

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated financial statements as of September 30, 2022 (unaudited),
December 31, 2021 (audited) and for the nine-month periods ended September
30, 2022 and 2021 (unaudited)

Intercorp Financial Services Inc. and Subsidiaries

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December 31, 2021 (audited) and for the nine-month periods ended September 30,
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Interim consolidated statement of financial position

As of September 30, 2022 (unaudited) and December 31, 2021 (audited)

	Note	30.09.2022 S/(000)	31.12.2021 S/(000)		Note	30.09.2022 S/(000)	31.12.2021 S/(000)
Assets				Liabilities and equity			
Cash and due from banks	4(a)			Deposits and obligations	9		
Non-interest bearing		3,664,249	3,931,419	Non-interest bearing		9,351,914	9,270,255
Interest bearing		8,940,067	12,488,242	Interest bearing		39,927,741	39,627,689
Restricted funds		337,329	684,804			49,279,655	48,897,944
		12,941,645	17,104,465				
Inter-bank funds	4(e)	-	30,002	Inter-bank funds	4(e)	294,051	-
Financial investments	5	24,899,423	24,547,294	Due to banks and correspondents	10	8,216,619	8,522,849
Loans, net:	6			Bonds, notes and other obligations	11	8,192,940	8,389,672
Loans, net of unearned interest		47,128,767	45,070,500	Due from customers on acceptances		42,737	152,423
Impairment allowance for loans		(2,034,745)	(2,064,917)	Insurance contract liabilities	12	10,037,605	11,958,058
		45,094,022	43,005,583	Other accounts payable, provisions and other liabilities	8	3,041,948	2,477,601
				Deferred Income Tax liability, net		87,811	-
				Total liabilities		79,193,366	80,398,547
				Equity, net	13		
				Equity attributable to IFS's shareholders:			
Investment property	7	1,285,133	1,224,454	Capital stock		1,038,017	1,038,017
Property, furniture and equipment, net		787,610	815,118	Treasury stock		(3,363)	(3,363)
Due from customers on acceptances		42,737	152,423	Capital surplus		532,771	532,771
Intangibles and goodwill, net		1,605,801	1,044,749	Reserves		6,000,000	5,200,000
Other accounts receivable and other assets, net	8	1,835,068	1,887,454	Unrealized results, net		(733,837)	(168,300)
Deferred Income Tax asset, net		215,820	142,367	Retained earnings		2,629,074	2,904,912
						9,462,662	9,504,037
				Non-controlling interest		51,231	51,325
Total assets		88,707,259	89,953,909	Total equity, net		9,513,893	9,555,362
				Total liabilities and equity, net		88,707,259	89,953,909

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of income

For the nine-month periods ended September 30, 2022 and 2021 (unaudited)

	Note	30.09.2022 S/(000)	30.09.2021 S/(000)
Interest and similar income	15	4,187,331	3,368,552
Interest and similar expenses	15	(1,126,675)	(767,212)
Net interest and similar income		3,060,656	2,601,340
Impairment loss on loans, net of recoveries	6(d.1) and (d.2)	(552,507)	(478,950)
(Loss) recovery due to impairment of financial investments	5(c)	(4,574)	30,947
Net interest and similar income after impairment loss		2,503,575	2,153,337
Fee income from financial services, net	16	814,138	600,936
Net gain on foreign exchange transactions		266,816	310,253
Net (loss) gain on sale of financial investments	5(b)	(56,512)	244,916
Net (loss) gain on financial assets at fair value through profit or loss	5(e) and 8(b)	(243,560)	316,177
Net gain on investment property	7(b)	78,903	109,773
Other income	17	359,882	51,769
		1,219,667	1,633,824
Insurance premiums and claims			
Net premiums earned	18	512,435	448,191
Net claims and benefits incurred for life insurance contracts and others	18	(636,127)	(699,776)
		(123,692)	(251,585)
Other expenses			
Salaries and employee benefits		(661,813)	(595,757)
Administrative expenses		(848,292)	(700,133)
Depreciation and amortization		(243,790)	(204,477)
Other expenses	17	(185,310)	(123,018)
		(1,939,205)	(1,623,385)
Income before translation result and Income Tax		1,660,345	1,912,191
Translation result		(35,575)	(67,708)
Income Tax		(356,758)	(308,672)
Net profit for the period		1,268,012	1,535,811
Attributable to:			
IFS's shareholders		1,260,555	1,529,087
Non-controlling interest		7,457	6,724
		1,268,012	1,535,811
Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles)	19	10.922	13.248
Weighted average number of outstanding shares (in thousands)	19	115,418	115,420

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of other comprehensive income

For the nine-month periods ended September 30, 2022 and 2021 (unaudited)

	30.09.2022 S/(000)	30.09.2021 S/(000)
Net profit for the period	1,268,012	1,535,811
Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:		
Revaluation of (loss) gains on equity instruments at fair value through other comprehensive income	(41,233)	127,549
Income Tax	203	(56)
Total unrealized (loss) gain that will not be reclassified to the consolidated statement of income	(41,030)	127,493
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	(2,639,286)	(2,681,991)
Income Tax	11,324	7,456
	(2,627,962)	(2,674,535)
 Insurance premiums reserve	 2,170,428	 1,931,138
 Net movement of cash flow hedges	 (46,676)	 128,227
Income Tax	5,816	(20,223)
	(40,860)	108,004
 Translation of foreign operations	 (17,146)	 148,411
Total unrealized loss to be reclassified to the consolidated statement of income in subsequent periods	(515,540)	(486,982)
Other comprehensive income for the period	(556,570)	(359,489)
Total comprehensive income for the period, net of Income Tax	711,442	1,176,322
Attributable to:		
IFS's shareholders	707,021	1,173,968
Non-controlling interest	4,421	2,354
	711,442	1,176,322

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 nine-month periods ended September 30, 2022 and 2021 (unaudited)

Attributable to IFS's shareholders															
						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								
							Number of shares								
	Issued (in thousands)	In treasury (in thousands)	Capital stock S/(000)	Treasury stock S/(000)	Capital surplus S/(000)	Reserves S/(000)	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)	Non-controlling Interest S/(000)	Total equity, net S/(000)
Balance as of January 1, 2021	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	8,953,949
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,529,087	1,529,087	6,724	1,535,811
Other comprehensive income	-	-	-	-	-	-	127,271	(2,666,437)	1,927,968	107,668	148,411	-	(355,119)	(4,370)	(359,489)
Total comprehensive income	-	-	-	-	-	-	127,271	(2,666,437)	1,927,968	107,668	148,411	1,529,087	1,173,968	2,354	1,176,322
Declared and paid dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(332,096)	(332,096)	-	(332,096)
Purchase of treasury stock, Note 13(b)	-	(5)	-	(545)	-	-	-	-	-	-	-	-	(545)	-	(545)
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(328)	(328)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(169,350)	-	-	-	-	169,350	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	556	556	-	556
Balance as of September 30, 2021	115,447	(29)	1,038,017	(3,314)	532,771	5,200,000	255,133	(999,334)	672,123	70,560	313,822	2,670,214	9,749,992	47,866	9,797,858
Balances as of January 1, 2022	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	9,555,362
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,260,555	1,260,555	7,457	1,268,012
Other comprehensive income	-	-	-	-	-	-	(40,954)	(2,621,535)	2,166,866	(40,763)	(17,146)	-	(553,532)	(3,036)	(556,568)
Total comprehensive income	-	-	-	-	-	-	(40,954)	(2,621,535)	2,166,866	(40,763)	(17,146)	1,260,555	707,023	4,421	711,444
Declared dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(751,532)	(751,532)	-	(751,532)
Transfer of retained earnings to reserves, Note 13(e)	-	-	-	-	-	800,000	-	-	-	-	-	(800,000)	-	-	-
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,509)	(4,509)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(12,005)	-	-	-	-	12,005	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	3,134	3,134	(6)	3,128
Balance as of September 30, 2022	115,447	(29)	1,038,017	(3,363)	532,771	6,000,000	(61,746)	(3,221,161)	2,301,016	4,115	243,939	2,629,074	9,462,662	51,231	9,513,893

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of cash flows

For the nine-month periods ended September 30, 2022 and 2021 (unaudited)

	30.09.2022 S/(000)	30.09.2021 S/(000)
Cash flows from operating activities		
Net profit for the period	1,268,012	1,535,811
Plus (minus) adjustments to net profit		
Impairment loss on loans, net of recoveries	552,507	478,950
(Loss) recovery due to impairment of financial investments	4,574	(30,947)
Depreciation and amortization	243,790	204,477
Provision for sundry risks	7,376	7,215
(Gain) loss on Deferred Income Tax	(47,980)	80,737
Net loss (gain) on sale of financial investments	56,512	(244,916)
Net loss (gain) of financial assets at fair value through profit or loss	243,560	(316,177)
Net gain for valuation of investment property	(28,750)	(69,219)
Translation result	35,575	67,708
Decrease in accrued interest receivable	10,742	142,673
Decrease in accrued interest payable	(2,589)	(91,133)
Net changes in assets and liabilities		
Net increase in loans	(2,542,065)	(1,771,314)
Net increase in other accounts receivable and other assets	(386,018)	(757,436)
Net decrease (increase) in restricted funds	347,791	(65,918)
Increase in deposits and obligations	382,134	3,875,542
Decrease in due to banks and correspondents	(314,532)	(1,290,639)
Increase in other accounts payable, provisions and other liabilities	749,569	2,446,594
Decrease (increase) of investments at fair value through profit or loss	159,469	(607,844)
Net cash provided by operating activities	<u>739,677</u>	<u>3,594,164</u>

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

Interim consolidated statement of cash flows (continued)

	30.09.2022 S/(000)	30.09.2021 S/(000)
Cash flows from investing activities		
Net purchase of investments at fair value through other comprehensive income and at amortized cost	(3,617,888)	(1,622,721)
Purchase of property, furniture and equipment	(90,551)	(36,367)
Purchase of intangible assets	(130,260)	(104,477)
Purchase of investment property	(21,044)	(127,360)
Net cash used in investing activities	(3,859,743)	(1,890,925)
Cash flows from financing activities		
Dividends paid	(751,532)	(332,096)
Payments of bonds, notes and other obligations	(137,900)	(91,000)
Net decrease in receivable inter-bank funds	30,002	18,105
Net increase in payable inter-bank funds	294,051	71,032
Purchase of treasury stock, net	-	(545)
Dividend payments to non-controlling interest	(4,509)	(328)
Lease payments	(116,388)	(81,604)
Net cash used in financing activities	(686,276)	(416,436)
Net (decrease) increase in cash and cash equivalents	(3,806,342)	1,286,803
Foreign exchange (loss) gain on cash and cash equivalents	(18,392)	223,403
Cash and cash equivalents at the beginning of the year	16,416,311	18,145,919
Cash and cash equivalents at the end of the period	12,591,577	19,656,125

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

Intercorp Financial Services Inc. and Subsidiaries

Notes to the interim consolidated financial statements

As of September 30, 2022 (unaudited) and December 31, 2021 (audited)

1. Business activity

(a) Business activity -

Intercorp Financial Services Inc. (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 Peru Ltd. (henceforth "Intercorp Peru"), a holding Company incorporated in 1997 in the Commonwealth of the Bahamas. As of September 30, 2022 and December 31, 2021, Intercorp Peru 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.

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

As of September 30, 2022 and December 31, 2021, IFS holds 99.30 percent of the capital stock of Banco Internacional del Peru 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") and 100 percent of the capital stock of Izipay, new subsidiary, acquired in April 2022, see (c).

The operations of Interbank, Interseguro and Izipay 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 September 30, 2022, have been approved by the Audit Committee and Board's Meeting held on November 07 and November 09, 2022, respectively. The audited consolidated financial statements as of December 31, 2021, were approved by the General Shareholders' Meeting held on March 31, 2022.

(b) Global pandemic Covid-19 -

(b.1) State of National and Sanitary Emergency

In March 2020, the World Health Organization declared "Covid-19" as a global pandemic, with a significant impact on the world economy. In Peru, the government declared a State of National and Sanitary Emergency with a series of measures that affected both businesses and the population at large. The reopening of economic activities began since mid-2020, through the establishment of targeted measures by region and new rules of social cohabitation.

During 2022, the Peruvian government extended the State of Sanitary Emergency until February 2023 and repealed the State of National Emergency.

(b.2) Economic measures adopted by the Peruvian Government before Covid-19 impact

The Peruvian government implemented extraordinary measures to secure the continuity of the economy's payment chain. The main measures implemented in the financial system were related to facilities for loans rescheduling (payment deferrals), suspension of counting of past due days, partial or total withdrawal of deposits from compensation from service time accounts, Repo operations with the BCRP and the launching of credit programs guaranteed by the Peruvian Government, such as "Reactiva Peru".

Notes to the interim consolidated financial statements (continued)

Under the program "Reactiva Peru", Interbank granted loans for S/6,617,142,000. As of September 30, 2022, the balance of loans granted under this program amounts to S/3,010,492,000, including accrued interest for S/64,090,000. As of that date, the amount covered by the Peruvian Government amounts to S/2,626,366,000 (as of December 31, 2021, it maintained S/4,976,073,000, including accrued interest for S/79,936,000, out of which S/4,421,999,000 are covered by the Peruvian Government). It should be noted that during 2021, the Peruvian Government established measures aimed to the rescheduling of these loans. As of September 30, 2022 and December 31, 2021, the balance of rescheduled loans under the "Reactiva Peru" program amounts to approximately S/1,707,151,000 and S/1,974,180,000, respectively.

(c) Acquisition of Procesos de Medios de Pago S.A. and Subsidiary (Izipay)

Until March 2022, the Group (through its subsidiary Interbank) held 50 percent of Procesos de Medios de Pago S.A and its subsidiary Izipay S.A.C (hereinafter, "Izipay Group", "Izipay" or "acquired entities"). In April 2022, IFS acquired the remaining 50 percent of Izipay's share capital, thus completing the 100 percent of Izipay Group's share capital. The amount paid by IFS amounted to US\$83,775,000 (equivalent to approximately S/312,647,000).

The acquisition made by IFS was recorded using the "Step acquisition" accounting method, pursuant to IFRS 3 "Business Combinations". According to this method, the acquirer company must readjust to fair value the previously held equity interest in the acquiree entities. Additionally, assets and liabilities must be recorded at their fair values estimated at the acquisition date, including the identified intangible assets and the resulting goodwill that were not recorded in the statements of financial position of each acquired entity.

As a result of the acquisition of IFS and pursuant to the accounting regulation in force, the previous participation was adjusted to its fair value with an effect of S/222,513,000, recorded in September 2022 and presented in the caption "Other income and (expenses)" of the interim consolidated statement of income, see note 17. The fair values of the acquired entities are presented below:

Notes to the interim consolidated financial statements (continued)

	Fair value of the acquired entities (*) S/(000)
Assets -	
Cash	119,432
Trade accounts receivable and other receivables	178,982
Inventory	13,600
Deferred costs	102,687
Property, furniture and equipment	83,486
Right-of-use assets	6,593
Intangibles	331,421
Other assets	50,399
Liabilities -	
Financial obligations	26,251
Trade accounts payable and other payables	319,456
Deferred income	25,190
Other liabilities	6,815
Deferred income tax	122,024
Total net assets	386,864
Goodwill	238,429
Market value of acquired entities	625,293

(*) Corresponds to the fair value of Procesos de Medios de Pago S.A. together with its Subsidiary Izipay S.A.C. on the purchase date (as of March 31, 2022).

2. Subsidiaries

IFS's Subsidiaries are the following:

(a) Banco Internacional del Peru 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.

As of September 30, 2022, Interbank had 166 offices (189 offices as of December 31, 2021). Additionally, it 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".

Notes to the interim consolidated financial statements (continued)

(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 Peru (henceforth "Patrimonio Fideicometido – Interproperties Peru"), 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 included in this structured entity as of September 30, 2022 and December 31, 2021, amounted to S/89,494,000 and S/71,302,000, 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 Peru). 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) **Intelligo Group Corp. and Subsidiaries -**

Intelligo is an entity incorporated in the Republic of Panama. As of September 30, 2022 and December 31, 2021, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Intelligo 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.
Intelligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Intelligo Peru Holding S.A.C.	Financial holding company incorporated in Peru in December 2018. As of September 30, 2022 and December 31, 2021, it holds 99.99 percent interest in Interfondos S.A. Sociedad Administradora de Fondos, company that manages mutual funds and investment funds.
Intelligo USA, Inc.	Incorporated in the United States of America in January 2019 and provides investment consultancy and related services.

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

These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura in year 2017. In April 2021, Negocios e Inmuebles S.A. (absorbing company) merged with Holding Retail Peru S.A. (absorbed company), the latter being extinguished without liquidation. As of September 30, 2022 and December 31, 2021, Negocios e Inmuebles S.A., hold 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 (online marketplace), dedicated to the sale of products from different stores locally.

Notes to the interim consolidated financial statements (continued)

(f) IFS Digital S.A.C. –

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

(g) Procesos de Medios de Pago and Izipay (Izipay) –

Both companies were acquired in April 2022, as detailed in Note 1(c). Procesos de Medios de Pago is dedicated to the development, management and operation of the shared service of transaction processing of credit and debit cards, through the acquirer role for the trademarks MasterCard, Visa and other private trademarks; also, it renders the processing service, through the issuer role, to entities of the financial system. Izipay is dedicated to the facilitation of payments and services, offering its services of technological, operating and safety infrastructure through the affiliation of commercial stores, as well as installation and maintenance of infrastructure for transactions through the electronic commerce modality, interconnected with the networks of payment methods processors.

As indicated in Note 1(c), in April 2022, IFS acquired control of Izipay, becoming its Subsidiary. Since then, Izipay consolidates its financial information together with that of IFS. The investment that Interbank held in Izipay until March 31, 2022, is presented as investments in associates in the accompanying financial statements.

Notes to the interim consolidated financial statements (continued)

3. Significant accounting policies

3.1 Basis of presentation and use of estimates -

The interim consolidated financial statements as of September 30, 2022 and December 31, 2021, 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 IFS's audited consolidated financial statements as of December 31, 2021 and 2020 (henceforth "Annual Consolidated Financial Statements").

The accompanying interim consolidated financial statements have been prepared on the 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.

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 financial information with its Subsidiaries is described in Note 3.3 to the Annual Consolidated Financial Statements and has not changed since then, except for the inclusion of the new subsidiary Izipay, as of April 2022.

Notes to the interim consolidated financial statements (continued)

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

(a) This caption is made up as follows:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Cash and clearing (b)	2,371,176	2,363,326
Deposits in the BCRP (b)	7,478,891	10,445,851
Deposits in banks (c)	2,741,510	3,607,134
Accrued interest	12,739	3,350
	<u>12,604,316</u>	<u>16,419,661</u>
Restricted funds (d)	337,329	684,804
	<u>337,329</u>	<u>684,804</u>
Total	<u>12,941,645</u>	<u>17,104,465</u>

(b) In accordance with rule in force, Interbank is required to maintain a legal reserve to honor its obligations with the public. This reserve is comprised of funds kept in Interbank and in the BCRP and is made up as follows:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Legal reserve (*)		
Deposits in the BCRP	6,483,641	6,366,151
Cash in vaults	2,301,169	2,171,601
	<u>8,784,810</u>	<u>8,537,752</u>
Subtotal legal reserve	<u>8,784,810</u>	<u>8,537,752</u>
Non-mandatory reserve		
Overnight deposit in BCRP	995,250	-
Cash and clearing	69,780	191,673
Term deposits in BCRP (**)	-	4,079,700
	<u>1,065,030</u>	<u>4,271,373</u>
Subtotal non-mandatory reserve	<u>1,065,030</u>	<u>4,271,373</u>
Cash balances not subject to legal reserve	227	52
	<u>227</u>	<u>52</u>
Total	<u>9,850,067</u>	<u>12,809,177</u>

(*) The legal reserve funds maintained in the BCRP are non-interest bearing, except for the part that exceeds the minimum reserve required that accrues interest at a nominal annual rate. As of September 30, 2022 and December 31, 2021, the excess in foreign currency accrued interest in US Dollars at an annual average rate of 2.39 and 0.01 percent, respectively. During 2022 and 2021, Interbank 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.

(**) As of December 31, 2021, corresponded to five term deposits in local currency that Interbank maintained in the BCRP, matured in the first days of January 2022, and accrued interest at an annual interest rate of 2.50 percent.

Notes to the interim consolidated financial statements (continued)

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

- (d) The Group maintains restricted funds related to:

	30.09.2022	31.12.2021
	S/(000)	S/(000)
Repurchase agreements with BCRP (*)	-	419,410
Derivative financial instruments, Note 8(b)	85,757	121,613
Inter-bank transfers (**)	250,040	141,681
Others	1,532	2,100
Total	337,329	684,804

(*) As of December 31, 2021, corresponds to deposits maintained in the BCRP which guarantee agreements with said entity; see Note 10(b).

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

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

- (e) Inter-bank funds

These are loans made between financial institutions with maturity, in general, minor than 30 days. As of December 31, 2021, Inter-bank funds assets accrue interest at an annual rate of 2.50 percent in national currency and do not have specific guarantees. As of September 30, 2022, Inter-bank funds liabilities accrue interest at an annual rate 6.46 percent in national currency and do not have specific guarantees.

Notes to the interim consolidated financial statements (continued)

5. Financial investments

(a) This caption is made up as follows, as of September 30, 2022 and December 31, 2021:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Debt instruments measured at fair value through other comprehensive income (b) and (c)	18,670,425	17,629,787
Investments at amortized cost (d)	3,238,115	3,225,174
Investments at fair value through profit or loss (e)	2,233,349	2,706,271
Equity instruments measured at fair value through other comprehensive income (f)	513,594	623,718
Total financial investments	24,655,483	24,184,950
Accrued income		
Debt instruments measured at fair value through other comprehensive income (b)	220,106	291,488
Investments at amortized cost (d)	23,834	70,856
Total	24,899,423	24,547,294

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 September 30, 2022									
Corporate, leasing and subordinated bonds (*)	8,854,655	2,198	(1,532,699)	7,324,154	Jan-23 / Feb-97	1.96	13.90	4.60	503.48
Sovereign Bonds of the Republic of Peru	7,872,733	-	(1,632,262)	6,240,471	Sep-23 / Feb-55	3.05	8.95	-	-
Variable interest Certificates of Deposit issued by the Central Reserve Bank of Peru	3,999,780	1,168	(642)	4,000,306	Oct-22 / Dec-22	6.78	6.94	-	-
Bonds guaranteed by the Peruvian Government	524,725	1,166	(50,815)	475,076	Oct-24 / Oct-33	3.86	7.54	6.59	11.14
Global Bonds of the Republic of Peru	534,841	-	(65,997)	468,844	Jul-25 / Dec-32	-	-	5.48	6.18
Global Bonds of the Republic of Colombia	86,861	-	(2,936)	83,925	Mar-23 / Feb-24	-	-	5.71	6.02
Others	86,477	-	(8,828)	77,649	Mar-23 / Feb-34	6.84	6.84	3.84	6.63
Total	21,960,072	4,532	(3,294,179)	18,670,425					
Accrued interest				220,106					
Total				18,890,531					

	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	-	-
Variable interest Certificates of Deposit issued by the Central Reserve Bank of Peru	1,440,926	131	(113)	1,440,944	Jan-22 / Mar-22	0.04	0.04	-	-
Negotiable Certificates of Deposit issued by the Central Reserve Bank of Peru	179,815	-	(608)	179,207	Jan-22 / Mar-23	0.31	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					

(*) As of September 30, 2022 and December 31, 2021, Inteligo holds corporate bonds and mutual funds from different entities for approximately S/259,954,000 and S/391,616,000, 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 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:

	30.09.2022	31.12.2021	30.09.2021
	S/(000)	S/(000)	S/(000)
Expected credit loss at the beginning of the period	41,108	71,560	71,560
New assets originated or purchased	2,929	2,969	475
Assets derecognized or matured (excluding write-offs)	(181)	(3,387)	(850)
Effect on the expected credit loss due to the change of the stage during the year	6,820	15,696	746
Reversal for impairment	(3,688)	(46,257)	(46,216)
Others	(1,306)	81	14,898
Total movement of impairment through profit or loss	4,574	(30,898)	(30,947)
Effect of foreign exchange variation	417	446	564
Expected credit loss at the end of the period	46,099	41,108	41,177

- (d) As of September 30, 2022 and December 31, 2021, investments at amortized cost corresponds to Sovereign Bonds of the Republic of Peru issued in Soles, for an amount of S/3,261,949,000 and S/3,296,030,000, respectively, including accrued interest.

As of September 30, 2022 and December 31, 2021, 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 6.64 percent, and estimated fair value amounting to approximately S/2,816,564,000 (as of December 31, 2021, their maturity dates ranged from September 2023 to August 2037, accrued interest at effective annual rates between 4.29 percent and 6.58 percent, and its estimated fair value amounted to approximately S/3,181,392,000).

As of September 30, 2022 and December 31, 2021, Interbank keeps loans with the BCRP that are guaranteed with these sovereign bonds, classified as restricted, for approximately S/2,158,482,000 and S/1,643,293,000, 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:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Equity instruments		
Local and foreign mutual funds and investment funds participations	1,654,725	1,830,098
Listed shares	449,203	651,813
Non-listed shares	74,747	184,973
Debt instruments		
Corporate, leasing and subordinated bonds	54,674	39,387
Total	2,233,349	2,706,271

As of September 30, 2022 and December 31, 2021, investments at fair value through profit or loss include investments held for trading for approximately S/233,547,000 and S/282,781,000, respectively; and those assets that are necessarily measured at fair value through profit or loss for approximately S/1,999,802,000 and S/2,423,490,000, respectively.

- (f) As of September 30, 2022 and December 31, 2021, the composition of equity instruments measured at fair value through other comprehensive income is as follow:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Listed shares (g)	473,621	583,684
Non-listed shares	39,973	40,034
Total	513,594	623,718

As of September 30, 2022 and December 31, 2021, it corresponds to investments in shares in the biological sciences, telecommunications, distribution of machinery, energy, construction, financial and massive consumption sectors that are listed on the domestic and foreign markets.

- (g) In October 2021, IFS sold the 2,396,920 shares it held in InRetail Peru Corp. (a related entity), that represented 2.33 percent of its capital stock, which had been designated at fair value through other comprehensive income. 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 (2011) and until the sale, the Group had recorded a cumulative gain on valuation for approximately S/270,993,000. In accordance with the provisions of IFRS 9 and considering the classification of this investment; said gain was recorded as a decrease in the caption "Unrealized results, net" and an increase in the caption "Retained earnings" of the consolidated statements of changes in equity.

Notes to the interim consolidated financial statements (continued)

- (h) Below are debt instruments measured at fair value through other comprehensive income and at amortized cost according to the stages indicated by IFRS 9 as of September 30, 2022 and December 31, 2021:

Debt Instruments measured at fair value through other comprehensive income and at amortized cost	30.09.2022			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Sovereign Bonds of the Republic of Peru	9,478,586	-	-	9,478,586
Corporate, leasing and subordinated bonds	6,566,478	757,557	119	7,324,154
Variable interest Certificates of Deposit issued by the BCRP	4,000,306	-	-	4,000,306
Bonds guaranteed by the Peruvian government	475,076	-	-	475,076
Global Bonds of the Republic of Peru	468,844	-	-	468,844
Global Bonds of the Republic of Colombia	-	83,925	-	83,925
Others	77,649	-	-	77,649
Total	21,066,939	841,482	119	21,908,540

Debt Instruments measured at fair value through other comprehensive income and at amortized cost	31.12.2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Sovereign Bonds of the Republic of Peru	9,944,527	-	-	9,944,527
Corporate, leasing and subordinated bonds	7,342,649	809,531	-	8,152,180
Variable interest Certificates of Deposit issued by the BCRP	1,440,944	-	-	1,440,944
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
Others	179,207	-	-	179,207
Total	19,958,455	896,506	-	20,854,961

Notes to the interim consolidated financial statements (continued)

6. Loans, net

(a) This caption is made up as follows:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Direct loans		
Loans (*)	36,295,794	35,490,230
Credit cards and other loans (**)	5,923,997	4,814,758
Leasing	1,158,248	1,110,958
Factoring	915,860	867,765
Discounted notes	613,553	572,334
Advances and overdrafts	25,778	40,978
Refinanced loans	288,065	236,520
Past due and under legal collection loans	1,425,396	1,554,679
	<u>46,646,691</u>	<u>44,688,222</u>
Plus (minus)		
Accrued interest from performing loans	503,196	404,923
Unearned interest and interest collected in advance	(21,120)	(22,645)
Impairment allowance for loans (d)	(2,034,745)	(2,064,917)
Total direct loans, net	<u>45,094,022</u>	<u>43,005,583</u>
Indirect loans	<u>4,493,983</u>	<u>4,440,458</u>

(*) As of September 30, 2022 and December 31, 2021, Interbank maintains repo operations of loans represented in securities according to the BCRP's definition. In consequence, loans provided as guarantee amounts to S/2,604,242,000 and S/4,401,121,00, respectively, and is presented in the caption "Loan, net", and the related liability is presented in the caption "Due to banks and correspondents" of the consolidated statement of financial position; see Note 10(b).

(**) As of September 30, 2022 and December 31, 2021, it includes non-revolving consumer loans related to credit card lines for approximately S/3,076,669,000 and S/2,536,448,000, respectively.

Notes to the interim consolidated financial statements (continued)

(b) The classification of the direct loan portfolio is as follows (see also Note c.1):

	30.09.2022 S/(000)	31.12.2021 S/(000)
Commercial loans	21,937,015	22,118,918
Consumer loans	14,133,667	12,514,499
Mortgage loans	9,145,861	8,552,304
Small and micro-business loans	1,430,148	1,502,501
Total	46,646,691	44,688,222

Following is the balance of loans under the "Reactiva Peru" program as of September 30, 2022 and December 31, 2021:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Commercial loans	2,215,824	3,848,904
Small and micro-business loans	730,579	1,047,233
Total	2,946,403	4,896,137

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) As described in further detail in Note 30.1 of the annual audited consolidated financial statements, the Group has applied expert judgment for the calculation of the expected loss. Following is a summary of the main characteristics of the expert judgment applied by the Group to each reported period in this report:

i) Expert judgment applied as of September 30, 2021: consisted of the migration of clients with highest risk from Stage 1 to Stage 2, and from Stage 2 to Stage 3. The migration of loans to higher risk stages lead to the incurrence of higher provision for expected loss; and

ii) Expert judgment applied as of December 31, 2021, and September 30, 2022: consisted of integrating into the model of the expected loss calculation, the effects of uncertainty and risks generated by the current situation as of the reporting date.

The following table shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating as of September 30, 2022 and December 31, 2021. The amounts presented do not consider impairment.

	30.09.2022				31.12.2021			
Direct loans, see (c.1)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 (*) S/(000)	Total (*) S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 (*) S/(000)	Total (*) S/(000)
Not impaired								
High grade	24,539,995	1,136,870	-	25,676,865	33,465,863	428,269	-	33,894,132
Standard grade	3,776,412	939,611	-	4,716,023	4,408,249	371,023	-	4,779,272
Sub-standard grade	11,581,264	1,491,241	-	13,072,505	1,918,709	1,191,914	-	3,110,623
Past due but not impaired	693,670	1,349,094	-	2,042,764	729,660	862,359	-	1,592,019
Impaired								
Individually	-	-	39,609	39,609	-	-	41,069	41,069
Collectively	-	-	1,098,925	1,098,925	-	-	1,271,107	1,271,107
Total direct loans	40,591,341	4,916,816	1,138,534	46,646,691	40,522,481	2,853,565	1,312,176	44,688,222

	30.09.2022				31.12.2021			
Contingent Credits: Guarantees and stand-by letters, Import and export letters of credit (substantially, all Indirect loans correspond to commercial loans)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	828,173	88,192	-	916,365	3,871,575	347,420	-	4,218,995
Standard grade	14,037	47,537	-	61,574	79,334	798	-	80,132
Sub-standard grade	3,001,897	491,355	-	3,493,252	33,453	82,821	-	116,274
Past due but not impaired	-	-	-	-	-	-	-	-
Impaired								
Individually	-	-	12,909	12,909	-	-	12,909	12,909
Collectively	-	-	9,883	9,883	-	-	12,148	12,148
Total indirect loans	3,844,107	627,084	22,792	4,493,983	3,984,362	431,039	25,057	4,440,458

(*) As of September 30, 2022, the maximum exposure to credit risk of the Banking segment for direct loans in Stage 3 amounts to S/1,138,347,000, out of a total amount of S/44,759,277,000 in the direct loan portfolio (as of December 31, 2021, amounted to S/1,308,216,000 out of a total amount of S/43,011,805,000 in the direct loan portfolio). Therefore, as of September 30, 2022, the balance of provisions for said segment amounts to S/2,074,997,000 (as of December 31, 2021, amounted to S/2,102,465,000).

Notes to the interim consolidated financial statements (continued)

(c.1) The following tables show the credit quality and maximum exposure to credit risk for each classification of the direct loans:

	30.09.2022				31.12.2021			
Commercial loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	6,035,781	968,393	-	7,004,174	16,535,489	372,946	-	16,908,435
Standard grade	1,715,599	326,551	-	2,042,150	2,229,068	163,143	-	2,392,211
Sub-standard grade	10,937,293	602,360	-	11,539,653	1,094,980	509,141	-	1,604,121
Past due but not impaired	339,937	632,666	-	972,603	376,301	324,017	-	700,318
Impaired								
Individually	-	-	39,609	39,609	-	-	41,069	41,069
Collectively	-	-	338,826	338,826	-	-	472,764	472,764
Total direct loans	19,028,610	2,529,970	378,435	21,937,015	20,235,838	1,369,247	513,833	22,118,918

	30.09.2022				31.12.2021			
Consumer loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	10,447,212	158,195	-	10,605,407	9,365,186	53,219	-	9,418,405
Standard grade	1,087,154	541,075	-	1,628,229	1,386,872	75,474	-	1,462,346
Sub-standard grade	275,422	589,957	-	865,379	527,381	391,980	-	919,361
Past due but not impaired	133,817	455,267	-	589,084	89,186	270,241	-	359,427
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	445,568	445,568	-	-	354,960	354,960
Total direct loans	11,943,605	1,744,494	445,568	14,133,667	11,368,625	790,914	354,960	12,514,499

Notes to the interim consolidated financial statements (continued)

	30.09.2022				31.12.2021			
Mortgage loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	7,154,698	759	-	7,155,457	6,749,848	1,838	-	6,751,686
Standard grade	849,454	27,944	-	877,398	715,652	43,702	-	759,354
Sub-standard grade	357,304	209,919	-	567,223	287,750	159,549	-	447,299
Past due but not impaired	179,743	125,867	-	305,610	231,610	93,827	-	325,437
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	240,173	240,173	-	-	268,528	268,528
Total direct loans	8,541,199	364,489	240,173	9,145,861	7,984,860	298,916	268,528	8,552,304
	30.09.2022				31.12.2021			
Small and micro-business loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	902,304	9,523	-	911,827	815,340	266	-	815,606
Standard grade	124,205	44,041	-	168,246	76,657	88,704	-	165,361
Sub-standard grade	11,245	89,005	-	100,250	8,598	131,244	-	139,842
Past due but not impaired	40,173	135,294	-	175,467	32,563	174,274	-	206,837
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	74,358	74,358	-	-	174,855	174,855
Total direct loans	1,077,927	277,863	74,358	1,430,148	933,158	394,488	174,855	1,502,501

Notes to the interim consolidated financial statements (continued)

(d) The balances 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

	30.09.2022				30.09.2021				31.12.2021
Changes in the allowance for expected credit losses for direct loans, see (d.1.1)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year balances	956,456	404,881	703,580	2,064,917	180,241	1,145,207	1,659,403	2,984,851	2,984,851
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	427,641	-	-	427,641	299,801	-	-	299,801	397,989
Assets matured or derecognized (excluding write-offs)	(80,194)	(40,384)	(27,361)	(147,939)	(94,868)	(52,554)	(39,014)	(186,436)	(224,524)
Transfers to Stage 1	131,173	(128,787)	(2,386)	-	106,105	(104,774)	(1,331)	-	-
Transfers to Stage 2	(245,524)	256,359	(10,835)	-	(119,697)	130,651	(10,954)	-	-
Transfers to Stage 3	(72,667)	(209,469)	282,136	-	(68,740)	(250,806)	319,546	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(106,426)	231,696	271,195	396,465	(79,892)	61,186	502,077	483,371	(106,741)
Others	(364,087)	95,918	145,370	(122,799)	(100,696)	(43,200)	31,778	(112,118)	333,280
Total	(310,084)	205,333	658,119	553,368	(57,987)	(259,497)	802,102	484,618	400,004
Write-offs	-	-	(699,194)	(699,194)	-	-	(1,337,393)	(1,337,393)	(1,525,094)
Recovery of written-off loans	-	-	117,123	117,123	-	-	139,744	139,744	181,969
Foreign exchange effect	(216)	(355)	(898)	(1,469)	7,457	5,525	13,935	26,917	23,187
Expected credit loss at the end of period	646,156	609,859	778,730	2,034,745	129,711	891,235	1,277,791	2,298,737	2,064,917

(d.1.1) The following tables show the movement of the allowance for expected credit losses for each classification of the direct loan portfolio:

	30.09.2022				30.09.2021				31.12.2021
Commercial loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year	100,874	60,100	182,467	343,441	71,272	98,040	68,448	237,760	237,760
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	31,242	-	-	31,242	43,818	-	-	43,818	30,045
Assets derecognized or matured (excluding write-offs)	(10,053)	(7,259)	(9,137)	(26,449)	(29,736)	(10,397)	(1,751)	(41,884)	(48,459)
Transfers to Stage 1	31,051	(30,398)	(653)	-	10,672	(10,672)	-	-	-
Transfers to Stage 2	(19,273)	20,155	(882)	-	(28,447)	28,447	-	-	-
Transfers to Stage 3	(2,827)	(49,780)	52,607	-	(4,634)	(11,702)	16,336	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(26,476)	14,466	(5,006)	(17,016)	(5,507)	31,360	54,169	80,022	171,697
Others	(18,025)	60,503	(25,912)	16,566	4,428	(40,317)	(425)	(36,314)	(36,542)
Total	(14,361)	7,687	11,017	4,343	(9,406)	(13,281)	68,329	45,642	116,741
Write-offs	-	-	(57,319)	(57,319)	-	-	(22,223)	(22,223)	(27,392)
Recovery of written-off loans	-	-	1,076	1,076	-	-	739	739	1,404
Foreign exchange effect	(361)	(409)	(664)	(1,434)	6,683	4,367	6,516	17,566	14,928
Expected credit loss at the end of period	86,152	67,378	136,577	290,107	68,549	89,126	121,809	279,484	343,441

(*) With the purpose of reflecting the impact of the uncertainty due to the Covid-19 pandemic, see Note 1(b), during 2022 and 2021, the Group decided to apply its expert judgment in determining the expected credit loss, see Note 30.1(d.7) to the annual audited consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

	30.09.2022				30.09.2021				31.12.2021
Consumer loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year	802,421	263,219	336,041	1,401,681	85,321	901,602	1,426,470	2,413,393	2,413,393
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	357,570	-	-	357,570	244,831	-	-	244,831	348,647
Assets derecognized or matured (excluding write-offs)	(66,676)	(29,009)	(7,976)	(103,661)	(61,914)	(39,240)	(24,779)	(125,933)	(152,520)
Transfers to Stage 1	50,251	(49,205)	(1,046)	-	67,125	(65,954)	(1,171)	-	-
Transfers to Stage 2	(203,559)	207,111	(3,552)	-	(69,918)	75,346	(5,428)	-	-
Transfers to Stage 3	(63,677)	(108,165)	171,842	-	(59,389)	(217,246)	276,635	-	-
Impact on the expected credit loss for loans that change stage in the year (*)	(39,514)	197,581	355,869	513,936	(55,129)	(7,432)	392,980	330,419	(429,660)
Others	(334,337)	(1,825)	93,664	(242,498)	(100,590)	46,529	32,046	(22,015)	459,139
Total	(299,942)	216,488	608,801	525,347	(34,984)	(207,997)	670,283	427,302	225,606
Write-offs	-	-	(590,302)	(590,302)	-	-	(1,250,335)	(1,250,335)	(1,414,948)
Recovery of written-off loans	-	-	109,176	109,176	-	-	135,449	135,449	175,287
Foreign exchange effect	1	33	4	38	36	503	1,988	2,527	2,343
Expected credit loss at the end of period	502,480	479,740	463,720	1,445,940	50,373	694,108	983,855	1,728,336	1,401,681
	30.09.2022				30.09.2021				31.12.2021
Mortgage loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year	12,669	42,681	99,850	155,200	11,123	62,782	114,079	187,984	187,984
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	1,750	-	-	1,750	2,627	-	-	2,627	2,357
Assets derecognized or matured (excluding write-offs)	(359)	(510)	(8,764)	(9,633)	(1,463)	(751)	(10,451)	(12,665)	(15,754)
Transfers to Stage 1	5,080	(5,080)	-	-	3,095	(3,095)	-	-	-
Transfers to Stage 2	(563)	4,487	(3,924)	-	(3,991)	9,515	(5,524)	-	-
Transfers to Stage 3	(185)	(1,110)	1,295	-	(1,089)	(1,730)	2,819	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(4,637)	3,889	7,476	6,728	(2,719)	(1,006)	9,275	5,550	(35,772)
Others	12,930	(14,786)	(6,758)	(8,614)	(4,146)	(7,297)	1,988	(9,455)	13,055
Total	14,016	(13,110)	(10,675)	(9,769)	(7,686)	(4,364)	(1,893)	(13,943)	(36,114)
Write-offs	-	-	(2,161)	(2,161)	-	-	(2,065)	(2,065)	(2,419)
Recovery of written-off loans	-	-	-	-	-	-	-	-	-
Foreign exchange effect	150	26	(257)	(81)	681	649	5,304	6,634	5,749
Expected credit loss at the end of period	26,835	29,597	86,757	143,189	4,118	59,067	115,425	178,610	155,200

(*) With the purpose of reflecting the impact of the uncertainty due to the Covid-19 pandemic, see Note 1(b), during 2022 and 2021, the Group decided to apply its expert judgment in determining the expected credit loss, see Note 30.1(d.7) to the annual audited consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

	30.09.2022				30.09.2021				31.12.2021
Small and micro-business loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year	40,492	38,881	85,222	164,595	12,525	82,783	50,406	145,714	145,714
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	37,079	-	-	37,079	8,525	-	-	8,525	16,940
Assets derecognized or matured (excluding write-offs)	(3,106)	(3,606)	(1,484)	(8,196)	(1,755)	(2,166)	(2,033)	(5,954)	(7,791)
Transfers to Stage 1	44,791	(44,104)	(687)	-	25,213	(25,053)	(160)	-	-
Transfers to Stage 2	(22,129)	24,606	(2,477)	-	(17,341)	17,343	(2)	-	-
Transfers to Stage 3	(5,978)	(50,414)	56,392	-	(3,628)	(20,128)	23,756	-	-
Impact on the expected credit loss for loans that change stage in the year (*)	(35,799)	15,760	(87,144)	(107,183)	(16,537)	38,264	45,653	67,380	186,994
Others	(24,655)	52,026	84,376	111,747	(388)	(42,115)	(1,831)	(44,334)	(102,372)
Total	(9,797)	(5,732)	48,976	33,447	(5,911)	(33,855)	65,383	25,617	93,771
Write-offs	-	-	(49,412)	(49,412)	-	-	(62,770)	(62,770)	(80,335)
Recovery of written-off loans	-	-	6,871	6,871	-	-	3,556	3,556	5,278
Foreign exchange effect	(6)	(5)	19	8	57	6	127	190	167
Expected credit loss at the end of period	30,689	33,144	91,676	155,509	6,671	48,934	56,702	112,307	164,595

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

	30.09.2022				30.09.2021				31.12.2021
Changes in the allowance for expected credit losses for indirect loans	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Total S(000)
Expected credit loss at beginning of year balances	8,594	18,492	13,243	40,329	15,741	18,945	23,037	57,723	57,723
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	5,802	-	-	5,802	5,668	-	-	5,668	4,016
Assets derecognized or matured	(4,540)	(1,692)	(924)	(7,156)	(6,302)	(1,126)	(9,861)	(17,289)	(19,950)
Transfers to Stage 1	105	(105)	-	-	79	(79)	-	-	-
Transfers to Stage 2	(793)	793	-	-	(393)	404	(11)	-	-
Transfers to Stage 3	-	(41)	41	-	(548)	(294)	842	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(81)	687	(101)	505	(44)	6,415	593	6,964	1,085
Others	691	(165)	(538)	(12)	(393)	1,377	(1,995)	(1,011)	(3,578)
Total	1,184	(523)	(1,522)	(861)	(1,933)	6,697	(10,432)	(5,668)	(18,427)
Foreign exchange effect	194	1,061	(8)	1,247	901	483	63	1,447	1,033
Expected credit loss at the end of period, Note 10(a)	9,972	19,030	11,713	40,715	14,709	26,125	12,668	53,502	40,329

(*) With the purpose of reflecting the impact of the uncertainty due to the Covid-19 pandemic, see Note 1(b), during 2022 and 2021, the Group decided to apply its expert judgment in determining the expected credit loss, see Note 30.1(d.7) to the annual audited consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

7. Investment property

(a) This caption is made up as follows:

	30.09.2022 S/(000)	31.12.2021 S/(000)	Acquisition or construction year	Valuation methodology as of September 30, 2022 and as of December 31, 2021
Land				
San Isidro – Lima	273,916	281,535	2009	Appraisal
San Martín de Porres – Lima	83,550	66,408	2015	Appraisal
Nuevo Chimbote	35,420	33,863	2021	Appraisal
Others	58,244	47,404	-	Appraisal / Cost
	<u>451,130</u>	<u>429,210</u>		
Completed investment property - “Real Plaza” Shopping Malls				
Talara	29,674	32,554	2015	DCF
	<u>29,674</u>	<u>32,554</u>		
Buildings				
Ate Vitarte – Lima	156,553	116,432	2006	DCF/Appraisal
Orquídeas - San Isidro – Lima	141,535	153,452	2017	DCF
Piura	125,566	116,595	2008/2020	DCF/Appraisal
Paseo del Bosque (d)	99,941	105,398	2021	DCF
Chorrillos – Lima	76,637	67,043	2017	DCF
Chimbote	45,934	44,212	2015	DCF
Maestro-Huancayo	32,951	31,965	2017	DCF
Cusco	28,001	30,852	2017	DCF
Others	97,211	96,741	-	DCF
	<u>804,329</u>	<u>762,690</u>		
Total	<u>1,285,133</u>	<u>1,224,454</u>		

DCF: Discounted cash flow

(i) As of September 30, 2022 and December 31, 2021, there are no liens on investment property.

Notes to the interim consolidated financial statements (continued)

- (b) The net gain on investment properties as of September 30, 2022 and 2021, consists of the following:

	30.09.2022 S/(000)	30.09.2021 S/(000)
Income from rental	50,153	40,554
Net gain on valuation	28,750	69,219
Total	78,903	109,773

- (c) The movement of the caption as of September 30, 2022 and 2021, is as follows:

	30.09.2022 S/(000)	30.09.2021 S/(000)
Beginning of period balances	1,224,454	1,043,978
Additions (d)	21,044	127,360
Valuation gain	28,750	69,219
Net transfers	10,885	1,615
Balances as of September 30	1,285,133	1,242,172
Balances as of December 31, 2021		1,224,454

- (d) For the year 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:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Other accounts receivable and other assets		
Financial Instruments		
Accounts receivable related to derivative financial instruments (b)	675,361	793,361
Other accounts receivable, net	557,208	455,060
Operations in process	140,137	86,193
Accounts receivable from sale of investments	92,220	12,366
Assets for technical reserves for claims and premiums by reinsurers	36,283	53,104
Others	28,471	22,749
	<u>1,529,680</u>	<u>1,422,833</u>
Non-financial Instruments		
Deferred charges	202,822	75,316
Realizable assets, received as payment and seized through legal actions	27,299	26,871
Payments in advance of Income Tax	25,688	255,437
Investments in associates	21,869	99,767
Prepaid rights to related entity	3,399	3,399
Others	24,311	3,831
	<u>305,388</u>	<u>464,621</u>
Total	<u>1,835,068</u>	<u>1,887,454</u>
Other accounts payable, provisions and other liabilities		
Financial Instruments		
Other accounts payable	921,849	547,747
Contract liability with investment component	859,617	736,637
Accounts payable related to derivative financial instruments (b)	319,445	413,797
Operations in process	185,002	169,515
Workers' profit sharing and salaries payable	160,940	113,874
Lease liabilities	121,093	234,946
Accounts payable for acquisitions of investments	110,588	17,817
Allowance for indirect loan losses, Note 6(d.2)	40,715	40,329
Accounts payable to reinsurers and coinsurers	7,283	4,215
	<u>2,726,532</u>	<u>2,278,877</u>
Non-financial Instruments		
Taxes payable	164,476	76,823
Provision for other contingencies	72,888	64,935
Deferred income	72,320	46,145
Others	5,732	10,821
	<u>315,416</u>	<u>198,724</u>
Total	<u>3,041,948</u>	<u>2,477,601</u>

Notes to the interim consolidated financial statements (continued)

(b) The following table presents, as of September 30, 2022 and December 31, 2021, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts:

	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 September 30, 2022							
Derivatives held for trading -							
Forward exchange contracts	42,672	46,280	4,271,213	-	Between October 2022 and November 2023	-	-
Interest rate swaps	72,770	40,788	2,370,342	-	Between October 2022 and June 2036	-	-
Currency swaps	129,852	144,780	2,600,404	-	Between October 2022 and March 2029	-	-
Cross currency swaps	-	86,241	234,314	-	January 2023	-	-
Options	455	1,356	81,682	-	Between October 2022 and September 2023	-	-
	<u>245,749</u>	<u>319,445</u>	<u>9,557,955</u>	<u>-</u>			
Derivatives held as hedges -							
Cash flow hedges:							
Cross currency swaps (CCS)	323,294	-	1,755,621	(14,586)	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	103,521	-	597,600	(26,961)	October 2027	Senior bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	2,797	-	119,430	784	August 2024	Due to banks	Due to banks and correspondents
	<u>429,612</u>	<u>-</u>	<u>2,472,651</u>	<u>(40,763)</u>			
	<u>675,361</u>	<u>319,445</u>	<u>12,030,606</u>	<u>(40,763)</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 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 bond	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>			

(i) As of September 30, 2022 and December 31, 2021, certain derivative financial instruments hold collateral deposits; see Note 4(d).

(ii) For the designated hedging derivatives mentioned 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 September 30, 2022 and December 31, 2021. During the year 2022 and 2021, there were no discontinued hedges accounting.

(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:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Saving deposits	21,331,414	22,541,822
Demand deposits	15,572,308	14,433,164
Time deposits	11,454,887	10,954,233
Compensation for service time (c)	906,980	962,596
Other obligations	14,066	6,129
Total	49,279,655	48,897,944

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

(c) In May 2022, through Act No. 31480 "Act Authorizing the Withdrawal of Severance Indemnities to Cover Economic Needs Caused by the Covid-19 Pandemic", the Peruvian government authorized clients to withdraw the 100 percent of these deposits accumulated until December 31, 2023. As part of this benefit, as of September 30, 2022; 200,187 clients withdrew approximately S/393,803,000 .

In April 2021, through Act No. 31171, the Peruvian government authorized clients to withdraw the 100 percent of these deposits accumulated until December 31, 2021. As part of this benefit, as of December 31, 2021, 242,000 customers withdrew approximately S/1,630,000,000.

(d) As of September 30, 2022 and December 31, 2021, approximately S/18,345,261,000 and S/17,180,174,000, respectively, of deposits and obligations are covered by the Peruvian Deposit Insurance Fund.

Notes to the interim consolidated financial statements (continued)

10. Due to banks and correspondents

(a) This caption is comprised of the following:

	30.09.2022 S/(000)	31.12.2021 S/(000)
By type -		
Banco Central de Reserva del Peru (b)	5,598,068	6,332,527
Promotional credit lines	1,742,876	1,595,405
Loans received from foreign entities	461,796	322,947
Loans received from Peruvian entities	360,402	226,713
	<u>8,163,142</u>	<u>8,477,592</u>
Interest and commissions payable	<u>53,477</u>	<u>45,257</u>
	<u>8,216,619</u>	<u>8,522,849</u>
By term -		
Short term	2,308,583	1,068,838
Long term	<u>5,908,036</u>	<u>7,454,011</u>
Total	<u>8,216,619</u>	<u>8,522,849</u>

(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, as of September 30, 2022, Interbank took in repurchase agreements of loan portfolio for an amount of S/42,461,000 (S/4,183,571,000 as of December 31, 2021).

As of September 30, 2022, include repurchase operations on loans represented by securities according to which Interbank received a debit in local currency for approximately S/2,598,663,000 (S/4,389,903,000 as of December 31, 2021), and gives to commercial and micro and small business loans as guarantee; 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)	30.09.2022 S/(000)	31.12.2021 S/(000)
Local issuances							
Subordinated bonds – first program							
Eighth (A series)	Interbank	6.91%	Semi-annually	2022	S/137,900	-	137,900
							137,900
Subordinated bonds – second program							
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	149,983	149,938
Third (A series)	Interbank	7.50%	Semi-annually	2023	US\$50,000	198,940	199,175
						348,923	349,113
Subordinated bonds – third program							
Third - single series	Interseguro	4.84%	Semi-annually	2030	US\$25,000	99,525	99,675
First - single series	Interseguro	6.00%	Semi-annually	2029	US\$20,000	79,554	79,663
Second - single series	Interseguro	4.34%	Semi-annually	2029	US\$20,000	79,620	79,740
						258,699	259,078
Corporate bonds – second program							
Fifth (A series)	Interbank	3.41% + VAC (*)	Semi-annually	2029	S/150,000	150,000	150,000
Total local issuances						757,622	896,091
International issuances							
Subordinated bonds	Interbank	4.000%	Semi-annually	2030	US\$300,000	1,187,298	1,188,394
Corporate bonds	Interbank	5.000%	Semi-annually	2026	S/312,000	311,503	311,401
Corporate bonds	Interbank	3.250%	Semi-annually	2026	US\$400,000	1,583,561	1,584,288
Corporate bonds	Interbank	3.375%	Semi-annually	2023	US\$484,895	1,924,911	1,912,330
Subordinated bonds	Interbank	6.625%	Semi-annually	2029	US\$300,000	1,192,498	1,193,461
Senior bonds	IFS	4.125%	Semi-annually	2027	US\$300,000	1,120,282	1,178,000
Total International Issuances						7,320,053	7,367,874
Total local and International Issuances						8,077,675	8,263,965
Interest payable						115,265	125,707
Total						8,192,940	8,389,672

(*) 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) 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, which have been met in the opinion of the Group's Management and its legal advisors.

12. Insurance contract liabilities

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

	30.09.2022 S/(000)	31.12.2021 S/(000)
Technical reserves for insurance premiums (b)	9,840,119	11,735,995
Technical reserves for claims (c)	197,486	222,063
	<u>10,037,605</u>	<u>11,958,058</u>
By term -		
Short term	1,014,056	949,512
Long term	9,023,549	11,008,546
Total	<u>10,037,605</u>	<u>11,958,058</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 September 30, 2022 and 2021, is as follows:

	30.09.2022						30.09.2021					
	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life Insurance S/(000)	General Insurance S/(000)	SCTR S/(000)	Total S/(000)	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life Insurance S/(000)	General Insurance S/(000)	SCTR S/(000)	Total S/(000)
Beginning of year balances	9,923,679	618,452	892,992	40,762	260,110	11,735,995	10,448,455	745,292	746,171	38,015	320,142	12,298,075
Insurance subscriptions	256,168	-	2,541	38,942	-	297,651	315,043	115	1,769	28,763	-	345,690
Time passage adjustments	(2,034,357)	(96,353)	72,731	(28,992)	(47,859)	(2,134,830)	(1,770,284)	(191,920)	106,401	(28,618)	(94,745)	(1,979,166)
Maturities and recoveries	-	-	(47,181)	-	-	(47,181)	-	-	(47,653)	-	-	(47,653)
Exchange differences	(9,243)	-	(2,336)	62	1	(11,516)	476,506	-	97,640	648	112	574,906
End of period	<u>8,136,247</u>	<u>522,099</u>	<u>918,747</u>	<u>50,774</u>	<u>212,252</u>	<u>9,840,119</u>	<u>9,469,720</u>	<u>553,487</u>	<u>904,328</u>	<u>38,808</u>	<u>225,509</u>	<u>11,191,852</u>
Balance as of December 31							<u>9,923,679</u>	<u>618,452</u>	<u>892,992</u>	<u>40,762</u>	<u>260,110</u>	<u>11,735,995</u>

(c) The main assumptions used in the estimation of retirement, disability and survival annuities and individual life reserves as of September 30, 2022 and December 31, 2021, are the following:

Type	Mortality table		Interest rate	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Annuities and Lifetime RPP	SPP-S-2017, SPP-I-2017 with improvement factor for mortality		6.56% in US\$ 5.87% in S/ VAC 8.93% adjustable in S/	3.70% in US\$ 3.77% in S/ VAC 6.84% adjustable in S/
Retirement, disability and survival	SPP-S-2017, SPP-I-2017 with improvement factor for mortality		5.87% in S/ VAC	3.77% in S/ VAC
SCTR insurance	SPP-S-2017, SPP-I-2017 with improvement factor for mortality		5.87% in S/ VAC	3.77% in S/ VAC
Individual life insurance contracts (included linked insurance contracts)	CSO 80 adjustable		4.00 - 5.00%	4.00 - 5.00%

Notes to the interim consolidated financial statements (continued)

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 September 30, 2022 and December 31, 2021, 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:

	30.09.2022			31.12.2021		
	Reserves	Variation in reserves		Reserves	Variation in reserves	
	S/(000)	Amount	Percentage	S/(000)	Amount	Percentage
		S/(000)	%		S/(000)	%
Annuities -						
Portfolio in S/ and US Dollars - basis amount						
Changes in interest rate: + 100 bps	7,498,696	(637,551)	(7.84)	8,995,287	(928,392)	(9.37)
Changes in interest rate: - 100 bps	8,884,138	747,891	9.19	11,041,604	1,117,925	11.27
Changes in mortality table at 105%	8,071,814	(64,433)	(0.79)	9,823,769	(99,910)	(1.01)
Changes in mortality table at 95%	8,203,215	66,968	0.82	10,028,431	104,752	1.06
Retirements, disability and survival -						
Portfolio in S/ - basis amount						
Changes in interest rate: + 100 bps	478,921	(43,178)	(8.27)	557,818	(60,634)	(9.80)
Changes in interest rate: - 100 bps	573,153	51,053	9.78	691,971	73,519	11.89
Changes in mortality table at 105%	516,851	(5,248)	(1.01)	611,223	(7,229)	(1.17)
Changes in mortality table at 95%	527,569	5,470	1.05	626,020	7,568	1.22
SCTR insurance -						
Portfolio in S/ - basis amount						
Changes in interest rate: + 100 bps	191,530	(20,722)	(9.76)	228,990	(31,120)	(11.96)
Changes in interest rate: - 100 bps	237,654	25,401	11.97	299,710	39,600	15.22
Changes in mortality table at 105%	210,982	(1,270)	(0.60)	258,161	(1,949)	(0.75)
Changes in mortality table at 95%	213,569	1,316	0.62	262,143	2,033	0.78

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 listed also 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 September 30, 2022 and December 31, 2021, IFS's capital stock is represented by 115,447,705 subscribed and paid-in common shares.

The General Shareholders' Meeting of IFS held on March 31, 2022, agreed to distribute dividends charged to profits for the year 2021 for approximately US\$202,025,000 (equivalent to approximately S/ 751,532,000); equivalent to US\$1.75 per share, which were paid on May 6, 2022.

The General Shareholders' Meeting of IFS held on March 31, 2021, agreed to distribute dividends charged to profits 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 were paid on May 6, 2021. Also, in 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.

(b) Treasury stock -

As of September 30, 2022 and December 31, 2021, the Company and some Subsidiaries jointly hold 30,074 shares issued by IFS, with an acquisition cost equivalent to S/3,363,000.

(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 September 30, 2022 and December 31, 2021, 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 and prepared following the requirements by their regulators (the SBS or the Central Bank of the Bahamas, in the case of Inteligo Bank).

(e) Reserves -

The General Shareholders' Meeting of IFS held on March 31, 2022, agreed to constitute reserves for S/800,000,000 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 (see Note 2), are not subject to any Income Tax, or any other taxes on capital gains, equity or property. The Subsidiaries incorporated and domiciled in Peru (see Note 2) 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; as well as income generated through assets related to life insurance contracts with savings component.

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 period of 12 months shares or participations representing 10 percent or more of the capital of legal persons non-domiciled be disposal.

- (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 records the amount of Income Tax on dividends as expense of the financial year of the dividends received. In this sense, as of September 30, 2022 and 2021, the Company has recorded a provision for S/23,348,000 and S/19,855,000, respectively, in the caption “Income Tax” of the interim consolidated statement of income.
- (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 September 30, 2022 and December 31, 2021, 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.

Below are the taxable periods subject to review by the Tax Authority as of September 30, 2022:

- Interbank: Income Tax returns for the years 2017 to 2021, and Value-Added-Tax returns for the years 2017 to 2021.
- Interseguro: Income Tax returns for the years 2017 to 2021, and Value-Added-Tax returns for the years 2017 to 2021.
- Seguros Sura: Income Tax returns for the years 2017 to 2018, and Value-Added-Tax returns for the years 2017 to 2018.

Notes to the interim consolidated financial statements (continued)

- Procesos de Medios de Pago: Income Tax returns for the years 2017 to 2021, and Value-Added-Tax returns for the years 2017 to 2021.
- Izipay: Income Tax returns for the years 2018 to 2021, and Value-Added-Tax returns for the years 2018 to 2021.

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 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:

- Between 2004 and 2010, Interbank received several 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 September 30, 2022, the tax liability requested for this concept and other minor contingencies, amounts to approximately S/289,000,000, and includes taxes, fines and interest arrears, of which S/200,000,000 corresponded to the interest in suspense and S/89,000,000 corresponded to other minor discrepancies. As of December 31, 2021, the tax liability amounted to S/425,000,000 and includes taxes, fines and interest arrears; however, during the year 2022, Interbank was notified with some rulings in its favor reaffirming its position that interest in suspense does not constitute taxable income.

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 the Interbank’s position; as consequence, no provision has been recorded for this contingency as of September 30, 2022 and December 31, 2021.

- In 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. To date, this process has been appealed and is pending resolution by the Tax Court.
- In 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. The main concept observed corresponds to the deduction of loan write-offs without proof by the SBS.

As of September 30, 2022 and December 31, 2021, the tax debt requested for this concept and other minor contingencies amounts to approximately S/47,000,000 and S/41,000,000, respectively, which comprises the tax and fines.

Notes to the interim consolidated financial statements (continued)

In the opinion of Interbank's Management and its legal advisors, any eventually additional tax settlement would not be significant for the financial statements as of September 30, 2022 and December 31, 2021.

- In April 2019, SUNAT notified about the beginning of the definitive audit process on Income Tax withholdings of non-domiciled entities corresponding to the year 2018. To date, said audit is under process and no resolutions have been issued by SUNAT.
- In September and December 2019, SUNAT notified Interbank about the beginning of the definitive audit process on Income Tax corresponding to the year 2014 and 2015, respectively, which are in the appeal stage.
- In May 2020, Interbank was notified with the Resolution of Compliance related to the Income Tax and advance payments of the Income Tax for the year 2005 (linked to the interest in suspense). Through said notification, SUNAT increased the requested tax debt from S/ 1,000,000 to S/35,000,000. In June 2020, Interbank filed an Appeal, which is pending of pronouncement by the Tax Court.
- In July 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. At the date of this report, the process is under appeal, pending resolution. As of September 30, 2022, the tax debt claimed by SUNAT amounted to S/14,000,000.

In June 2022, the respective Appeal was filed, which is pending resolution.

- In February 2021, Interbank was notified with the Resolution of Compliance related to the Income Tax and prepaid income tax of the year 2006 (related to litigations about interest in suspense). Through said notification, SUNAT rejected an excess payment of S/3,500,000 and determined a tax debt of S/23,000,000.
- In December 2021, by letter No. 210011740110-01-SUNAT, SUNAT notified the Bank about the beginning of the definitive audit process on Income Tax corresponding to the year 2017.
- In June 2022, the Permanent Constitutional and Social Law Chamber of the Supreme Court notified Interbank of its ruling regarding the Income Tax 2004, which declared groundless the cassation appeals by SUNAT and the Ministry of Economy and Finance, thus reaffirming the position held by Interbank in the sense that interest in suspense does not constitute taxable income.

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 September 30, 2022 and December 31, 2021.

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. The tax debt requested by SUNAT amounts to approximately S/19,000,000. Considering that this debt corresponds to a period prior to the acquisition of Sura by the Group, if confirmed, 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.

Notes to the interim consolidated financial statements (continued)

Izipay:

As of December 31, 2021, Izipay maintains tax loss amounting to S/99,640,144. In application of tax regulations in force, Management opted for system "B" to offset its tax losses against the net income obtained in the following years, up to 50 percent of said income.

In the opinion of Management and its legal advisers, any eventual additional tax would not be significant for the financial statements as of September 30, 2022 and December 31, 2021.

- (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 consolidated statements of income:

	For the nine-month ended as of September 30,	
	2022 S/(000)	2021 S/(000)
Current – Expense	404,738	227,935
Deferred – (Income) expense	(47,980)	80,737
	<u>356,758</u>	<u>308,672</u>

Notes to the interim consolidated financial statements (continued)

15. Interest income and expenses, and similar accounts

(a) For the nine-month periods ended September 30, 2022 and 2021 this caption is composed as follows:

	30.09.2022 S/(000)	30.09.2021 S/(000)
Interest and similar income		
Interest on loan portfolio	3,007,351	2,403,205
Impact from the modification of contractual cash flows due to the loan rescheduling schemes	19,398	84,963
Interest on investments at fair value through other comprehensive income	878,399	680,976
Interest on investments at amortized cost	121,136	96,667
Interest on due from banks and inter-bank funds	100,726	22,870
Dividends on financial instruments	57,835	76,538
Other interest and similar income	2,486	3,333
Total	4,187,331	3,368,552
Interest and similar expenses		
Interest and fees on deposits and obligations	(554,946)	(239,388)
Interest on bonds, notes and other obligations	(315,516)	(324,528)
Interest and fees on obligations with financial institutions	(151,225)	(115,579)
Deposit insurance fund fees	(57,592)	(51,364)
Interest on lease payments	(7,883)	(8,392)
Other interest and similar expenses	(39,513)	(27,961)
Total	(1,126,675)	(767,212)

Notes to the interim consolidated financial statements (continued)

16. Fee income from financial services, net

(a) For the nine-month periods ended September 30, 2022 and 2021 this caption is composed as follows:

	30.09.2022 S/(000)	30.09.2021 S/(000)
Income		
Performance obligations at a point in time:		
Accounts maintenance, carriage, transfers, and debit and credit card fees	512,851	401,704
Income from services (acquirer and issuer role) (b)	314,987	-
Banking services fees	146,841	161,643
Brokerage and custody services	4,337	6,427
Others (c)	22,869	-
Performance obligations over time:		
Funds management	119,136	139,892
Contingent loans fees	52,310	48,858
Collection services	44,865	38,868
Commission for loans rescheduling "Reactiva Peru" program	15,200	-
Others	18,066	50,470
Total	1,251,462	847,862
Expenses		
Expenses for services (acquirer and issuer role) (*)	(150,386)	-
Credit cards	(114,217)	(92,481)
Credit life insurance premiums	(43,348)	(52,977)
Local banks fees	(35,505)	(25,787)
Commission for loans rescheduling "Reactiva Peru" program	(20,951)	(24,509)
Foreign banks fees	(18,993)	(25,757)
Registry expenses	(1,569)	(2,107)
Brokerage and custody services	(795)	(761)
Others (*)	(51,560)	(22,547)
Total	(437,324)	(246,926)
Net	814,138	600,936

(*) Includes S/37,521,000 related to brand fees expenses, paid by Izipay since April 2022, period in which Izipay became a Subsidiary of IFS.

(b) Corresponds to the management and operation of the shared service of transaction processing of credit and debit cards, for clients of Izipay since April 2022, period in which Izipay becomes a Subsidiary of IFS.

(c) Corresponds to revenues for correspondent cashier services for S/22,869,000, from Izipay, since April 2022, period in which Izipay becomes a Subsidiary of IFS.

Notes to the interim consolidated financial statements (continued)

17. Other income and (expenses)

(a) For the nine-month periods ended September 30, 2022 and 2021 this caption is composed as follows:

	30.09.2022 S/(000)	30.09.2021 S/(000)
Other income		
Fair value adjustment of the participation held by Interbank in Izipay, note 1(c)	222,513	-
Income from investments in associates (b)	18,192	23,678
Gain on sale of property, furniture and equipment	9,939	-
Other technical income from insurance operations	5,288	5,559
Income from ATM rentals	4,934	3,305
Services rendered to third parties	4,740	5,853
Gain from sale of written-off-loans	4,622	1,463
Other income	89,654	11,911
Total other income	359,882	51,769
Other expenses		
Sundry technical insurance expenses	(51,996)	(47,286)
Commissions from insurance activities	(39,277)	(26,104)
Expenses related to rental income	(7,422)	(2,149)
Provision for sundry risk	(7,376)	(7,215)
Provision for assets received as payment and seized assets	(5,112)	(248)
Administrative and tax penalties	(4,935)	(1,101)
Donations	(3,431)	(3,700)
Other expenses	(65,761)	(35,215)
Total other expenses	(185,310)	(123,018)

(b) As of September 30, 2022, includes S/5,033,000 corresponding to the participation that Interbank held in Izipay until March 31, 2022.

Notes to the interim consolidated financial statements (continued)

18. Net premiums earned

(a) For the nine-month periods ended September 30, 2022 and 2021 this caption is composed as follows:

	Premiums assumed		Adjustment of technical reserves		Gross premiums (*)		Premiums ceded to reinsurers		Net premiums earned	
	30.09.2022 S/(000)	30.09.2021 S/(000)	30.09.2022 S/(000)	30.09.2021 S/(000)	30.09.2022 S/(000)	30.09.2021 S/(000)	30.09.2022 S/(000)	30.09.2021 S/(000)	30.09.2022 S/(000)	30.09.2021 S/(000)
Life Insurance										
Annuities (**)	386,424	384,977	(197,532)	(171,468)	188,892	213,509	-	-	188,892	213,509
Group life	133,433	101,074	(643)	(2,470)	132,790	98,604	(5,272)	(5,062)	127,518	93,542
Individual life	163,027	132,265	(27,423)	(59,292)	135,604	72,973	(4,811)	(3,980)	130,793	68,993
Retirement (disability and survival)	7,124	6,646	(15,653)	(1,863)	(8,529)	4,783	(316)	(391)	(8,845)	4,392
Others	2	1	(14,137)	(8,861)	(14,135)	(8,860)	-	-	(14,135)	(8,860)
Total life Insurance	690,010	624,963	(255,388)	(243,954)	434,622	381,009	(10,399)	(9,433)	424,223	371,576
Total general Insurance	98,176	76,435	(9,932)	226	88,244	76,661	(32)	(46)	88,212	76,615
Total general	788,186	701,398	(265,320)	(243,728)	522,866	457,670	(10,431)	(9,479)	512,435	448,191

(*) 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.

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

	Gross claims and benefits		Ceded claims and benefits		Net insurance claims and benefits	
	30.09.2022 S/(000)	30.09.2021 S/(000)	30.09.2022 S/(000)	30.09.2021 S/(000)	30.09.2022 S/(000)	30.09.2021 S/(000)
Life Insurance						
Annuities	(524,212)	(509,339)	-	-	(524,212)	(509,339)
Group life	(28,353)	(115,412)	2,518	10,770	(25,835)	(104,642)
Individual life	(8,456)	(30,323)	(67)	7,659	(8,523)	(22,664)
Retirement (disability and survival)	(28,741)	(37,526)	(5,843)	4,382	(34,584)	(33,144)
Others	(12,189)	(11,452)	(76)	(28)	(12,265)	(11,480)
General Insurance	(30,708)	(18,517)	-	10	(30,708)	(18,507)
	(632,659)	(722,569)	(3,468)	22,793	(636,127)	(699,776)

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 2021				
Balance as of January 1, 2021	115,423	115,423	270	115,423
Sale of treasury stock	1	1	178	1
Purchase of treasury stock	(6)	(6)	204	(4)
Balance as of September 30, 2021	115,418	115,418		115,420
Net earnings attributable to IFS's shareholders S/(000)				1,529,087
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				13.248
Period 2022				
Balance as of January 1, 2022	115,418	115,418	270	115,418
Balance as of September 30, 2022	115,418	115,418		115,418
Net earnings attributable to IFS's shareholders S/(000)				1,260,555
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				10.922

Notes to the interim consolidated financial statements (continued)

20. Transactions with related parties and affiliates

- (a) The table below presents the main transactions with related parties and affiliated as of September 30, 2022 and December 31, 2021 and for the nine-month periods ended September 30, 2022 and 2021:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Assets		
Instruments at fair value through profit or loss	100	112,096
Investments at fair value through other comprehensive income	55,269	65,357
Loans, net (b)	1,330,829	1,323,580
Accounts receivable	83,162	131,541
Other assets	20,446	8,694
Liabilities		
Deposits and obligations	953,842	999,754
Other liabilities	69,302	12,809
Off-balance sheet accounts		
Indirect loans (b)	55,644	105,604
	30.09.2022 S/(000)	30.09.2021 S/(000)
Income (expenses)		
Interest and similar income	51,742	50,530
Rental income	23,659	13,611
Valuation of financial derivative instruments	137	145
Administrative expenses	(21,476)	(30,024)
Interest and similar expenses	(9,884)	(2,077)
Others, net	33,558	23,616

- (b) As of September 30, 2022 and December 31, 2021, the detail of loans is the following:

	30.09.2022			31.12.2021		
	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)
Affiliates	1,114,276	19,866	1,134,142	1,076,393	45,522	1,121,915
Associates	216,553	35,778	252,331	247,187	60,082	307,269
	<u>1,330,829</u>	<u>55,644</u>	<u>1,386,473</u>	<u>1,323,580</u>	<u>105,604</u>	<u>1,429,184</u>

- (c) As of September 30, 2022 and December 31, 2021, 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. As of September 30, 2022 and December 31, 2021, direct loans to employees, directors and executives amounted to S/213,066,000 and S/212,967,000, 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 nine-month periods ended September 30, 2022 and 2021, is presented below:

	30.09.2022 S/(000)	30.09.2021 S/(000)
Salaries	21,039	19,902
Board of Directors' compensations	2,516	2,679
Total	23,555	22,581

- (e) In Management's opinion, transactions with related companies have been performed under market conditions and within the limits permitted by the current regulation. 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.

21. Business segments

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

Banking -

Mainly loans, credit facilities, deposits and current accounts.

Insurance -

It provides life annuity products with single-premium payment 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.

Payments -

Mainly renders services of management, operation and processing of credit and debit cards. Taking into account that Izipay became a subsidiary of IFS since April 2022, the results shown for this segment correspond to the six-month period ended September 30, 2022.

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 nine-month periods ended September 30, 2022 and 2021:

	30.09.2022					
	Banking (*) S/(000)	Insurance S/(000)	Wealth management S/(000)	Payments (**) S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Total income (***)						
Third party	4,309,014	1,233,425	(197)	188,730	188,480	5,919,452
Inter-segment	(61,171)	(32)	-	-	61,203	-
Total income	4,247,843	1,233,393	(197)	188,730	249,683	5,919,452
Consolidated statement of income data						
Interest and similar income	3,377,986	695,763	113,216	681	(315)	4,187,331
Interest and similar expenses	(997,471)	(93,478)	(32,264)	(859)	(2,603)	(1,126,675)
Net interest and similar income	2,380,515	602,285	80,952	(178)	(2,918)	3,060,656
(Loss) reversal on loans, net of recoveries	(554,724)	-	2,217	-	-	(552,507)
(Loss) recovery due to impairment of financial investments	(314)	4,279	(8,528)	-	(11)	(4,574)
Net interest and similar income after impairment loss on loans	1,825,477	606,564	74,641	(178)	(2,929)	2,503,575
Fee income from financial services, net	586,277	(5,539)	125,949	165,900	(58,449)	814,138
Net loss on sale of financial investments	(11,648)	(7,790)	(37,074)	-	-	(56,512)
Other income	356,399	38,537	(202,288)	22,149	247,244	462,041
Total net premiums earned minus claims and benefits	-	(123,673)	-	-	(19)	(123,692)
Depreciation and amortization	(189,613)	(18,213)	(11,067)	(18,629)	(6,268)	(243,790)
Other expenses	(1,233,421)	(267,815)	(95,922)	(128,312)	30,055	(1,695,415)
Income (loss) before translation result and Income Tax	1,333,471	222,071	(145,761)	40,930	209,634	1,660,345
Translation result	(7,291)	(6,006)	(10,151)	4,316	(16,443)	(35,575)
Income Tax	(317,000)	-	(2,406)	(15,911)	(21,441)	(356,758)
Net profit (loss) for the period	1,009,180	216,065	(158,318)	29,335	171,750	1,268,012
Attributable to:						
IFS's shareholders	1,009,180	216,065	(158,318)	29,335	164,293	1,260,555
Non-controlling interest	-	-	-	-	7,457	7,457
	1,009,180	216,065	(158,318)	29,335	171,750	1,268,012

(*) As of September 30, 2022, the banking segment includes 50 percent of Interbank's participation in Izipay, recorded in the caption "Other income". The portion corresponding to the second and third quarter has been eliminated from the consolidation process.

(**) As of September 30, 2022, the payments segment corresponds to income generated by Izipay in the six-month period ended September 30, 2022 plus the participation recorded by Interbank over Izipay's income generated in the first quarter.

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

Notes to the interim consolidated financial statements (continued)

	30.09.2021				
	Banking (*) S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Total income (**)					
Third party	3,575,350	1,292,450	509,239	73,528	5,450,567
Inter-segment	(34,894)	-	-	34,894	-
Total income	3,540,456	1,292,450	509,239	108,422	5,450,567
Consolidated statement of income data					
Interest and similar income	2,653,337	591,058	113,790	10,367	3,368,552
Interest and similar expenses	(655,150)	(76,977)	(29,727)	(5,358)	(767,212)
Net interest and similar income	1,998,187	514,081	84,063	5,009	2,601,340
Loss on loans, net of recoveries	(476,807)	-	(2,143)	-	(478,950)
(Loss) recovery due to impairment of financial investments	(656)	32,167	(406)	(158)	30,947
Net interest and similar income after impairment loss on loans	1,520,724	546,248	81,514	4,851	2,153,337
Fee income from financial services, net	489,234	(4,148)	148,882	(33,032)	600,936
Net gain on sale of financial investments	101,143	114,421	29,084	268	244,916
Other income	331,636	142,928	217,483	95,925	787,972
Total net premiums earned minus claims and benefits	-	(251,585)	-	-	(251,585)
Depreciation and amortization	(178,590)	(18,986)	(11,279)	4,378	(204,477)
Other expenses	(1,113,343)	(230,406)	(91,807)	16,648	(1,418,908)
Income before translation result and income tax	1,150,804	298,472	373,877	89,038	1,912,191
Translation result	21,398	(39,093)	(5,048)	(44,965)	(67,708)
Income tax	(279,004)	-	(8,637)	(21,031)	(308,672)
Net profit (loss) for the period	893,198	259,379	360,192	23,042	1,535,811
Attributable to:					
IFS's shareholders	893,198	259,379	360,192	16,318	1,529,087
Non-controlling interest	-	-	-	6,724	6,724
	893,198	259,379	360,192	23,042	1,535,811

(*) As of September 30, 2021, the banking segment included 50 percent of Interbank's income from Izipay, which were recorded in the caption "Other income".

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

Notes to the interim consolidated financial statements (continued)

30.09.2022						
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Payments S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Capital investments (*)	162,957	25,506	5,111	47,515	766	241,855
Total assets	68,872,979	13,548,173	5,183,615	601,917	500,575	88,707,259
Total liabilities	61,886,715	12,686,756	4,290,640	397,348	(68,093)	79,193,366
31.12.2021						
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)	
Capital investments (*)	216,786	157,186	40,114	616	414,702	
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	

(*) It includes the purchase of property, furniture and equipment, intangible assets and investment properties during the nine-month periods ended September 30, 2022, or during the year ended December 31, 2021, as applicable.

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 September 30, 2022 and December 31, 2021, are presented below:

	As of September 30, 2022				
	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	-	-	-	12,941,645	12,941,645
Inter-bank funds	-	-	-	-	-
Financial investments	2,233,349	18,890,531	513,594	3,261,949	24,899,423
Loans, net	-	-	-	45,094,022	45,094,022
Due from customers on acceptances	-	-	-	42,737	42,737
Other accounts receivable and other assets, net	675,361	-	-	854,319	1,529,680
	<u>2,908,710</u>	<u>18,890,531</u>	<u>513,594</u>	<u>62,194,672</u>	<u>84,507,507</u>
Financial liabilities					
Deposits and obligations	-	-	-	49,279,655	49,279,655
Inter-bank funds	-	-	-	294,051	294,051
Due to banks and correspondents	-	-	-	8,216,619	8,216,619
Bonds, notes and other obligations	-	-	-	8,192,940	8,192,940
Due from customers on acceptances	-	-	-	42,737	42,737
Insurance contract liabilities	-	-	-	10,037,605	10,037,605
Other accounts payable, provisions and other liabilities	319,445	-	-	2,407,087	2,726,532
	<u>319,445</u>	<u>-</u>	<u>-</u>	<u>78,470,694</u>	<u>78,790,139</u>

Notes to the interim consolidated financial statements (continued)

	As of December 31, 2021				
	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
Inter-bank funds	-	-	-	30,002	30,002
Financial investments	2,706,271	17,921,275	623,718	3,296,030	24,547,294
Loans, net	-	-	-	43,005,583	43,005,583
Due from customers on acceptances	-	-	-	152,423	152,423
Other accounts receivable and other assets, net	793,361	-	-	629,472	1,422,833
	<u>3,499,632</u>	<u>17,921,275</u>	<u>623,718</u>	<u>64,217,975</u>	<u>86,262,600</u>
Financial liabilities					
Deposits and obligations	-	-	-	48,897,944	48,897,944
Due to banks and correspondents	-	-	-	8,522,849	8,522,849
Bonds, notes and other obligations	-	-	-	8,389,672	8,389,672
Due from customers on acceptances	-	-	-	152,423	152,423
Insurance contract liabilities	-	-	-	11,958,058	11,958,058
Other accounts payable, provisions and other liabilities	413,797	-	-	1,865,080	2,278,877
	<u>413,797</u>	<u>-</u>	<u>-</u>	<u>79,786,026</u>	<u>80,199,823</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.

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. 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.

Additionally, as consequence of the Covid-19 pandemic, the behavior and performance of the expected credit losses of the retail and commercial clients has been affected, thus requiring a greater monitoring of results, which has also implied to perform certain subsequent adjustments to the expected loss model to be able to capture the effects of the current situation, which has generated a high level of uncertainty in the estimation of the loans expected loss.

In compliance with the policy of monitoring the Group's credit risk, during 2021 Interbank performed the recalibration process of its risk parameters for the calculation of the expected credit losses.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, geographical and industry segments. Said risks are monitored on a revolving basis and subject to continuous review.

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 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 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 September 30, 2022 and December 31, 2021, 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		Net amount S/(000)
				Financial instruments (including non-cash guarantees) S/(000)	Cash guarantees received S/(000)	
As of September 30, 2022						
Derivatives, Note 8(b)	675,361	-	675,361	(193,416)	(279,824)	202,121
Total	<u>675,361</u>	<u>-</u>	<u>675,361</u>	<u>(193,416)</u>	<u>(279,824)</u>	<u>202,121</u>
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>

(b.2) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of September 30, 2022 and December 31, 2021, 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		Net amount S/(000)
				Financial instruments (including non-cash guarantees) S/(000)	Cash guarantees pledged (Note 4(d)) S/(000)	
As of September 30, 2022						
Derivatives, Note 8(b)	319,445	-	319,445	(193,416)	(85,757)	40,272
Total	<u>319,445</u>	<u>-</u>	<u>319,445</u>	<u>(193,416)</u>	<u>(85,757)</u>	<u>40,272</u>
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>

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 September 30, 2022, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.978 per US\$1 bid and S/3.984 per US\$1 ask (S/3.975 and S/3.998 as of December 31, 2021, respectively). As of September 30, 2022, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.981 per US\$1 (S/3.987 as of December 31, 2021).

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

	As of September 30, 2022				As of December 31, 2021			
	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	10,350,046	2,047,695	543,904	12,941,645	10,415,166	6,062,879	626,420	17,104,465
Inter-bank funds	-	-	-	-	-	30,002	-	30,002
Financial investments	7,215,371	17,614,297	69,755	24,899,423	8,709,754	15,708,023	129,517	24,547,294
Loans, net	13,791,991	31,302,031	-	45,094,022	12,086,570	30,919,013	-	43,005,583
Due from customers on acceptances	42,737	-	-	42,737	152,423	-	-	152,423
Other accounts receivable and other assets, net	304,237	1,200,851	24,592	1,529,680	222,795	1,199,349	689	1,422,833
	<u>31,704,382</u>	<u>52,164,874</u>	<u>638,251</u>	<u>84,507,507</u>	<u>31,586,708</u>	<u>53,919,266</u>	<u>756,626</u>	<u>86,262,600</u>
Liabilities								
Deposits and obligations	19,900,027	28,862,819	516,809	49,279,655	20,003,314	28,382,727	511,903	48,897,944
Inter-bank funds	-	294,051	-	294,051	-	-	-	-
Due to banks and correspondents	865,178	7,351,441	-	8,216,619	757,039	7,765,810	-	8,522,849
Bonds, notes and other obligations	7,546,075	646,865	-	8,192,940	7,616,634	773,038	-	8,389,672
Due from customers on acceptances	42,737	-	-	42,737	152,423	-	-	152,423
Insurance contract liabilities	3,874,270	6,163,335	-	10,037,605	5,241,284	6,716,774	-	11,958,058
Other accounts payable, provisions and other liabilities	1,202,146	1,523,965	421	2,726,532	523,281	1,753,975	1,621	2,278,877
	<u>33,430,433</u>	<u>44,842,476</u>	<u>517,230</u>	<u>78,790,139</u>	<u>34,293,975</u>	<u>45,392,324</u>	<u>513,524</u>	<u>80,199,823</u>
Forwards position, net	(1,183,320)	1,231,289	(47,969)	-	(378,778)	464,885	(86,107)	-
Currency swaps position, net	892,287	(892,287)	-	-	2,171,025	(2,171,025)	-	-
Cross currency swaps position, net	2,238,337	(2,238,337)	-	-	2,123,300	(2,123,300)	-	-
Options position, net	(250)	250	-	-	(3)	3	-	-
Monetary position, net	<u>221,003</u>	<u>5,423,313</u>	<u>73,052</u>	<u>5,717,368</u>	<u>1,208,277</u>	<u>4,697,505</u>	<u>156,995</u>	<u>6,062,777</u>

As of September 30, 2022, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$595,654,000, equivalent to S/2,371,299,000 (US\$651,240,000, equivalent to S/2,596,494,000 as of December 31, 2021).

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 September 30, 2022				As of December 31, 2021			
	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 (*)	789,753	439,497	1,004,099	2,233,349	978,978	633,400	1,093,893	2,706,271
Debt instruments measured at fair value through other comprehensive income	7,928,536	10,741,889	-	18,670,425	11,194,459	6,435,328	-	17,629,787
Equity instruments measured at fair value through other comprehensive income	396,874	76,910	39,810	513,594	556,162	27,686	39,870	623,718
Derivatives receivable	-	675,361	-	675,361	-	793,361	-	793,361
	<u>9,115,163</u>	<u>11,933,657</u>	<u>1,043,909</u>	<u>22,092,729</u>	<u>12,729,599</u>	<u>7,889,775</u>	<u>1,133,763</u>	<u>21,753,137</u>
Accrued interest				220,106				291,488
Total financial assets				<u>22,312,835</u>				<u>22,044,625</u>
Financial liabilities								
Derivatives payable	-	319,445	-	319,445	-	413,797	-	413,797

(*) As of September 30, 2022 and December 31, 2021, 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 2022 and 2021, there were no transfers of financial instruments to or from level 3 to level 1 or level 2.

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

	30.09.2022 S/(000)	31.12.2021 S/(000)
Initial balance as of January 1	1,133,763	514,922
Purchases	157,914	629,543
Sales	(232,892)	(237,870)
(Loss) gain recognized on the consolidated statement of income	<u>(14,876)</u>	<u>227,168</u>
Final balance	<u>1,043,909</u>	<u>1,133,763</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 September 30, 2022					As of December 31, 2021				
	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	-	12,941,645	-	12,941,645	12,941,645	-	17,104,465	-	17,104,465	17,104,465
Inter-bank funds	-	-	-	-	-	-	30,002	-	30,002	30,002
Investments at amortized cost	2,816,564	-	-	2,816,564	3,261,949	3,181,392	-	-	3,181,392	3,296,030
Loans, net	-	42,805,214	-	42,805,214	45,094,022	-	42,892,599	-	42,892,599	43,005,583
Due from customers on acceptances	-	42,737	-	42,737	42,737	-	152,423	-	152,423	152,423
Other accounts receivable and other assets, net	-	854,319	-	854,319	854,319	-	629,472	-	629,472	629,472
Total	2,816,564	56,643,915	-	59,460,479	62,194,672	3,181,392	60,808,961	-	63,990,353	64,217,975
Liabilities										
Deposits and obligations	-	49,165,817	-	49,165,817	49,279,655	-	48,914,408	-	48,914,408	48,897,944
Inter-bank funds	-	294,051	-	294,051	294,051	-	-	-	-	-
Due to banks and correspondents	-	7,817,678	-	7,817,678	8,216,619	-	8,274,484	-	8,274,484	8,522,849
Bonds, notes and other obligations	6,630,289	1,014,572	-	7,644,861	8,192,940	7,286,082	1,202,219	-	8,488,301	8,389,672
Due from customers on acceptances	-	42,737	-	42,737	42,737	-	152,423	-	152,423	152,423
Insurance contract liabilities	-	10,037,605	-	10,037,605	10,037,605	-	11,958,058	-	11,958,058	11,958,058
Other accounts payable and other liabilities	-	2,407,087	-	2,407,087	2,407,087	-	1,865,080	-	1,865,080	1,865,080
Total	6,630,289	70,779,547	-	77,409,836	78,470,694	7,286,082	72,366,672	-	79,652,754	79,786,026

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 September 30, 2022 and December 31, 2021, 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 as trust are not included in the consolidated financial statements.

As of September 30, 2022 and December 31, 2021, the value of the managed off-balance sheet financial assets is as follows:

	30.09.2022 S/(000)	31.12.2021 S/(000)
Investment funds	17,518,983	18,669,786
Mutual funds	<u>4,473,176</u>	<u>4,310,914</u>
Total	<u>21,992,159</u>	<u>22,980,700</u>