) As of December 31, 2020, it corresponded to derivative financial instruments whose hedge items were cancelled in 2020.

(i) As of December 31, 2021 and 2020, certain derivative financial instruments required the establishment of collateral deposits; see Note 4(d).

(ii) For the designated hedging derivatives shown in the table above, changes in fair values of hedging instruments completely offset the changes in fair values of hedged items; therefore, there has been no hedge ineffectiveness as of December 31, 2021 and 2020.

(iii) Derivatives held for trading are traded mainly to satisfy clients' needs. The Group may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption includes any derivatives which do not comply with IFRS 9 hedging accounting requirements.

Notes to the interim consolidated financial statements (continued)

9. Deposits and obligations

(a) This caption is made up as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Saving deposits	22,541,822	17,852,282
Demand deposits	14,433,164	13,832,262
Time deposits	10,954,233	13,534,993
Compensation for service time	962,596	1,923,698
Other obligations	6,129	6,040
Total	48,897,944	47,149,275

(b) Interest rates applied to deposits and obligations are determined based on the market interest rates.

(c) As of December 31, 2021 and 2020, approximately S/17,180,174,000 and S/14,020,602,000, respectively, of deposits and obligations are covered by the Peruvian Deposit Insurance Fund.

10. Due to banks and correspondents

(a) This caption is comprised of the following:

	31.12.2021 S/(000)	31.12.2020 S/(000)
By type -		
Banco Central de Reserva del Perú- BCRP (b)	6,332,527	7,736,322
Promotional credit lines (c)	1,595,405	1,453,397
Loans received from foreign entities (d)	322,947	427,278
Loans received from Peruvian entities	226,713	1,117
	8,477,592	9,618,114
Interest and commissions payable	45,257	42,763
	8,522,849	9,660,877
By term -		
Short term	1,068,838	1,769,403
Long term	7,454,011	7,891,474
Total	8,522,849	9,660,877

(b) As part of the exceptional measures implemented to mitigate the financial and economic impact generated by the Covid-19 pandemic, see Note 1(b), the BCRP issued a series of regulations related to the loans repurchase agreements. In this sense, during 2020, Interbank took part in the public auction of funds of the BCRP within the framework "Reactiva Peru" program, Note 1(b).

As of December 31, 2021 and 2020, it includes operations of loan reports represented by securities according to which Interbank receives a debt in local currency for approximately S/4,389,903,000 and S/5,887,938,000, respectively, and gives as guarantee, commercial and micro and small business loans; see Note 6(a).

Notes to the interim consolidated financial statements (continued)

11. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued (000)	31.12.2021 S/(000)	31.12.2020 S/(000)
Local issuances							
Subordinated bonds – first program							
Eighth (A series)	Interbank	6.91%	Semi-annually	2022	S/137,900	137,900	137,900
Third (A series) (b)	Interbank	3.5% + VAC (*)	Semi-annually	2023	S/110,000	-	91,000
						<u>137,900</u>	<u>228,900</u>
Subordinated bonds – second program							
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	149,938	149,881
Third (A series)	Interbank	7.50%	Semi-annually	2023	US\$50,000	199,175	180,819
						<u>349,113</u>	<u>330,700</u>
Subordinated bonds – third program							
Third - single series	Interseguro	4.84%	Semi-annually	2030	US\$25,000	99,675	90,525
First - single series	Interseguro	6.00%	Semi-annually	2029	US\$20,000	79,663	72,420
Second - single series	Interseguro	4.34%	Semi-annually	2029	US\$20,000	79,740	72,420
						<u>259,078</u>	<u>235,365</u>
Corporate bonds – second program							
Fifth (A series)	Interbank	3.41% + VAC (*)	Semi-annually	2029	S/150,000	150,000	150,000
Total local issuances						<u>896,091</u>	<u>944,965</u>
International issuances							
Subordinated bonds	Interbank	4.000%	Semi-annually	2030	US\$300,000	1,188,394	1,078,493
Corporate bonds	Interbank	5.000%	Semi-annually	2026	S/312,000	311,401	311,282
Corporate bonds	Interbank	3.250%	Semi-annually	2026	US\$400,000	1,584,288	1,436,818
Corporate bonds	Interbank	3.375%	Semi-annually	2023	US\$484,895	1,912,330	1,714,707
Subordinated bonds	Interbank	6.625%	Semi-annually	2029	US\$300,000	1,193,461	1,082,915
Senior bonds	IFS	4.125%	Semi-annually	2027	US\$300,000	1,178,000	1,065,482
Total international issuances						<u>7,367,874</u>	<u>6,689,697</u>
Total local and international issuances						<u>8,263,965</u>	<u>7,634,662</u>
Interest payable						<u>125,707</u>	<u>144,089</u>
Total						<u>8,389,672</u>	<u>7,778,751</u>

(*) The Spanish term “Valor de actualización constante” is referred to amounts in Soles indexed by inflation.

Notes to the interim consolidated financial statements (continued)

- (b) In Board's Session held on July 13, 2021, Interbank agreed to redeem the entirety of these subordinated bonds, the rescue date being September 30, 2021.
- (c) The international issuances are listed at the Luxembourg Stock Exchange. On the other hand, the local and international issuances include standard clauses of compliance with financial ratios, the use of funds and other administrative matters.

As of December 31, 2021 and 2020, the international issuances are subject to the presentation of quarterly financial statements. In the opinion of Group Management and its legal advisers, this clause has been met by the Group as of December 31, 2021 and 2020.

12. Insurance contract liabilities

- (a) This caption is comprised of the following:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Technical reserves for insurance premiums (b)	11,735,995	12,298,075
Technical reserves for claims (c)	222,063	203,648
	<u>11,958,058</u>	<u>12,501,723</u>
By term -		
Short term	949,512	1,035,915
Long term	<u>11,008,546</u>	<u>11,465,808</u>
Total	<u>11,958,058</u>	<u>12,501,723</u>

Notes to the interim consolidated financial statements (continued)

(b) The movement of technical reserves for insurance premiums (disclosed by type of insurance) as of December 31, 2021 and 2020, is as follows:

	31.12.2021						31.12.2020					
	Retirement, disability and survival annuities	Life Insurance	General Insurance	SCTR	Total		Retirement, disability and survival annuities	Life Insurance	General Insurance	SCTR	Total	
	Annuities S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		Annuities S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	
Beginning of year balances	10,448,455	745,292	746,171	38,015	320,142	12,298,075	9,741,241	779,455	630,801	41,073	30,886	11,223,456
Insurance subscriptions	482,508	115	608	30,411	-	513,642	249,380	-	2,259	31,808	-	283,447
Acquisition of Mapfre portfolio (*)	-	-	-	-	-	-	-	-	-	-	292,499	292,499
Time passage adjustments	(1,351,602)	(126,955)	64,258	(28,112)	(60,112)	(1,502,523)	162,654	(34,163)	110,102	(35,167)	(3,326)	200,100
Maturities and recoveries	-	-	(15,577)	-	-	(15,577)	-	-	(50,654)	-	-	(50,654)
Foreign exchange	344,318	-	97,531	448	81	442,378	295,180	-	53,663	301	83	349,227
End of year balances	<u>9,923,679</u>	<u>618,452</u>	<u>892,991</u>	<u>40,762</u>	<u>260,111</u>	<u>11,735,995</u>	<u>10,448,455</u>	<u>745,292</u>	<u>746,171</u>	<u>38,015</u>	<u>320,142</u>	<u>12,298,075</u>

(*) In December 2019, SBS authorized the transfer of risk insurance contracts from Complementary Insurance for High-risk Activities ("SCTR", by its Spanish acronym), of Mapfre Perú Vida Compañía de Seguros y Reaseguros S.A. (henceforth "Mapfre", an unrelated entity), which entered into force on January 2, 2020. The assets received by said contracts were cash and financial debt instruments of a value equivalent to S/246,101,000; also recognized a liability for technical reserves of premiums for S/292,499,000, the difference amounting to S/46,398,000, was recorded in the caption "Intangibles and goodwill, net".

Notes to the interim consolidated financial statements (continued)

(c) The main assumptions used in the estimation of retirement, disability and survival annuities and individual life reserves, are the following:

Type	Mortality table		Interest rate	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Annuities and Lifetime RPP	SPP-S-2017, SPP-I-2017		3.70% in US\$	3.53% in US\$
	with improvement factor for mortality		3.77% in S/ VAC	2.05% in S/ VAC
			6.84% in adjusted S/	5.07% in adjusted S/
Retirement, disability and survival	SPP-S-2017, SPP-I-2017		3.77% in S/ VAC	2.05% in S/ VAC
	with improvement factor for mortality			
SCTR insurance	SPP-S-2017, SPP-I-2017		3.77% in S/ VAC	2.05% in S/ VAC
	with improvement factor for mortality			
Individual life insurance contracts (included linked insurance contracts)	CSO 80 adjusted		4.00 - 5.00%	4.00 - 5.00%

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by life insurance risks; the main variables as of December 31, 2021 and 2020, are the interest rates and the mortality tables. The Group has assessed the changes of the reserves related to its most significant life insurance contracts included in the reserves of annuities, retirement, disability and survival of +/- 100 basis points (bps) in the interest rates and of +/- 500 basis points (bps) of the mortality factors, being the results as follows:

Variables	31.12.2021			31.12.2020		
	Reserves S/(000)	Variation in reserves		Reserves S/(000)	Variation in reserves	
		Amount S/(000)	Percentage %		Amount S/(000)	Percentage %
Annuities -						
Portfolio in S/ and US Dollars - basis amount						
Changes in interest rate: + 100 bps	8,995,287	(928,392)	(9.37)	9,363,723	(1,084,732)	(10.38)
Changes in interest rate: - 100 bps	11,041,604	1,117,925	11.29	11,778,806	1,330,351	12.73
Changes in mortality table at 105%	9,823,769	(99,911)	(1.01)	10,333,990	(114,465)	(1.10)
Changes in mortality table at 95%	10,028,431	104,752	1.06	10,568,733	120,278	1.15
Retirements, disability and survival -						
Portfolio in S/ - basis amount						
Changes in interest rate: + 100 bps	557,818	(60,634)	(9.80)	660,001	(85,291)	(11.44)
Changes in interest rate: - 100 bps	691,971	73,519	11.89	851,384	106,092	14.23
Changes in mortality table at 105%	611,223	(7,229)	(1.17)	735,321	(9,971)	(1.34)
Changes in mortality table at 95%	626,020	7,568	1.22	755,775	10,483	1.41
SCTR insurance -						
Portfolio in S/ - basis amount						
Changes in interest rate: + 100 bps	228,991	(31,120)	(11.96)	274,323	(45,819)	(14.31)
Changes in interest rate: - 100 bps	299,712	39,601	15.22	380,684	60,542	18.91
Changes in mortality table at 105%	258,162	(1,948)	(0.75)	317,191	(2,951)	(0.92)
Changes in mortality table at 95%	262,143	2,032	0.78	323,233	3,091	0.97

Notes to the interim consolidated financial statements (continued)

13. Equity

(a) Capital stock and distribution of dividends -

IFS's shares are listed on the Lima Stock Exchange and, since July 2019, they are also listed on the New York Stock Exchange. IFS's shares have no nominal value and their issuance value was US\$9.72 per share.

As of December 31, 2021 and 2020, IFS's capital stock is represented by 115,447,705 subscribed and paid-in common shares.

The Shareholders' Meeting of IFS held on November 24, 2021, agreed to distribute extraordinary dividends for approximately US\$75,038,000 (equivalent to approximately S/301,757,000), equivalent to US\$0.65 per share, which was paid on December 20, 2021.

The General Shareholders' Meeting of IFS held on March 31, 2021, agreed to distribute dividends for the year 2020 for approximately US\$88,891,000 (equivalent to approximately S/332,096,000), equivalent to US\$0.77 per share, which was paid on May 6, 2021.

The General Shareholders' Meeting of IFS held on April 7, 2020, agreed to distribute dividends for the year 2019 for approximately US\$202,033,000 (equivalent to approximately S/698,228,000), equivalent to US\$1.75 per share, which were paid on May 6, 2020.

(b) Treasury stock -

As of December 31, 2021 and 2020, the Company and some Subsidiaries held 30,074 and 24,824 shares issued by IFS, respectively, with an acquisition cost equivalent to S/3,363,000 and S/2,769,000, respectively.

(c) Capital surplus -

Corresponds to the difference between the nominal value of the shares issued and their public offerings price, which were performed in 2007 and 2019. Capital surplus is presented net of the expenses incurred and related to the issuance of such shares.

(d) Shareholders' equity for legal purposes (regulatory capital) -

IFS is not required to establish a regulatory capital for statutory purposes. As of December 31, 2021 and 2020, the regulatory capital required for Interbank, Interseguro and Inteligo Bank (a Subsidiary of Inteligo Group Corp.), is calculated based on the separate financial statement of each Subsidiary prepared following the accounting principles and practices stated by their regulators (the SBS or the Central Bank of the Bahamas, in the case of Inteligo Bank).

In Group Management's opinion, its Subsidiaries have complied with the requirements set forth by the regulatory entities.

(e) Reserves -

The Board of Directors of IFS session held on April 22, 2020, agreed to constitute reserves for S/500,000,000 charged to retained earnings.

Notes to the interim consolidated financial statements (continued)

14. Tax situation

- (a) IFS and its Subsidiaries incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas, are not subject to any Income Tax, or any other taxes on capital gains, equity or property. The Subsidiaries incorporated and domiciled in Peru, are subject to the Peruvian Tax legislation; see paragraph (c).

Peruvian life insurance companies are exempt from Income Tax regarding the income derived from assets linked to technical reserves for pension insurance and annuities from the Private Pension Fund Administration System.

In Peru, all income from Peruvian sources obtained from the direct or indirect sale of shares of stock capital representing participation of legal persons domiciled in the country are subject to income tax. For that purpose, an indirect sale shall be considered to have occurred when shares of stock or ownership interests of a legal entity are sold and this legal entity is not domiciled in the country and, in turn, is the holder — whether directly or through other legal entity or entities — of shares of stock or ownership interests of one or more legal entities domiciled in the country, provided that certain conditions established by law occur.

In this sense, the Act states that an assumption of indirect transfer of shares arises when in any of the 12 months prior to disposal, the market value of shares or participations of the legal person domiciled is equivalent to 50 percent or more of the market value of shares or participations of the legal person non-domiciled. Additionally, as a concurrent condition, it is established that in any 12 months period, shares or participations representing 10 percent or more of the capital of legal persons non-domiciled be disposed.

- (b) Legal entities or individuals not domiciled in Peru are subject to an additional tax (equivalent to 5 percent) on dividends received from entities domiciled in Peru. The corresponding tax is withheld by the entity that distributes the dividends. In this regard, since IFS controls the entities that distribute the dividends, it recognizes the amount of the additional Income Tax as expense of the financial year of the dividends.
- (c) IFS's Subsidiaries incorporated in Peru are subject to the payment of Peruvian taxes; hence, they must calculate their tax expenses on the basis of their separate financial statements. The Income Tax rate as of December 31, 2021 and 2020, was 29.5 percent, over the taxable income.
- (d) The Tax Authority (henceforth "SUNAT", by its Spanish acronym) is legally entitled to perform tax audit procedures for up to four years subsequent to the date at which the tax return regarding a taxable period must be filed.

As of December 31, 2021, the following taxable periods are subject to inspection by the Tax Authority:

- Interbank: Income Tax returns for the years 2016 to 2020, and Value-Added-Tax returns for the years 2016 to 2020.
- Interseguro: Income Tax returns for the years 2015, 2017, 2018, 2019 and 2020, and Value-Added-Tax returns for the years 2015 to 2020.
- Seguros Sura: Income Tax returns for the years 2015 to 2018, and Value-Added-Tax returns for the years 2015 to 2018.

Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Subsidiaries; any increased tax or

Notes to the interim consolidated financial statements (continued)

surcharge that could arise from possible tax audits would be applied to the results of the period in which such tax increase or surcharge may be determined.

Following is the description of the main ongoing tax procedures for the Subsidiaries:

Interbank:

In April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank received a number of Tax Determination and Tax Penalty notices corresponding mainly to the Income Tax determination for the fiscal years 2000 to 2006. As a result, claims and appeals were filed and subsequent contentious administrative proceedings were started.

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, the most relevant matter subject to discrepancy with SUNAT corresponds to whether the "interest in suspense" are subject to Income Tax or not.

As of December 31, 2021, the tax liability requested for this concept and other minor contingencies amounts to approximately S/425,000,000, which includes the tax, fines and interest arrears, of which S/337,000,000 corresponded to interest income in suspense and S/88,000,000 corresponded to other discrepancies (as of December 31, 2020, the tax liability requested for this concept and other minor contingencies amounts to approximately S/382,000,000, which includes the tax, fines and interest arrears, of which S/293,000,000 corresponded to interest in suspense and S/89,000,000 corresponded to other repairs). From the tax and legal analysis performed, Interbank's Management and its external legal advisers consider that there exists sufficient technical support for the prevailing of Interbank's position; as consequence, no provision has been recorded for this contingency as of December 31, 2021 and 2020.

On February 3, 2017, SUNAT closed the audit process corresponding to the Income Tax for the year 2010. Interbank paid the debt under protest and filed a claim procedure. Subsequently, on November 6, 2018, SUNAT closed again the audit process corresponding to the Income Tax 2010, which had been reopened due to invalidity; Interbank filed a claim procedure and afterwards a tax appeal. Currently, the appeal is pending resolution by the Tax Court.

On January 14, 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. To such date, the tax debt requested by SUNAT amounts to approximately S/50,000,000. The main concept observed was the deduction of loan write-offs without proof by the SBS. On January 25, 2021, the Tax Court notified the RTF No. 00088-1-2021, through which it confirmed, revoked and mandated the resettlement of the aforementioned concepts. On May 25, 2021, Interbank filed a complaint before the Judiciary against the RTF No. 00088-1-2021, which is in the process of resolution. As of December 31, 2021 and 2020, the tax debt requested for this concept and other minor contingencies amounts to approximately S/41,000,000 and S/40,000,000, respectively, which comprises the tax, penalties and moratorium interest.

On April 26, 2019, SUNAT notified about the commencement of the definitive audit process on Income Tax withholdings of non-domiciled entities corresponding to the year 2018. As of the date of this report, said audit is under process.

On September 11, 2019, SUNAT notified Interbank about the beginning of the definitive audit process on Income Tax corresponding to the year 2014. As of the date of this report, said audit is under process.

Notes to the interim consolidated financial statements (continued)

On December 12, 2019, SUNAT notified Interbank about the beginning of the definitive audit process on Income Tax corresponding to the year 2015. As of the date of this report, said audit is under process.

On July 31, 2020, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2012. To date, the tax debt requested by SUNAT amounted to approximately S/13,000,000. On August 27, 2020, Interbank filed a complaint appeal which is pending resolution. In this regard, on April 21, 2021, Interbank was notified with the Intendancy Resolution No. 0150140015891 in which the aforementioned claim was declared founded in part; likewise, resolved to declare the nullity of the Determination Resolution and Fine. On May 10, 2021, Interbank filed the respective appeal against the aforementioned Resolution, which is pending resolution.

On February 12, 2021, Interbank was notified with a Resolution of Compliance related to the Income Tax and prepaid income tax of the year 2006 (related to litigations about interest in suspense). Through such Resolution, SUNAT increased the alleged tax debt from S/1,000,000 to S/35,000,000, because as a consequence of such Resolution of Compliance certain deductions previously recognized by SUNAT were unrecognized. Interbank's Management and its legal advisors will appeal such Resolution before the Tax Court, and in its opinion, no additional liabilities for Interbank will result as consequence of this matter.

On November 26, 2021, SUNAT notified Interbank about Resolution of Determination No. 0120030121490, issued regarding the Income Tax on third-category taxable income, corresponding to the year 2014 without larger amounts, as well as Resolutions of Determination from No. 0120030121503 to No. 0120030121510 issued regarding the application of the additional rate of 4.1 percent of the Income Tax. On December 23, 2021, Interbank filed the corresponding Complaint.

On December 22, 2021, by letter 210011740110-01-SUNAT, SUNAT notified the Bank about the beginning of the definitive audit process on Income Tax corresponding to the year 2017. As of the date of this report, said audit is under process.

On December 28, 2021, SUNAT notified Interbank about Resolution of Determination No. 0120030123003, issued regarding the Income Tax on third-category taxable income, corresponding to the year 2015 without larger amounts, as well as Resolutions of Determination from No. 0120030122991 to No. 0120030123002 issued regarding advance payments of the Income Tax corresponding from January to December 2015; Resolutions of Fine No. 0120020036593 and No. 0120020036594 issued regarding the months of January and February 2015, due to the declaration of false figures or data, according to SUNAT; Resolutions from No. 0120030123004 to No. 0120030123008 issued regarding the application of the additional rate of 4.1 percent of the Income Tax. Within the deadline established by the Tax Code, Interbank is to file the corresponding Complaint.

In the opinion of Interbank's Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2021 and 2020.

Interseguro:

On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial audit of the Income Tax for non-domiciled entities for Sura corresponding to January 2015; see Note 2. The tax debt requested by SUNAT amounts to approximately S/19,000,000. On January 30, 2019, the Company filed an appeal against the Resolution of Determination claimed by SUNAT. Considering that this debt corresponds to a period prior to the acquisition of Sura by

Notes to the interim consolidated financial statements (continued)

the Group and according to the conditions of the purchase and sale agreement of this entity, this debt, if confirmed after the legal actions that Management is to file, would be assumed by the sellers. On November 12, 2020, the Tax Court issued a favorable opinion to Interseguro, revoking the Determination Resolution issued by SUNAT. As of the date of this report, SUNAT has not appealed the pronouncement by the Tax Court. Therefore, Interseguro has terminated this contentious-administrative procedure claimed by SUNAT.

On May 03, 2021, SUNAT notified Interseguro about the beginning of the partial audit process of the Income Tax corresponding to the year 2017. On December 24, 2021, Interseguro was notified about the Resolution of Determination regarding the conclusion of the tax audit, which readjusts the loss and does not determine any amount to be paid nor any fine for Interseguro.

In the opinion of Management and its legal advisers, any eventual additional tax would not be significant for the financial statements as of December 31, 2021 and 2020.

- (e) IFS's Subsidiaries recognize the period's Income Tax expense using the best estimate of the tax rate. The table below presents the amounts reported in the interim consolidated statements of income:

	2021 S/(000)	2020 S/(000)
Current – Expense	296,360	235,134
Deferred – Expense (income)	<u>205,752</u>	<u>(308,067)</u>
	<u>502,112</u>	<u>(72,933)</u>

Notes to the interim consolidated financial statements (continued)

15. Interest income and expenses, and similar items

(a) This caption is comprised of the following:

	2021 S/(000)	2020 S/(000)
Interest income and similar items		
Interest on loan portfolio	3,382,931	3,769,716
Impact from the modification of contractual cash flows due to the loan rescheduling schemes (*)	11,664	(134,376)
Interest on investments at fair value through other comprehensive income	928,660	769,718
Interest on investments at amortized cost	130,326	116,338
Dividends on financial instruments	101,736	103,294
Interest on due from banks and inter-bank funds	46,273	35,906
Other interest income and similar items	4,035	4,371
Total	4,605,625	4,664,967
Interest expense and similar items		
Interest on bonds, notes and other obligations	(433,774)	(390,586)
Interest and fees on deposits and obligations	(334,212)	(522,357)
Interest and fees on obligations with financial institutions	(156,490)	(181,675)
Deposit insurance fund fees	(70,670)	(56,177)
Interest on lease payments	(14,004)	(15,288)
Other interest expense and similar items	(48,787)	(26,201)
Total	(1,057,937)	(1,192,284)

(*) For rescheduled loans, Interbank recalculated the carrying amount of these financial assets as the present value of the modified contractual cash flows, discounted at the loan's original effective interest rate. The impact of the recalculation as of December 31, 2020 amounted approximately to S/134,376,000 and it was recorded as an income reduction.

The amount recorded as of December 31, 2021 amounted to S/11,664,000 and corresponds to the recovery of the interest recorded for rescheduling loans.

Notes to the interim consolidated financial statements (continued)

16. Fee income from financial services, net

(a) This caption is comprised of the following:

	2021 S/(000)	2020 S/(000)
Income		
Accounts maintenance, carriage, transfers, and debit and credit card fees	562,542	474,822
Banking services fees	207,230	192,588
Funds management	184,703	151,356
Contingent loans fees	64,964	52,156
Collection services	52,955	41,124
Brokerage and custody services	8,457	6,858
Reactiva Peru Program fees (b)	23,722	-
Others	37,293	42,207
Total	1,141,866	961,111
Expenses		
Credit cards	(128,580)	(105,772)
Credit life insurance premiums	(60,231)	(59,520)
Local banks fees	(36,836)	(15,828)
Foreign banks fees	(31,767)	(15,105)
Reactiva Peru Program fees (b)	(26,215)	-
Registry expenses	(3,009)	(8,151)
Brokerage and custody services	(824)	(630)
Others	(30,596)	(32,605)
Total	(318,058)	(237,611)
Net	823,808	723,500

(b) Correspond to fees charged by Interbank for the disbursements made to its clients within the Reactiva Peru program, and paid to a Peruvian state entity.

Notes to the interim consolidated financial statements (continued)

17. Other income and (expenses)

(a) This caption is comprised of the following:

	2021 S/(000)	2020 S/(000)
Other income		
Income from investments in associates	33,378	9,068
Gain from sale of written-off-loans	11,848	12,962
Other technical income from insurance operations	8,115	11,547
Services rendered to third parties	6,836	7,843
Income from ATM rentals	4,944	3,971
Other income	24,377	16,726
	<hr/>	<hr/>
Total other income	89,498	62,117
	<hr/>	<hr/>
Other expenses		
Sundry technical insurance expenses	(65,757)	(47,285)
Commissions from insurance activities	(37,920)	(28,390)
Provision for sundry risk	(14,872)	(4,918)
Donations	(4,991)	(5,509)
Expenses related to rental income	(4,026)	(1,993)
Other expenses	(81,944)	(55,952)
	<hr/>	<hr/>
Total other expenses	(209,510)	(144,047)
	<hr/>	<hr/>

Notes to the interim consolidated financial statements (continued)

18. Net premiums earned

(a) This caption is comprised of the following:

	Premiums assumed		Adjustment of technical reserves		Gross premiums (*)		Premiums ceded to reinsurers		Net premiums earned	
	31.12.2021 S/(000)	31.12.2020 S/(000)	31.12.2021 S/(000)	31.12.2020 S/(000)	31.12.2021 S/(000)	31.12.2020 S/(000)	31.12.2021 S/(000)	31.12.2020 S/(000)	31.12.2021 S/(000)	31.12.2020 S/(000)
Life Insurance										
Annuities (**)	614,899	248,025	(296,767)	(56,021)	318,132	192,004	-	-	318,132	192,004
Group life	136,743	138,360	(2,198)	281	134,545	138,641	(4,779)	(4,890)	129,766	133,751
Individual life	182,032	139,105	(76,339)	(61,978)	105,693	77,127	(5,494)	(4,592)	100,199	72,535
Retirement (disability and survival)	8,418	9,347	(4,637)	11,912	3,781	21,259	(534)	(527)	3,247	20,732
Others	2	3	(13,089)	2,085	(13,087)	2,088	-	-	(13,087)	2,088
Total life insurance	942,094	534,840	(393,030)	(103,721)	549,064	431,119	(10,807)	(10,009)	538,257	421,110
Total general insurance	109,303	91,092	(2,235)	2,930	107,068	94,022	(58)	(151)	107,010	93,871
Total general	1,051,397	625,932	(395,265)	(100,791)	656,132	525,141	(10,865)	(10,160)	645,267	514,981

(*) It includes the annual variation of technical reserves and unearned premiums.

(**) The variation of the adjustment of technical reserves is due mainly to aging over time. During 2020, the Management performed a detail analysis on the nature of the product "Renta Particular Plus – Vitalicio", for which a majority of contracts (policies) had an important insurance component and it was determined to reclassify an amount of S/4,354,000 from "Interest and similar expenses" into the caption "Net premium earned" for S/2,531,000 and "Net claims incurred for life insurance and others" for S/6,885,000, according to IFRS 4.

(b) The composition of the net claims and benefits incurred for life insurance contracts and others:

	Gross claims and benefits		Ceded claims and benefits		Net insurance claims and benefits	
	31.12.2021 S/(000)	31.12.2020 S/(000)	31.12.2021 S/(000)	31.12.2020 S/(000)	31.12.2021 S/(000)	31.12.2020 S/(000)
Life Insurance						
Annuities	(687,320)	(631,117)	-	-	(687,320)	(631,117)
Group life	(124,297)	(83,605)	11,296	4,868	(113,001)	(78,737)
Individual life	(36,936)	(17,495)	8,716	2,393	(28,220)	(15,102)
Retirement (disability and survival)	(52,598)	(41,076)	6,505	4,206	(46,093)	(36,870)
Others	(14,928)	(12,794)	11	(216)	(14,917)	(13,010)
General Insurance	(27,805)	(19,214)	10	(1)	(27,795)	(19,215)
	(943,884)	(805,301)	26,538	11,250	(917,346)	(794,051)

Notes to the interim consolidated financial statements (continued)

19. Earnings per share

The following table presents the calculation of the weighted average number of shares and the basic and diluted earnings per share, determined and calculated based on the earnings attributable to the Group:

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the year	Weighted average number of shares (in thousands)
Period 2020				
Balance as of January 1, 2020	115,446	115,446	365	115,446
Sale of treasury stock	4	4	266	3
Purchase of treasury stock	(27)	(27)	30	(2)
Balance as of December 31, 2020	<u>115,423</u>	<u>115,423</u>		<u>115,447</u>
Net earnings attributable to IFS S/(000)				<u>383,259</u>
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				<u>3.320</u>
Period 2021				
Balance as of January 1, 2021	115,423	115,423	365	115,423
Sale of treasury stock	1	1	267	1
Purchase of treasury stock	(6)	(6)	274	(5)
Balance as of December 31, 2021	<u>115,418</u>	<u>115,418</u>		<u>115,419</u>
Net earnings attributable to IFS S/(000)				<u>1,790,155</u>
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				<u>15.510</u>

Notes to the interim consolidated financial statements (continued)

20. Transactions with related parties and affiliated entities

- (a) The table below presents the main transactions with related parties and affiliated companies as of December 31, 2021 and 2020:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Assets		
Instruments at fair value through profit or loss		
Participations - Royalty Pharma	111,983	107,530
Others	113	107
	<u>112,096</u>	<u>107,637</u>
Investments at fair value through other comprehensive income		
Corporate bonds - InRetail Shopping Malls S.A.	82,480	53,358
Corporate bonds - Colegios Peruanos S.A.	21,060	1,193
Shares - InRetail Perú Corp.	-	339,945
	<u>103,540</u>	<u>394,496</u>
Loans, net (b)	1,323,580	1,196,143
Accounts receivable from UTP (h)	82,129	79,504
Accounts receivable from Homecenters Peruanos S.A. (g)	42,699	40,128
Accounts receivable from Iberoamericana de Plásticos	-	10,962
Accounts receivable from derivative financial instruments	-	4,276
Accounts receivable from Colegios Peruanos S.A.	6,713	3,634
Other assets (f)	8,694	6,921
Liabilities		
Deposits and obligations	964,334	849,906
Other liabilities	5,073	567
Off-balance sheet accounts		
Indirect loans (b)	105,604	124,366
	31.12.2021	31.12.2020
	S/(000)	S/(000)
Income (expenses)		
Interest income and similar items	68,591	70,261
Interest expense and similar items	(3,065)	(7,264)
Valuation of financial derivative instruments	180	59
Rental income	30,873	18,609
Administrative expenses	(44,249)	(42,768)
Others, net	31,392	6,853

Notes to the interim consolidated financial statements (continued)

(b) As of December 31, 2021 and 2020, the detail of loans is the following:

	31.12.2021			31.12.2020		
	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)
Affiliated	1,076,393	45,522	1,121,915	931,746	46,967	978,713
Associates	247,187	60,082	307,269	264,397	77,399	341,796
	<u>1,323,580</u>	<u>105,604</u>	<u>1,429,184</u>	<u>1,196,143</u>	<u>124,366</u>	<u>1,320,509</u>

(c) As of December 31, 2021 and 2020, the directors, executives and employees of the Group have been involved in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian law, which regulates and limits on certain transactions with employees, directors and executives of financial entities. As of December 31, 2021 and 2020, direct loans to employees, directors and executives amounted to S/212,967,000 and S/222,076,000, respectively; said loans are repaid monthly and bear interest at market rates. There are no loans to the Group's directors and key personnel guaranteed with shares of any Subsidiary.

Notes to the interim consolidated financial statements (continued)

- (d) The Group's key personnel basic remuneration for the years ended December 31, 2021 and 2020, is presented below:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Salaries	24,768	21,859
Board of Directors' compensations	<u>2,861</u>	<u>3,719</u>
Total	<u>27,629</u>	<u>25,578</u>

- (e) As of December 31, 2020, the Group holds participations in different mutual funds managed by Interfondos that are classified as investment at fair value through profit or loss and amount to S/342,000.
- (f) During the year 2020, the Bank signed a framework contract to cede the use of commercial spaces for the installation of Money Market stores and/or ATMs in the facilities of Supermercados Peruanos S.A. for a period of 5 years. As of December 31, 2021 and 2020, the balance corresponds to a cash guarantee granted to Supermercados Peruanos S.A. for an amount of US\$1,000,000.
- (g) Corresponds to a loan granted by Interseguro with maturity in 2046 that bears interest at market rates.
- (h) As of December 31, 2021 and 2020, corresponds to a financial lease for the construction of educational facilities in San Juan de Lurigancho and Ate Vitarte districts.
- (i) In Management's opinion, transactions with related companies have been performed under market conditions and within the limits permitted by the SBS. Taxes generated by these transactions and the taxable base used for computing them are those customarily used in the industry and they are determined according to the tax rules in force.

Notes to the interim consolidated financial statements (continued)

21. Business segments

The Chief Operating Decision Maker (“CODM”) of IFS is the Chief Executive Officer (“CEO”). The Group presents three operating segments based on products and services, as follows:

Banking -

Mainly loans, credit facilities, deposits and current accounts.

Insurance -

It provides annuities and conventional life insurance products, as well as other retail insurance products.

Wealth management -

It provides brokerage and investment management services. Inteligo serves mainly Peruvian citizens.

The operating segments monitor the operating results of their business units separately for the purpose of making decisions on the distribution of resources and performance assessment. Segment performance is evaluated based on operating profit or loss and it is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Notes to the interim consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the years ended December 31, 2021 and 2020:

	31.12.2021					31.12.2020				
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Total income (*)										
Third party	4,866,775	1,676,185	487,339	(49,914)	6,980,385	4,900,400	1,365,579	433,941	(19,738)	6,680,182
Inter-segment	(45,904)	-	(18,813)	64,717	-	(59,267)	-	(3,273)	62,540	-
Total income	4,820,871	1,676,185	468,526	14,803	6,980,385	4,841,133	1,365,579	430,668	42,802	6,680,182
Consolidated statement of income data										
Interest income and similar items	3,636,810	802,961	154,328	11,526	4,605,625	3,836,413	654,975	163,414	10,165	4,664,967
Interest expense and similar items	(893,060)	(117,531)	(39,840)	(7,506)	(1,057,937)	(1,053,356)	(83,992)	(51,652)	(3,284)	(1,192,284)
Net interest income and similar items	2,743,750	685,430	114,488	4,020	3,547,688	2,783,057	570,983	111,762	6,881	3,472,683
Impairment loss on loans, net of recoveries	(379,034)	-	(2,543)	-	(381,577)	(2,393,923)	-	(21)	-	(2,393,944)
(Loss) recovery due to impairment of financial investments	(527)	33,198	(1,615)	(158)	30,898	170	(33,819)	745	-	(32,904)
Net interest income and similar items after impairment loss on loans	2,364,189	718,628	110,330	3,862	3,197,009	389,304	537,164	112,486	6,881	1,045,835
Fee income from financial services, net	677,461	(6,802)	196,959	(43,810)	823,808	619,842	(6,056)	163,968	(54,254)	723,500
Net gain on sale of financial investments	100,867	145,714	42,074	268	288,923	103,773	105,038	(23,428)	-	185,383
Other income	451,637	89,002	93,978	(17,898)	616,719	340,372	96,641	129,987	24,351	591,351
Total net premiums earned minus claims and benefits	-	(272,037)	-	(42)	(272,079)	-	(279,070)	-	-	(279,070)
Depreciation and amortization	(245,432)	(25,035)	(15,659)	5,754	(280,372)	(234,479)	(25,590)	(14,478)	5,797	(268,750)
Other expenses	(1,542,487)	(325,242)	(127,762)	13,094	(1,982,397)	(1,299,027)	(260,405)	(113,564)	31,086	(1,641,910)
Income (loss) before translation result and Income Tax	1,806,235	324,228	299,920	(38,772)	2,391,611	(80,215)	167,722	254,971	13,861	356,339
Translation result	7,241	(51,493)	(7,570)	(37,498)	(89,320)	(5,966)	(26,591)	(3,846)	(9,320)	(45,723)
Income Tax	(453,198)	-	(8,805)	(40,109)	(502,112)	80,509	-	(8,000)	424	72,933
Net profit (loss) for the year	1,360,278	272,735	283,545	(116,379)	1,800,179	(5,672)	141,131	243,125	4,965	383,549
Attributable to:										
IFS's shareholders	1,360,278	272,735	283,545	(126,403)	1,790,155	(5,672)	141,131	243,125	4,675	383,259
Non-controlling interest	-	-	-	10,024	10,024	-	-	-	290	290
	1,360,278	272,735	283,545	(116,379)	1,800,179	(5,672)	141,131	243,125	4,965	383,549

(*) Corresponds to interest and similar income, other income and net premiums earned.

Notes to the interim consolidated financial statements (continued)

31.12.2021					
	Banking	Insurance	Wealth management	Holding and consolidation adjustments	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Capital investments (*)	216,897	157,186	39,206	616	413,905
Total assets	68,584,019	15,254,493	5,722,539	392,858	89,953,909
Total liabilities	61,581,982	14,380,847	4,427,452	8,266	80,398,547
31.12.2020					
	Banking	Insurance	Wealth management	Holding and Consolidation adjustments	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Capital investments (*)	193,113	109,786	6,771	-	309,670
Total assets	68,038,621	15,311,267	4,308,618	577,523	88,236,029
Total liabilities	61,814,096	14,375,950	3,233,691	(141,657)	79,282,080

(*) It includes the purchase of property, furniture and equipment, intangible assets and investment properties.

The distribution of the Group's total income based on the location of the customer and its assets, for the year ended December 31, 2021, is S/6,568,484,000 in Peru and S/411,901,000 in Panama (for the year ended December 31, 2020, was S/6,307,987,000 in Peru and S/372,195,000 in Panama). The distribution of the Group's total assets based on the location of the customer and its assets as of December 31, 2021 is S/84,391,264,000 in Peru and S/5,562,645,000 in Panama (for the year ended December 31, 2020, was S/84,096,653,000 in Peru and S/4,139,376,000 in Panama).

Notes to the interim consolidated financial statements (continued)

22. Financial instruments classification

The financial assets and liabilities of the consolidated statement of financial position as of December 31, 2021 and 2020, are presented below:

	31.12.2021					31.12.2020				
	At fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	Total S/(000)	At fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	Total S/(000)
Financial assets										
Cash and due from banks	-	-	-	17,104,465	17,104,465	-	-	-	18,765,482	18,765,482
Inter-bank funds	-	-	-	30,002	30,002	-	-	-	18,105	18,105
Financial investments	2,706,271	17,921,275	623,718	3,296,030	24,547,294	2,042,777	18,153,492	1,373,548	2,707,298	24,277,115
Loans, net	-	-	-	43,005,583	43,005,583	-	-	-	40,519,423	40,519,423
Due from customers on acceptances	-	-	-	152,423	152,423	-	-	-	16,320	16,320
Other accounts receivable and other assets, net	793,361	-	-	629,472	1,422,833	395,249	-	-	658,140	1,053,389
	<u>3,499,632</u>	<u>17,921,275</u>	<u>623,718</u>	<u>64,217,975</u>	<u>86,262,600</u>	<u>2,438,026</u>	<u>18,153,492</u>	<u>1,373,548</u>	<u>62,684,768</u>	<u>84,649,834</u>
Financial liabilities										
Deposits and obligations	-	-	-	48,897,944	48,897,944	-	-	-	47,149,275	47,149,275
Inter-bank funds	-	-	-	-	-	-	-	-	28,971	28,971
Due to banks and correspondents	-	-	-	8,522,849	8,522,849	-	-	-	9,660,877	9,660,877
Bonds, notes and other obligations	-	-	-	8,389,672	8,389,672	-	-	-	7,778,751	7,778,751
Due from customers on acceptances	-	-	-	152,423	152,423	-	-	-	16,320	16,320
Insurance contract liabilities	-	-	-	11,958,058	11,958,058	-	-	-	12,501,723	12,501,723
Other accounts payable, provisions and other liabilities	413,797	-	-	1,865,080	2,278,877	271,326	-	-	1,732,461	2,003,787
	<u>413,797</u>	<u>-</u>	<u>-</u>	<u>79,786,026</u>	<u>80,199,823</u>	<u>271,326</u>	<u>-</u>	<u>-</u>	<u>78,868,378</u>	<u>79,139,704</u>

23. Financial risk management

It comprises the management of the main risks, that due to the nature of their operations, IFS and its Subsidiaries are exposed to; and correspond to: credit risk, market risk, liquidity risk, insurance risk and real estate risk.

In order to manage the risks detailed above, every Subsidiary of the Group has a specialized structure and organization in their management, measurement systems, as well as mitigation and coverage processes, according to specific regulatory needs and requirements for the development of its business. The Group and its Subsidiaries, mainly Interbank, Interseguro and Inteligo Bank, operate independently but in coordination with the general provisions issued by the Board of Directors and Management of IFS; however, the Board of Directors and Management of IFS are ultimately responsible for identifying and controlling risks. The Company has an Audit Committee comprised of three independent directors (pursuant to Rule 10A-3 of the Securities Exchange Act of the United States); and one of them is a financial expert according to the regulations of the New York Stock Exchange. The Audit Committee is appointed by the Board of Directors and its main purpose is to monitor and supervise the preparation processes of financial and accounting information, as well as the audits over the financial statements of IFS and its Subsidiaries. Also, the Company operates an Internal Audit Division in charge of the monitoring of the processes and controls deemed key to secure an adequate risk control under the standards defined by the Sarbanes-Oxley Act.

A full description of the Group's financial risk management is presented in Note 30 "Financial risk management" of the Annual Consolidated Financial Statements; following is presented the financial information related to credit risk management for the loan portfolio, offsetting of financial assets and liabilities, and foreign exchange risk.

(a) Credit risk management for loans -

Interbank's loan portfolio is segmented into homogeneous groups that shared similar credit risk characteristics. These groups are: (i) Retail Banking (credit card, mortgage, payroll loan, consumer loan and vehicular loan), (ii) Small Business Banking (segments S1, S2 and S3), and (iii) Commercial Banking (corporate, institutional, companies and real estate). In addition, at Inteligo Bank, the internal model developed (scorecard) assigns 5 levels of credit risk classified as follows: low risk, medium low risk, medium risk, medium high risk, and high risk. These categories are described in Note 30.1(d) of the audited Annual Consolidated Financial Statements.

Because of the pandemic scenario as consequence of Covid-19 explained in Note 1(b), the SBS, through Official Multiple Letters No. 10997-2020, 11150-2020 and 11170-2020, authorized financial entities to grant credit facilities (rescheduling) to clients that meet certain requirements specified by the mentioned regulations. In application of said rule, Interbank determined three types of rescheduling:

- Unilateral: loans that Interbank reschedules proactively over part of the loan's balance.
- Landing: loans rescheduled at the client's request over part of the loan's balance.
- Structural: loans rescheduled proactively by the Bank or at the client's request and over the entire loan's balance.

It should be noted that the new cash flows of the rescheduled loans did not generate substantial nor significant changes in the conditions initially contracted by the client; therefore, the adjustments in the conditions did not generate any substantial modification and, thus, neither a derecognition of the financial asset, see Note 30.1 (d.5) of the audited annual consolidated financial statements. On the other hand, with the purpose of reflecting in the statistical models the effect of said rescheduled loans in the calculation of the expected loss, it evaluated a series of expert judgments that comply with the regulating requirement as of December 31, 2021 and 2020.

Notes to the interim consolidated financial statements (continued)

(b) Offsetting of financial assets and liabilities -

The information contained in the tables below includes financial assets and liabilities that:

- Are offset in the statement of financial position of the Group; or
- Are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, regardless of whether they are offset in the interim consolidated statement of financial position or not.

Similar arrangements of the Group include derivatives clearing agreements. Financial instruments such as loans and deposits are not disclosed in the following tables since they are not offset in the interim consolidated statement of financial position.

The offsetting framework agreement issued by the International Swaps and Derivatives Association Inc. ("ISDA") and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position, because of such agreements were created in order for both parties to have an enforceable offsetting right in cases of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle such instruments on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and delivers guarantees in the form of cash with respect to transactions with derivatives; see Note 4.

Notes to the interim consolidated financial statements (continued)

(b.1) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020, are presented below:

	Gross amounts of recognized financial assets S/(000)	Gross amounts of recognized financial liabilities and offset in the consolidated statement of financial position S/(000)	Net amounts of financial assets presented in the consolidated statement of financial position S/(000)	Related amounts not offset in the consolidated statement of financial position		
				Financial Instruments (including non-cash guarantees) S/(000)	Cash guarantees received S/(000)	Net amount S/(000)
As of December 31, 2021						
Derivatives, Note 8(b)	793,361	-	793,361	(279,024)	(174,790)	339,547
Total	<u>793,361</u>	<u>-</u>	<u>793,361</u>	<u>(279,024)</u>	<u>(174,790)</u>	<u>339,547</u>
As of December 31, 2020						
Derivatives, Note 8(b)	395,249	-	395,249	(191,844)	(55,767)	147,638
Total	<u>395,249</u>	<u>-</u>	<u>395,249</u>	<u>(191,844)</u>	<u>(55,767)</u>	<u>147,638</u>

(b.2) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020, are presented below:

	Gross amounts of recognized financial liabilities S/(000)	Gross amounts of recognized financial assets and offset in the consolidated statement of financial position S/(000)	Net amounts of financial liabilities presented in the consolidated statement of financial position S/(000)	Related amounts not offset in the consolidated statement of financial position		
				Financial Instruments (including non-cash guarantees) S/(000)	Cash guarantees pledged S/(000)	Net amount S/(000)
As of December 31, 2021						
Derivatives, Note 8(b)	413,797	-	413,797	(279,024)	(121,613)	13,160
Total	<u>413,797</u>	<u>-</u>	<u>413,797</u>	<u>(279,024)</u>	<u>(121,613)</u>	<u>13,160</u>
As of December 31, 2020						
Derivatives, Note 8(b)	271,326	-	271,326	(191,844)	(70,559)	8,923
Total	<u>271,326</u>	<u>-</u>	<u>271,326</u>	<u>(191,844)</u>	<u>(70,559)</u>	<u>8,923</u>

Notes to the interim consolidated financial statements (continued)

(c) Foreign exchange risk -

The Group is exposed to fluctuations in the exchange rates of the foreign currency prevailing in its financial position and cash flows. Management sets limits on the levels of exposure by currency and total daily and overnight positions, which are monitored daily. Most of the assets and liabilities in foreign currency are stated in US Dollars. Transactions in foreign currency are made at the exchange rates of free market.

As of December 31, 2021, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.975 per US\$1 bid and S/3.998 per US\$1 ask (S/3.618 and S/3.624 as of December 31, 2020, respectively). As of December 31, 2021, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.987 per US\$1 (S/3.621 as of December 31, 2020).

The table below presents the detail of the Group's position:

	As of December 31, 2021				As of December 31, 2020			
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
Assets								
Cash and due from banks	10,415,166	6,062,879	626,420	17,104,465	7,232,836	10,959,492	573,154	18,765,482
Inter-bank funds	-	30,002	-	30,002	18,105	-	-	18,105
Financial investments	8,709,754	15,708,023	129,517	24,547,294	8,926,088	15,262,993	88,034	24,277,115
Loans, net	12,086,570	30,919,013	-	43,005,583	10,535,743	29,983,680	-	40,519,423
Due from customers on acceptances	152,423	-	-	152,423	16,320	-	-	16,320
Other accounts receivable and other assets, net	222,795	1,199,349	689	1,422,833	312,407	740,113	869	1,053,389
	<u>31,586,708</u>	<u>53,919,266</u>	<u>756,626</u>	<u>86,262,600</u>	<u>27,041,499</u>	<u>56,946,278</u>	<u>662,057</u>	<u>84,649,834</u>
Liabilities								
Deposits and obligations	20,003,314	28,382,727	511,903	48,897,944	16,244,869	30,519,198	385,208	47,149,275
Inter-bank funds	-	-	-	-	28,971	-	-	28,971
Due to banks and correspondents	757,039	7,765,810	-	8,522,849	643,977	9,016,900	-	9,660,877
Bonds, notes and other obligations	7,616,634	773,038	-	8,389,672	6,887,363	891,388	-	7,778,751
Due from customers on acceptances	152,423	-	-	152,423	16,320	-	-	16,320
Insurance contract liabilities	5,241,284	6,716,774	-	11,958,058	4,905,233	7,596,490	-	12,501,723
Other accounts payable, provisions and other liabilities	523,281	1,753,975	1,621	2,278,877	530,180	1,440,976	32,631	2,003,787
	<u>34,293,975</u>	<u>45,392,324</u>	<u>513,524</u>	<u>80,199,823</u>	<u>29,256,913</u>	<u>49,464,952</u>	<u>417,839</u>	<u>79,139,704</u>
Forwards position, net	(378,778)	464,885	(86,107)	-	1,525,029	(1,369,873)	(155,156)	-
Currency swaps position, net	2,171,025	(2,171,025)	-	-	264,160	(264,160)	-	-
Cross currency swaps position, net	2,123,300	(2,123,300)	-	-	1,926,886	(1,926,886)	-	-
Options position, net	(3)	3	-	-	48	(48)	-	-
Monetary position, net	<u>1,208,277</u>	<u>4,697,505</u>	<u>156,995</u>	<u>6,062,777</u>	<u>1,500,709</u>	<u>3,920,359</u>	<u>89,062</u>	<u>5,510,130</u>

As of December 31, 2021, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$651,240,000, equivalent to S/2,596,494,000 (US\$634,242,000, equivalent to S/2,296,590,000 as of December 31, 2020).

Notes to the interim consolidated financial statements (continued)

24. Fair value

(a) Financial instruments measured at their fair value and fair value hierarchy -

The following table presents an analysis of the financial instruments that are measured at their fair value, including the level of hierarchy of fair value. The amounts are based on the balances presented in the consolidated statement of financial position:

	As of December 31, 2021				As of December 31, 2020			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Financial assets								
Financial investments								
At fair value through profit or loss (*)	978,978	633,400	1,093,893	2,706,271	577,438	986,627	478,712	2,042,777
Debt instruments measured at fair value through other comprehensive income	11,194,459	6,435,328	-	17,629,787	10,247,432	7,654,920	-	17,902,352
Equity instruments measured at fair value through other comprehensive income	556,162	27,686	39,870	623,718	1,329,471	7,867	36,210	1,373,548
Derivatives receivable	-	793,361	-	793,361	-	395,249	-	395,249
	<u>12,729,599</u>	<u>7,889,775</u>	<u>1,133,763</u>	<u>21,753,137</u>	<u>12,154,341</u>	<u>9,044,663</u>	<u>514,922</u>	<u>21,713,926</u>
Accrued interest				<u>291,488</u>				<u>251,140</u>
Total financial assets				<u>22,044,625</u>				<u>21,965,066</u>
Financial liabilities								
Derivatives payable	<u>-</u>	<u>413,797</u>	<u>-</u>	<u>413,797</u>	<u>-</u>	<u>271,326</u>	<u>-</u>	<u>271,326</u>

(*) As of December 31, 2021 and 2020, correspond mainly to participations in mutual funds and investment funds.

Financial assets included in Level 1 are those measured on the basis of information that is available on the market, to the extent that their quoted prices reflect an active and liquid market and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity. Financial instruments included in Level 2 are valued based on the market prices of other instruments with similar characteristics or with financial valuation models based on information of variables observable in the market (interest rate curves, price vectors, etc.). Financial assets included in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market. The valuation requires Management to make certain assumptions about the model variables and data, including the forecast of cash flow, discount rate, credit risk and volatility.

During the year 2021, there were no transfers of financial instruments from level 3 to level 1 or level 2, nor from level 1 to level 2.

Starting in 2020, the Group performed changes in the determination of the estimates for the fair value of these investments considering the nature of themselves, as well as the underlying assets and the information to which it had access on the valuation date; concluding that the best valuation method for these investments is the use of the net asset value ("NAV").

The table below includes a reconciliation of fair value measurement of financial instruments classified by the Group within Level 3 of the valuation hierarchy:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Initial balance as of January 1	514,922	487,352
Purchases	629,543	155,198
Sales	(237,870)	(272,711)
Gain recognized on the consolidated statement of income	<u>227,168</u>	<u>145,083</u>
Final balance	<u>1,133,763</u>	<u>514,922</u>

Notes to the interim consolidated financial statements (continued)

(b) Financial instruments not measured at their fair value -

The table below presents the disclosure of the comparison between the carrying amounts and fair values of the Group's financial instruments that are not measured at their fair value, presented by level of fair value hierarchy:

	As of December 31, 2021					As of December 31, 2020				
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)
Assets										
Cash and due from banks	-	17,104,465	-	17,104,465	17,104,465	-	18,765,482	-	18,765,482	18,765,482
Inter-bank funds	-	30,002	-	30,002	30,002	-	18,105	-	18,105	18,105
Investments at amortized cost	3,181,392	-	-	3,181,392	3,296,030	2,988,539	-	-	2,988,539	2,707,298
Loans, net	-	41,851,188	-	41,851,188	43,005,583	-	40,809,701	-	40,809,701	40,519,423
Due from customers on acceptances	-	152,423	-	152,423	152,423	-	16,320	-	16,320	16,320
Other accounts receivable and other assets, net	-	629,472	-	629,472	629,472	-	658,140	-	658,140	658,140
Total	3,181,392	59,767,550	-	62,948,942	64,217,975	2,988,539	60,267,748	-	63,256,287	62,684,768
Liabilities										
Deposits and obligations	-	48,914,408	-	48,914,408	48,897,944	-	47,146,077	-	47,146,077	47,149,275
Inter-bank funds	-	-	-	-	-	-	28,971	-	28,971	28,971
Due to banks and correspondents	-	8,274,484	-	8,274,484	8,522,849	-	9,686,361	-	9,686,361	9,660,877
Bonds, notes and other obligations	7,284,274	1,204,027	-	8,488,301	8,389,672	6,856,829	1,405,383	-	8,262,212	7,778,751
Due from customers on acceptances	-	152,423	-	152,423	152,423	-	16,320	-	16,320	16,320
Insurance contract liabilities	-	11,958,058	-	11,958,058	11,958,058	-	12,501,723	-	12,501,723	12,501,723
Other accounts payable and other liabilities	-	1,865,080	-	1,865,080	1,865,080	-	1,732,461	-	1,732,461	1,732,461
Total	7,284,274	72,368,480	-	79,652,754	79,786,026	6,856,829	72,517,296	-	79,374,125	78,868,378

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of each financial instrument and they include the following:

- (i) Long-term fixed-rate and variable-rate loans are assessed by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these loans. As of December 31, 2021 and 2020, the book value of loans, net of allowances, was not significantly different from the calculated fair values.
- (ii) Instruments whose fair value approximates their book value: For financial assets and financial liabilities that are liquid or have short-term maturity (less than 3 months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable-rate financial instruments.
- (iii) Fixed-rate financial instruments: The fair value of fixed-rate financial assets and financial liabilities at amortized cost is determined by comparing market interest rates when they were first recognized with current market rates related to similar financial instruments for their remaining term to maturity. The fair value of fixed interest rate deposits is based on discounted cash flows using market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued, the fair value is determined based on quoted market prices. When quotations are not available, a discounted cash flow model is used based on the yield curve of the appropriate interest rate for the remaining term to maturity.

Notes to the interim consolidated financial statements (continued)

25. Fiduciary activities and management of funds

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held in trust are not included in the consolidated financial statements. These services give rise to the risk that the Group could eventually be held responsible of yielding of the assets under its management.

As of December 31, 2021 and 2020, the value of the managed off-balance sheet financial assets is as follows:

	31.12.2021 S/(000)	31.12.2020 S/(000)
Investment funds	18,669,786	15,008,109
Mutual funds	<u>4,310,914</u>	<u>5,980,724</u>
Total	<u>22,980,700</u>	<u>20,988,833</u>