

InterCorp Financial Services Inc. and Subsidiaries

**Interim consolidated financial statements as of March 31, 2021, December 31, 2020
and for the three-month periods ended March 31, 2021 and 2020**

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Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of financial position

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

| | Note | 31.03.2021 S/(000) | 31.12.2020 S/(000) | | Note | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|------|-----------------------|-----------------------|--|------|-----------------------|-----------------------|
| Assets | | | | Liabilities and equity | | | |
| Cash and due from banks | 4(a) | | | Deposits and obligations | 9 | | |
| Non-interest bearing | | 3,433,564 | 3,397,663 | Non-interest bearing | | 9,115,641 | 9,354,487 |
| Interest bearing | | 15,296,484 | 14,750,135 | Interest bearing | | 40,280,503 | 37,794,788 |
| Restricted funds | | 530,499 | 617,684 | | | 49,396,144 | 47,149,275 |
| | | 19,260,547 | 18,765,482 | | | | |
| Inter-bank funds | 4(e) | - | 18,105 | Inter-bank funds | 4(e) | - | 28,971 |
| Financial investments | 5 | 24,678,847 | 24,277,115 | Due to banks and correspondents | 10 | 9,003,321 | 9,660,877 |
| Loans, net: | 6 | | | Bonds, notes and other obligations | 11 | 8,020,355 | 7,778,751 |
| Loans, net of unearned interest | | 43,491,425 | 43,504,274 | Due from customers on acceptances | | 72,453 | 16,320 |
| Impairment allowance for loans | | (2,654,540) | (2,984,851) | Insurance contract liabilities | 12 | 11,768,343 | 12,501,723 |
| | | 40,836,885 | 40,519,423 | Other accounts payable, provisions and other liabilities | 8 | 2,859,972 | 2,146,152 |
| | | | | Deferred Income Tax liability, net | | 419 | 11 |
| | | | | Total liabilities | | 81,121,007 | 79,282,080 |
| | | | | | | | |
| | | | | Equity, net | 13 | | |
| | | | | Equity attributable to IFS's shareholders: | | | |
| Investment property | 7 | 1,203,898 | 1,043,978 | Capital stock | | 1,038,017 | 1,038,017 |
| Property, furniture and equipment, net | | 814,808 | 844,427 | Treasury stock | | (3,374) | (2,769) |
| Due from customers on acceptances | | 72,453 | 16,320 | Capital surplus | | 532,771 | 532,771 |
| Intangibles and goodwill, net | | 1,030,822 | 1,042,585 | Reserves | | 5,200,000 | 5,200,000 |
| Other accounts receivable and other assets, net | 8 | 1,863,833 | 1,355,029 | Unrealized results, net | | 536,543 | 836,773 |
| Deferred Income Tax asset, net | | 280,199 | 353,565 | Retained earnings | | 1,570,950 | 1,303,317 |
| | | 90,042,292 | 88,236,029 | | | 8,874,907 | 8,908,109 |
| Total assets | | | | Non-controlling interest | | 46,378 | 45,840 |
| | | | | Total equity, net | | 8,921,285 | 8,953,949 |
| | | | | | | | |
| | | | | Total liabilities and equity, net | | 90,042,292 | 88,236,029 |

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 three-month periods ended March 31, 2021 and 2020

| | Note | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|---|------------------|-----------------------|-----------------------|
| Interest and similar income | 15 | 1,085,687 | 1,248,210 |
| Interest and similar expenses | 15 | (251,807) | (338,094) |
| Net interest and similar income | | 833,880 | 910,116 |
| Impairment loss on loans, net of recoveries | 6(d.1) and (d.2) | (189,004) | (312,618) |
| Recovery (loss) due to impairment of financial investments | 5(c) | 47,223 | (40,522) |
| Net interest and similar income after impairment loss | | 692,099 | 556,976 |
| Fee income from financial services, net | 16 | 201,258 | 220,308 |
| Net gain on foreign exchange transactions | | 51,506 | 131,339 |
| Net gain on sale of financial investments | | 206,084 | 28,288 |
| Net gain (loss) on financial assets at fair value through profit or loss | | 70,787 | (154,174) |
| Net gain on investment property | 7(b) | 44,007 | 21,943 |
| Other income | 17 | 15,275 | 11,917 |
| | | 588,917 | 259,621 |
| Insurance premiums and claims | | | |
| Net premiums earned | 18(a) | 123,009 | 125,317 |
| Net claims and benefits incurred for life insurance contracts and others | 18(b) | (240,942) | (186,106) |
| | | (117,933) | (60,789) |
| Other expenses | | | |
| Salaries and employee benefits | | (179,878) | (209,874) |
| Administrative expenses | | (216,403) | (193,886) |
| Depreciation and amortization | | (67,661) | (66,363) |
| Other expenses | 17 | (48,100) | (41,083) |
| | | (512,042) | (511,206) |
| Income before translation result and Income Tax | | 651,041 | 244,602 |
| Translation result | | (30,590) | (23,856) |
| Income Tax | 14(e) | (91,703) | (75,841) |
| Net profit for the period | | 528,748 | 144,905 |
| Attributable to: | | | |
| IFS's shareholders | | 526,272 | 143,375 |
| Non-controlling interest | | 2,476 | 1,530 |
| | | 528,748 | 144,905 |
| Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles) | 19 | 4.560 | 1.242 |
| Weighted average number of outstanding shares (in thousands) | 19 | 115,418 | 115,446 |

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 three-month periods ended March 31, 2021 and 2020

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|--|-----------------------|-----------------------|
| Net profit for the period | 528,748 | 144,905 |
| Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods: | | |
| Revaluation of gains (losses) on equity instruments at fair value through other comprehensive income | 168,108 | (206,582) |
| Income Tax | (11) | - |
| Total unrealized gain (loss) that will not be reclassified to the consolidated statement of income | <u>168,097</u> | <u>(206,582)</u> |
| Other comprehensive income to be reclassified to the consolidated statement of income in subsequent periods: | | |
| Net movement of debt instruments at fair value through other comprehensive income | (1,465,644) | (1,115,662) |
| Income Tax | 6,300 | 10,309 |
| | <u>(1,459,344)</u> | <u>(1,105,353)</u> |
| Insurance premiums reserve | 996,011 | 749,618 |
| Net movement of cash flow hedges | 32,872 | 39,853 |
| Income Tax | (5,938) | (5,762) |
| | <u>26,934</u> | <u>34,091</u> |
| Translation of foreign operations | 39,065 | 28,877 |
| Total unrealized loss to be reclassified to the consolidated statement of income in subsequent periods | <u>(397,334)</u> | <u>(292,767)</u> |
| Total other comprehensive income for the period, net of Income Tax | <u>299,511</u> | <u>(354,444)</u> |
| Attributable to: | | |
| IFS's shareholders | 298,972 | (354,910) |
| Non-controlling interest | 539 | 466 |
| | <u>299,511</u> | <u>(354,444)</u> |

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of changes in equity

For the three-month periods ended March 31, 2021 and 2020

| Attributable to IFS's shareholders | | | | | | | | | | | | | | | |
|---|--------------------------|-------------------------------|--------------------------|---------------------------|----------------------------|---|---|---|--|-------------------------------------|--|------------------------------|------------------|-------------------------------------|------------------------------|
| | Number of shares | | | | | Unrealized results, net | | | | | | | | | |
| | | | | | | Instruments that will not be reclassified to the consolidated statement of Income | Instruments that will be reclassified to the consolidated statement of Income | | | | | | | | |
| | | | | | | | | | | | | | | | |
| | Issued (in thousands) | In treasury (in thousands) | 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) |
| Balances as of January 1, 2020 | 115,447 | (1) | 1,038,017 | (196) | 530,456 | 4,700,000 | 264,883 | 1,036,159 | (923,855) | (22,758) | 88,476 | 2,145,688 | 8,856,870 | 46,578 | 8,903,448 |
| Net profit for the period | - | - | - | - | - | - | - | - | - | - | - | 143,375 | 143,375 | 1,530 | 144,905 |
| Other comprehensive income | - | - | - | - | - | - | (206,295) | (1,103,250) | 748,388 | 33,995 | 28,877 | - | (498,285) | (1,064) | (499,349) |
| Total other comprehensive income | - | - | - | - | - | - | (206,295) | (1,103,250) | 748,388 | 33,995 | 28,877 | 143,375 | (354,910) | 466 | (354,444) |
| Purchase of treasury stock, Note 13(b) | - | (2) | - | (97) | - | - | - | - | - | - | - | - | (97) | - | (97) |
| Sale of equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | 35,513 | - | - | - | - | (35,513) | - | - | - |
| Others | - | - | - | - | 2,315 | - | - | - | - | - | - | (4,623) | (2,308) | (332) | (2,640) |
| Balance as of March 31, 2020 | 115,447 | (3) | 1,038,017 | (293) | 532,771 | 4,700,000 | 94,101 | (67,091) | (175,467) | 11,237 | 117,353 | 2,248,927 | 8,499,555 | 46,712 | 8,546,267 |
| Balances 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 year | - | - | - | - | - | - | - | - | - | - | - | 526,272 | 526,272 | 2,476 | 528,748 |
| Other comprehensive income | - | - | - | - | - | - | 167,891 | (1,455,467) | 994,376 | 26,835 | 39,065 | - | (227,300) | (1,937) | (229,237) |
| Total other comprehensive income | - | - | - | - | - | - | 167,891 | (1,455,467) | 994,376 | 26,835 | 39,065 | 526,272 | 298,972 | 539 | 299,511 |
| Declared dividends, Note 13(a) | - | - | - | - | - | - | - | - | - | - | - | (332,096) | (332,096) | - | (332,096) |
| Purchase of treasury stock, Note 13(b) | - | (5) | - | (605) | - | - | - | - | - | - | - | - | (605) | - | (605) |
| Sale of equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | (72,930) | - | - | - | - | 72,930 | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - | 527 | 527 | (1) | 526 |
| Balance as of March 31, 2021 | 115,447 | (29) | 1,038,017 | (3,374) | 532,771 | 5,200,000 | 392,173 | 211,636 | (261,469) | (10,273) | 204,476 | 1,570,950 | 8,874,907 | 46,378 | 8,921,285 |

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 three-month periods ended March 31, 2021 and 2020

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Net profit for the period | 528,748 | 144,905 |
| Plus (minus) adjustments to net profit | | |
| Impairment loss on loans, net of recoveries | 189,004 | 312,618 |
| (Recovery) loss due to impairment of financial investments | (47,223) | 40,522 |
| Depreciation and amortization | 67,661 | 66,363 |
| Provision for sundry risks | 2,042 | 2,382 |
| Deferred Income Tax | 73,938 | (36,629) |
| Net gain on sale of financial investments | (206,084) | (28,288) |
| Net (gain) loss of financial assets at fair value through profit or loss | (70,787) | 154,174 |
| Net gain for valuation of investment property | (35,506) | (11,481) |
| Translation result | 30,590 | 23,856 |
| Decrease in accrued interest receivable | 133,103 | 28,985 |
| (Decrease) increase in accrued interest payable | (54,268) | 22,432 |
| Net changes in assets and liabilities | | |
| Net increase in loans | (540,971) | (227,157) |
| Net increase in other accounts receivable and other assets | (591,675) | (153,285) |
| Net decrease (increase) in restricted funds | 84,142 | (238,444) |
| Increase (decrease) in deposits and obligations | 2,305,359 | (538,802) |
| (Decrease) increase in due to banks and correspondents | (650,560) | 1,360,326 |
| Increase in other accounts payable, provisions and other liabilities | 1,012,010 | 255,949 |
| (Increase) decrease of investments at fair value through profit or loss | (170,942) | 36,187 |
| Net cash provided by operating activities | <u>2,058,581</u> | <u>1,214,613</u> |

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

Interim consolidated statement of cash flows (continued)

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|---|-----------------------|-----------------------|
| Cash flows from investing activities | | |
| Net sale of financial investments | (1,317,907) | (1,066,350) |
| Purchase of property, furniture and equipment | (9,567) | (19,341) |
| Purchase of intangible assets | (25,057) | (67,065) |
| Purchase of investment property | (122,798) | (1,785) |
| Net cash used in investing activities | (1,475,329) | (1,154,541) |
| Cash flows from financing activities | | |
| Issuance of bonds, notes and other obligations | - | 312,000 |
| Net decrease (increase) in receivable inter-bank funds | 18,105 | (64,999) |
| Net decrease in payable inter-bank funds | (28,971) | (57,634) |
| Purchase of treasury stock, net | (605) | (97) |
| Lease payments | (22,837) | (24,251) |
| Net cash (used in) provided by financing activities | (34,308) | 165,019 |
| Net increase in cash and cash equivalents | 548,944 | 225,091 |
| Gain (loss) from exchange rate variation on cash and cash equivalents | 33,170 | (10,586) |
| Cash and cash equivalents at the beginning of the period | 18,145,919 | 9,851,729 |
| Cash and cash equivalents at the end of the period | 18,728,033 | 10,066,234 |

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 March 31, 2021 (unaudited) and December 31, 2020 (audited)

1. Business activity

(a) Business activity -

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

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

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

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

The interim consolidated financial statements as of March 31, 2021, have been approved by the Audit Committee, and by Board of Directors in sessions held on May 12, 2021. The audited consolidated financial statement as of December 31, 2020, were approved by the General Shareholders' Meeting held on March 31, 2021.

(b) Global pandemic Covid-19 -

(b.1) State of National and Sanitary Emergency

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

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

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

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

Notwithstanding the aforementioned, due to the increase in the number of infections at national level, through Supreme Decree No. 009-2021, dated February 19, 2021, the Peruvian Government extended the State of Sanitary Emergency until September 2, 2021. Likewise, through Supreme Decree No. 076-2021-PCM, the State of National Emergency was also extended through May 31, 2021, with measures focused by region in the areas of health care and traffic restrictions on movement.

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

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

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

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

As of March 31, 2021 and December 31, 2020, Interbank holds loans of the “Reactiva Peru” program for an amount of S/6,348,352,000 and S/6,615,768,000, respectively, from which S/5,637,762,000 and S/5,855,826,000, respectively, are guaranteed by the Peruvian Government.

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

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

i) Liquidity and solvency

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

- The General Shareholders’ Meeting of Interbank held on April 3, 2020, approved the reduction in the percentage of distributable dividends for the 2019 period, from 45 percent to 25 percent. In addition, it was agreed that the net profit generated in the first quarter of 2020,

Notes to the interim consolidated financial statements (continued)

which amounted to S/231,887,000 and were capitalized through the General Shareholders' Meeting held on March 25, 2021.

- On June 30, 2020, Interbank placed an International subordinated bonds for US\$300,000,000.
- In the Board's Session held on June 30, 2020, Interseguro agreed to the capitalization of S/50,000,000 with charge to the period's net profit. Through the General Shareholders' Meeting dated March 9, 2021, the capitalization of S/62,962,963 was approved, which includes the amount committed in June 2020.
- On September 30, 2020, Interseguro placed subordinated bonds for US\$25,000,000.
- In the General Shareholders' Meeting held on December 24, 2020, Interseguro agreed to the capitalization of S/48,148,000 with charge to the retained earnings.

ii) Operations

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

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

iii) Distribution channels

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

iv) Employees

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

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

2. Subsidiaries

IFS's Subsidiaries are the following:

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

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

Notes to the interim consolidated financial statements (continued)

As of March 31, 2021, Interbank had 207 offices (215 offices as of December 31, 2020). Additionally, IFS holds approximately 100 percent of the shares of the following Subsidiaries:

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

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

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

Interseguro holds participations in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth "Patrimonio Fideicometido - Interproperties Perú"), that is a structured entity, incorporated in April 2008, and in which several investors (related parties to the Group) contributed investment properties. Each investor or investors have ownership of and specific control over the contributed investment property. The fair values of the properties contributed by Interseguro, which were included in this structured entity as of March 31, 2021 and December 31, 2020, amounted to S/86,617,000 and S/118,892,000, respectively. For accounting purposes and under IFRS 10 "Consolidated Financial Statements" the assets included in said structure are considered "silos", because they are ring-fenced parts of the wider structured entity (the Patrimonio Fideicometido - Interproperties Perú). The Group has ownership and decision-making power over these properties and the Group has the exposure or rights to their returns; therefore, the Group has consolidated the silos containing the investment properties that it controls.

(c) Inteligo Group Corp. and Subsidiaries -

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

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

Notes to the interim consolidated financial statements (continued)

- (d) **Negocios e Inmuebles S.A. and Holding Retail Perú S.A. -**
These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura in 2017. As of March 31, 2021 and December 31, 2020, as a result of the merger between Interseguro and Seguros Sura, both companies 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, an online marketplace, dedicated to the sale of products from different stores locally.
- (f) **IFS Digital S.A.C. -**
Entity incorporated in August 2020, its corporate purpose is to perform any type of investments and related services.

3. Significant accounting policies

3.1 Basis of presentation and use of estimates -

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

3.2 Basis of consolidation -

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

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

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|--------------------------|-----------------------|-----------------------|
| Cash and clearing (b) | 2,334,325 | 2,152,432 |
| Deposits in the BCRP (b) | 14,482,605 | 14,102,067 |
| Deposits in banks (c) | 1,911,104 | 1,891,420 |
| Accrued interest | 2,015 | 1,879 |
| | <u>18,730,049</u> | <u>18,147,798</u> |
| Restricted funds (d) | 530,498 | 617,684 |
| Total | <u>19,260,547</u> | <u>18,765,482</u> |

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

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

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

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

(d) The Group maintains restricted funds related to:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|-------------------------------------|-----------------------|-----------------------|
| Repurchase agreements with BCRP (*) | 395,215 | 542,922 |
| Derivative financial instruments | 84,008 | 70,559 |
| Inter-bank transfers | 46,829 | - |
| Others | 4,446 | 4,203 |
| Total | <u>530,498</u> | <u>617,684</u> |

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

Notes to the interim consolidated financial statements (continued)

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, 2020, Inter-bank funds assets accrued interest at an annual rate of 0.25 percent in foreign currency and Inter-bank funds liabilities accrued interest at an annual rate of 0.25 percent in foreign currency and do not have specific guarantees.

5. Financial investments

(a) This caption is made up as follows:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|--|-----------------------|-----------------------|
| Debt instruments measured at fair value through other comprehensive income (b) and (c) | 17,990,326 | 17,902,352 |
| Investments at amortized cost (d) | 2,752,712 | 2,650,930 |
| Investments at fair value through profit or loss (e) | 2,288,443 | 2,042,777 |
| Equity instruments measured at fair value through other comprehensive income (f) | 1,450,066 | 1,373,548 |
| Total financial investments | 24,481,547 | 23,969,607 |
| Accrued income | | |
| Debt instruments measured at fair value through other comprehensive income (b) | 178,395 | 251,140 |
| Investments at amortized cost (d) | 18,905 | 56,368 |
| Total | 24,678,847 | 24,277,115 |

Notes to the interim consolidated financial statements (continued)

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

| | Amortized cost S/(000) | Unrealized gross amount | | Estimated fair value S/(000) | Maturity | Annual effective interest rates | | | |
|---|------------------------------|-------------------------|-----------------------|------------------------------------|-----------------|---------------------------------|----------|----------|----------|
| | | Gains S/(000) | Losses (c) S/(000) | | | S/ | | US\$ | |
| | | | | | | Min % | Max % | Min % | Max % |
| | | | | | | | | | |
| As of March 31, 2021 | | | | | | | | | |
| Corporate, leasing and subordinated bonds (*) | 8,027,854 | 479,487 | (167,294) | 8,340,047 | Nov-21 / Feb-97 | 0.18 | 11.19 | 0.47 | 10.73 |
| Sovereign Bonds of the Republic of Peru | 6,532,441 | 22,951 | (164,359) | 6,391,033 | Aug-24 / Feb-55 | 1.40 | 6.29 | - | - |
| Negotiable Certificates of Deposit issued by BCRP | 1,749,616 | 2,739 | (25) | 1,752,330 | Apr-21 / Mar-23 | 0.24 | 1.22 | - | - |
| Global Bonds of the Republic of Peru | 850,857 | - | (14,163) | 836,694 | Jul-25 / Dec-32 | - | - | 0.90 | 2.80 |
| Bonds guaranteed by the Peruvian Government | 533,273 | 28,994 | (1,916) | 560,351 | Oct-24 / Oct-33 | 1.61 | 4.54 | 1.89 | 4.86 |
| Global Bonds of the Republic of Colombia | 109,630 | 639 | (398) | 109,871 | Mar-23 / Feb-24 | - | - | 1.31 | 1.76 |
| Total | 17,803,671 | 534,810 | (348,155) | 17,990,326 | | | | | |
| Accrued interest | | | | 178,395 | | | | | |
| Total | | | | 18,168,721 | | | | | |

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

(*) As of March 31, 2021 and December 31, 2020, Inteligo holds corporate bonds and mutual funds from different entities for approximately S/378,861,000 and S/393,364,000, respectively, which guarantee loans with Credit Suisse First Boston and Bank J. Safra Sarasin; see Note 10(a).

Notes to the interim consolidated financial statements (continued)

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

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) | 31.03.2020 S/(000) |
|---|-----------------------|-----------------------|-----------------------|
| Expected credit loss at the beginning of the period | 71,560 | 34,743 | 34,743 |
| New assets originated or purchased | 51 | 120 | 287 |
| Assets derecognized or matured (excluding write-offs) | (350) | (8,879) | (85) |
| Effect on the expected credit loss due to the change of the stage during the year | - | 7,646 | - |
| (Recovery) impairment loss of Rutas de Lima | (46,151) | 33,188 | 42,616 |
| Others | (773) | 829 | (2,296) |
| (Recovery) loss due to impairment on financial investments | (47,223) | 32,904 | 40,522 |
| Foreign exchange effect | 85 | 3,913 | 3,955 |
| Expected credit loss at the end of the period | 24,422 | 71,560 | 79,220 |

- (d) As of March 31, 2021 and December 31, 2020 and 2019, investments at amortized cost corresponds to Sovereign Bonds of the Republic of Peru issued in Soles, for an amount of S/2,771,617,000 and S/2,707,298,000, respectively, including accrued interest. Said investments present low credit risk and the expected credit loss is not significant.

As of March 31, 2021 and December 31, 2020, these investments have maturity dates that range from September 2023 to August 2037, have accrued interests at effective annual rates ranging from 4.29 percent and 5.15 percent, in both periods, and estimated fair value amounting to approximately S/2,881,947,000 and S/2,988,539,000, respectively.

As of March 31, 2021 and December 31, 2020, Interbank keeps loans with the BCRP that are guaranteed with these sovereign bonds, classified as restricted, for approximately S/682,646,000 and S/1,071,740,000, respectively; see Note 10(a).

Notes to the interim consolidated financial statements (continued)

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|--|-----------------------|-----------------------|
| Equity instruments | | |
| Local and foreign mutual funds and investment funds participations | 1,437,089 | 1,212,259 |
| BioPharma Credit PLC | 120,846 | 131,623 |
| Royalty Pharma | 112,906 | 107,530 |
| Ishares | 96,995 | 90,647 |
| ViaSat Inc. | 66,043 | 43,626 |
| LendUp and Mission Lane | 50,500 | 48,670 |
| Dhani Services Limited | 29,025 | 53,557 |
| Others | 187,193 | 91,635 |
| Debt instruments | | |
| Indexed Certificates of Deposit issued by BCRP | 71,206 | 182,888 |
| Corporate, leasing and subordinated bonds | 116,640 | 80,342 |
| Total | 2,288,443 | 2,042,777 |

- (f) The following is the composition of equity instruments measured at fair value through other comprehensive income as of March 31, 2021 and December 31, 2020:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|----------------------------|-----------------------|-----------------------|
| InRetail Perú Corp | 380,617 | 339,945 |
| BioPharma Credit PLC | 364,102 | 358,848 |
| VíaSat Inc. | 178,777 | 117,033 |
| Ishares | 144,091 | 131,795 |
| Ferreycorp S.A.A. | 94,140 | 73,785 |
| Engie- Energía Perú S.A. | 88,591 | 80,852 |
| Credicorp | 60,587 | 70,130 |
| Zipline International Inc. | 37,570 | 36,210 |
| Cementos Pacasmayo S.A.A. | 37,530 | 34,002 |
| Luz del Sur S.A.A. | - | 87,129 |
| Others below S/ 17 million | 64,061 | 43,819 |
| Total | 1,450,066 | 1,373,548 |

Notes to the interim consolidated financial statements (continued)

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

| Debt Instruments measured at fair value through other comprehensive income and at amortized cost | 31.03.2021 | | | |
|--|-------------------|----------------|----------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Sovereign Bonds of the Republic of Peru | 9,143,745 | - | - | 9,143,745 |
| Corporate, leasing and subordinated bonds | 8,100,869 | 239,178 | - | 8,340,047 |
| Negotiable Certificates of Deposit issued by BCRP | 1,752,330 | - | - | 1,752,330 |
| Global Bonds of the Republic of Peru | 836,694 | - | - | 836,694 |
| Bonds guaranteed by the Peruvian Government | 560,351 | - | - | 560,351 |
| Global Bonds of the Republic of Colombia | 109,871 | - | - | 109,871 |
| Total | 20,503,860 | 239,178 | - | 20,743,038 |

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

Notes to the interim consolidated financial statements (continued)

6. Loan, net

(a) This caption is made up as follows:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|-----------------------|-----------------------|
| Direct loans | | |
| Loans | 35,145,954 | 34,718,320 |
| Credit cards and other loans (*) | 3,936,323 | 4,379,884 |
| Leasing | 1,192,150 | 1,211,324 |
| Discounted notes | 478,150 | 468,664 |
| Factoring | 530,166 | 571,994 |
| Advances and overdrafts | 195,164 | 39,414 |
| Refinanced loans | 267,863 | 287,119 |
| Past due and under legal collection loans | 1,347,826 | 1,405,185 |
| | <u>43,093,596</u> | <u>43,081,904</u> |
| Plus (minus) | | |
| Accrued interest from performing loans | 422,091 | 445,122 |
| Unearned interest and interest collected in advance | (24,262) | (22,752) |
| Impairment allowance for loans (d) | <u>(2,654,540)</u> | <u>(2,984,851)</u> |
| Total direct loans, net | <u>40,836,885</u> | <u>40,519,423</u> |
| Indirect loans | <u>4,625,902</u> | <u>4,611,931</u> |

(*) Includes non-revolving consumer loans related to credit card lines that, as of March 31, 2021 and December 31, 2020, amounted to S/2,078,728,000 and S/2,343,079,000, respectively.

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|--------------------------------|-----------------------|-----------------------|
| Commercial loans | 22,338,214 | 22,001,567 |
| Consumer loans | 11,058,817 | 11,416,175 |
| Mortgage loans | 7,995,861 | 7,721,267 |
| Small and micro-business loans | <u>1,700,704</u> | <u>1,942,895</u> |
| Total | <u>43,093,596</u> | <u>43,081,904</u> |

During the year 2020, the balance of the direct loans includes disbursements made by Interbank within the "Reactiva Peru" program for approximately S/6,617 million, out of which S/5,159 million were granted to clients of its commercial loans and S/1,458 million to clients of its small and micro-business loans. As of March 31, 2021, the balance of loans under said program amounts to S/6,348 million (as of December 31, 2020 amounted to S/6,616 million).

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

Notes to the interim consolidated financial statements (continued)

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

| | 31.03.2021 | | | | 31.12.2020 | | | |
|---------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| Direct loans, (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 | 29,556,957 | 1,167,894 | - | 30,724,851 | 29,056,184 | 1,268,445 | - | 30,324,629 |
| Standard grade | 4,575,420 | 1,461,993 | - | 6,037,413 | 4,354,168 | 1,534,936 | - | 5,889,104 |
| Sub-standard grade | 750,448 | 1,334,751 | - | 2,085,199 | 692,669 | 1,159,438 | - | 1,852,107 |
| Past due but not impaired | 600,323 | 1,258,977 | - | 1,859,300 | 790,257 | 1,781,871 | - | 2,572,128 |
| Impaired | | | | | | | | |
| Individually | - | - | 7,678 | 7,678 | - | - | 7,678 | 7,678 |
| Collectively | - | - | 2,379,155 | 2,379,155 | - | - | 2,436,258 | 2,436,258 |
| Total direct loans | 35,483,148 | 5,223,615 | 2,386,833 | 43,093,596 | 34,893,278 | 5,744,690 | 2,443,936 | 43,081,904 |

| | 31.03.2021 | | | | 31.12.2020 | | | |
|-----------------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|
| 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) |
| Not impaired | | | | | | | | |
| High grade | 3,911,306 | 474,708 | - | 4,386,014 | 3,938,193 | 460,431 | - | 4,398,624 |
| Standard grade | 139,355 | 63,636 | - | 202,991 | 104,499 | 68,379 | - | 172,878 |
| Sub-standard grade | 199 | 9,424 | - | 9,623 | 65 | 10,302 | - | 10,367 |
| Past due but not impaired | - | - | - | - | - | - | - | - |
| Impaired | | | | | | | | |
| Individually | - | - | 22,607 | 22,607 | - | - | 22,607 | 22,607 |
| Collectively | - | - | 4,667 | 4,667 | - | - | 7,455 | 7,455 |
| Total indirect loans | 4,050,860 | 547,768 | 27,274 | 4,625,902 | 4,042,757 | 539,112 | 30,062 | 4,611,931 |

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:

| | 31.03.2021 | | | | 31.12.2020 | | | |
|---------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| | 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) |
| Commercial loans | | | | | | | | |
| Not impaired | | | | | | | | |
| High grade | 16,365,099 | 760,966 | - | 17,126,065 | 15,876,174 | 757,184 | - | 16,633,358 |
| Standard grade | 3,001,814 | 944,684 | - | 3,946,498 | 2,902,150 | 966,358 | - | 3,868,508 |
| Sub-standard grade | 327,405 | 187,932 | - | 515,337 | 304,843 | 124,287 | - | 429,130 |
| Past due but not impaired | 280,068 | 219,850 | - | 499,918 | 419,007 | 414,829 | - | 833,836 |
| Impaired | | | | | | | | |
| Individually | - | - | 7,678 | 7,678 | - | - | 7,678 | 7,678 |
| Collectively | - | - | 242,718 | 242,718 | - | - | 229,057 | 229,057 |
| Total direct loans | 19,974,386 | 2,113,432 | 250,396 | 22,338,214 | 19,502,174 | 2,262,658 | 236,735 | 22,001,567 |
| | 31.03.2021 | | | | 31.12.2020 | | | |
| | 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) |
| Consumer loans | | | | | | | | |
| Not impaired | | | | | | | | |
| High grade | 6,524,176 | 181,812 | - | 6,705,988 | 6,615,423 | 209,136 | - | 6,824,559 |
| Standard grade | 917,849 | 320,829 | - | 1,238,678 | 798,142 | 400,173 | - | 1,198,315 |
| Sub-standard grade | 189,306 | 632,533 | - | 821,839 | 135,137 | 539,175 | - | 674,312 |
| Past due but not impaired | 102,951 | 590,688 | - | 693,639 | 133,187 | 882,195 | - | 1,015,382 |
| Impaired | | | | | | | | |
| Individually | - | - | - | - | - | - | - | - |
| Collectively | - | - | 1,598,673 | 1,598,673 | - | - | 1,703,607 | 1,703,607 |
| Total direct loans | 7,734,282 | 1,725,862 | 1,598,673 | 11,058,817 | 7,681,889 | 2,030,679 | 1,703,607 | 11,416,175 |

Notes to the interim consolidated financial statements (continued)

| | 31.03.2021 | | | | 31.12.2020 | | | |
|--------------------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|
| 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 | 5,660,981 | 35,377 | - | 5,696,358 | 5,447,111 | 24,010 | - | 5,471,121 |
| Standard grade | 474,548 | 175,083 | - | 649,631 | 422,425 | 145,076 | - | 567,501 |
| Sub-standard grade | 212,069 | 388,099 | - | 600,168 | 217,289 | 371,910 | - | 589,199 |
| Past due but not impaired | 213,046 | 380,190 | - | 593,236 | 233,595 | 416,371 | - | 649,966 |
| Impaired | | | | | | | | |
| Individually | - | - | - | - | - | - | - | - |
| Collectively | - | - | 456,468 | 456,468 | - | - | 443,480 | 443,480 |
| Total direct loans | 6,560,644 | 978,749 | 456,468 | 7,995,861 | 6,320,420 | 957,367 | 443,480 | 7,721,267 |
| | | | | | | | | |
| | 31.03.2021 | | | | 31.12.2020 | | | |
| 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 | 1,006,701 | 189,739 | - | 1,196,440 | 1,117,476 | 278,115 | - | 1,395,591 |
| Standard grade | 181,209 | 21,397 | - | 202,606 | 231,451 | 23,329 | - | 254,780 |
| Sub-standard grade | 21,668 | 126,187 | - | 147,855 | 35,400 | 124,066 | - | 159,466 |
| Past due but not impaired | 4,258 | 68,249 | - | 72,507 | 4,468 | 68,476 | - | 72,944 |
| Impaired | | | | | | | | |
| Individually | - | - | - | - | - | - | - | - |
| Collectively | - | - | 81,296 | 81,296 | - | - | 60,114 | 60,114 |
| Total direct loans | 1,213,836 | 405,572 | 81,296 | 1,700,704 | 1,388,795 | 493,986 | 60,114 | 1,942,895 |

Notes to the interim consolidated financial statements (continued)

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

(d.1) Direct loans

| | 31.03.2021 | | | | 31.03.2020 | | | | 31.12.2020 |
|---|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| 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 the beginning of year balances | 180,241 | 1,145,207 | 1,659,403 | 2,984,851 | 461,892 | 394,773 | 538,114 | 1,394,779 | 1,394,779 |
| Impact of the expected credit loss in the consolidated statement of income - | | | | | | | | | |
| New originated or purchased assets | 103,813 | - | - | 103,813 | 68,032 | - | - | 68,032 | 451,031 |
| Assets matured or derecognized (excluding write-offs) | (35,463) | (15,739) | (11,822) | (63,024) | (29,357) | (10,723) | (8,878) | (48,958) | (175,993) |
| Transfers to Stage 1 | 77,933 | (76,453) | (1,480) | - | 62,925 | (60,072) | (2,853) | - | - |
| Transfers to Stage 2 | (61,447) | 69,462 | (8,015) | - | (66,197) | 84,126 | (17,929) | - | - |
| Transfers to Stage 3 | (14,997) | (189,317) | 204,314 | - | (400) | (71,341) | 71,741 | - | - |
| Impact on the expected credit loss for credits that change stage in the year (*) | (53,583) | 63,296 | 211,413 | 221,126 | (29,800) | 165,829 | 153,202 | 289,231 | 2,151,311 |
| Others | (58,690) | (28,965) | 15,807 | (71,848) | 46,739 | 36,703 | (75,114) | 8,328 | (49,358) |
| Total | (42,434) | (177,716) | 410,217 | 190,067 | 51,942 | 144,522 | 120,169 | 316,633 | 2,376,991 |
| Write-offs | - | - | (574,226) | (574,226) | - | - | (255,967) | (255,967) | (925,960) |
| Recovery of written-off loans | - | - | 43,437 | 43,437 | - | - | 27,754 | 27,754 | 106,395 |
| Foreign exchange effect | 2,830 | 2,143 | 5,438 | 10,411 | 903 | 2,830 | 7,601 | 11,334 | 32,646 |
| Expected credit loss at the end of year balances | 140,637 | 969,634 | 1,544,269 | 2,654,540 | 514,737 | 542,125 | 437,671 | 1,494,533 | 2,984,851 |

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

| | 31.03.2021 | | | | 31.03.2020 | | | | 31.12.2020 |
|--|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| 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 the beginning of year balances | 71,272 | 98,040 | 68,448 | 237,760 | 54,693 | 24,399 | 67,158 | 146,250 | 146,250 |
| Impact of the expected credit loss in the consolidated statement of income - | | | | | | | | | |
| New originated or purchased assets | 21,889 | - | - | 21,889 | 11,537 | - | - | 11,537 | 118,602 |
| Assets derecognized or matured (excluding write-offs) | (14,167) | (3,970) | (545) | (18,682) | (11,586) | (1,885) | (455) | (13,926) | (30,646) |
| Transfers to Stage 1 | 9,183 | (9,183) | - | - | 3,188 | (3,156) | (32) | - | - |
| Transfers to Stage 2 | (6,686) | 6,705 | (19) | - | (4,920) | 4,977 | (57) | - | - |
| Transfers to Stage 3 | (185) | (4,460) | 4,645 | - | (100) | (877) | 977 | - | - |
| Impact on the expected credit loss for credits that change stage in the year (*) | (5,581) | 19,610 | 12,019 | 26,048 | 3,170 | 9,142 | 11,650 | 23,962 | 64,166 |
| Others | (5,858) | (8,177) | (2,966) | (17,001) | (7,054) | 9,767 | (5,856) | (3,143) | (50,679) |
| Total | (1,405) | 525 | 13,134 | 12,254 | (5,765) | 17,968 | 6,227 | 18,430 | 101,443 |
| Write-offs | - | - | (6,859) | (6,859) | - | - | (2,336) | (2,336) | (27,817) |
| Recovery of written-off loans | - | - | 235 | 235 | - | - | 355 | 355 | 1,756 |
| Foreign exchange effect | 2,526 | 1,694 | 2,528 | 6,748 | 722 | 326 | 630 | 1,678 | 16,128 |
| Expected credit loss at the end of year balances | 72,393 | 100,259 | 77,486 | 250,138 | 49,650 | 42,693 | 72,034 | 164,377 | 237,760 |

(*) With the purpose of reflecting the impact of the uncertainty due to the Covid-19 pandemic, see Note 1(b), the Group decided to apply the expert judgment to perform migrations of clients with higher risk from Stage 1 to Stage 2 and Stage 3, and from Stage 2 to Stage 3. These migrations into higher risk Stages led to incurrence of higher provisions for expected loss during 2020, see Note 30.1(d.5) of the audited annual consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

| | 31.03.2021 | | | | 31.03.2020 | | | | 31.12.2020 |
|--|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| 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 the beginning of year balances | 85,321 | 901,602 | 1,426,470 | 2,413,393 | 384,989 | 332,697 | 340,914 | 1,058,600 | 1,058,600 |
| Impact of the expected credit loss in the consolidated statement of income - | | | | | | | | | |
| New originated or purchased assets | 79,970 | - | - | 79,970 | 51,154 | - | - | 51,154 | 185,014 |
| Assets derecognized or matured (excluding write-offs) | (20,526) | (10,699) | (8,535) | (39,760) | (15,692) | (8,254) | (4,478) | (28,424) | (125,246) |
| Transfers to Stage 1 | 51,055 | (49,772) | (1,283) | - | 48,282 | (45,461) | (2,821) | - | - |
| Transfers to Stage 2 | (48,274) | 53,107 | (4,833) | - | (57,194) | 64,409 | (7,215) | - | - |
| Transfers to Stage 3 | (14,150) | (170,330) | 184,480 | - | (149) | (66,844) | 66,993 | - | - |
| Impact on the expected credit loss for credits that change stage in the year (*) | (36,082) | 23,591 | 179,289 | 166,798 | (32,827) | 140,654 | 85,953 | 193,780 | 1,908,097 |
| Others | (40,536) | (15,339) | 20,297 | (35,578) | 59,024 | 17,013 | (17,916) | 58,121 | 144,988 |
| Total | (28,543) | (169,442) | 369,415 | 171,430 | 52,598 | 101,517 | 120,516 | 274,631 | 2,112,853 |
| Write-offs | - | - | (556,729) | (556,729) | - | - | (239,170) | (239,170) | (868,121) |
| Recovery of written-off loans | - | - | 42,371 | 42,371 | - | - | 26,162 | 26,162 | 100,760 |
| Foreign exchange effect | 15 | 205 | 809 | 1,029 | 125 | 2,354 | 5,687 | 8,166 | 9,301 |
| Expected credit loss at the end of year balances | 56,793 | 732,365 | 1,282,336 | 2,071,494 | 437,712 | 436,568 | 254,109 | 1,128,389 | 2,413,393 |

| | 31.03.2021 | | | | 31.03.2020 | | | | 31.12.2020 |
|--|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| 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 the beginning of year balances | 11,123 | 62,782 | 114,079 | 187,984 | 9,418 | 22,788 | 89,476 | 121,682 | 121,682 |
| Impact of the expected credit loss in the consolidated statement of income - | | | | | | | | | |
| New originated or purchased assets | 772 | - | - | 772 | 431 | - | - | 431 | 2,125 |
| Assets derecognized or matured (excluding write-offs) | (415) | (156) | (2,351) | (2,922) | (373) | (283) | (3,369) | (4,025) | (13,556) |
| Transfers to Stage 1 | 1,730 | (1,730) | - | - | 10,232 | (10,232) | - | - | - |
| Transfers to Stage 2 | (731) | 3,859 | (3,128) | - | (457) | 11,043 | (10,586) | - | - |
| Transfers to Stage 3 | (468) | (1,525) | 1,993 | - | (8) | (885) | 893 | - | - |
| Impact on the expected credit loss for credits that change stage in the year (*) | (1,229) | (893) | 4,863 | 2,741 | 450 | 11,186 | 50,537 | 62,173 | 100,318 |
| Others | (910) | (619) | (1,784) | (3,313) | (4,897) | (2,297) | (50,491) | (57,685) | (25,139) |
| Total | (1,251) | (1,064) | (407) | (2,722) | 5,378 | 8,532 | (13,016) | 894 | 63,748 |
| Write-offs | - | - | (367) | (367) | - | - | (999) | (999) | (4,350) |
| Recovery of written-off loans | - | - | - | - | - | - | - | - | - |
| Foreign exchange effect | 265 | 241 | 2,048 | 2,554 | 43 | 148 | 1,170 | 1,361 | 6,904 |
| Expected credit loss at the end of year balances | 10,137 | 61,959 | 115,353 | 187,449 | 14,839 | 31,468 | 76,631 | 122,938 | 187,984 |

(*) With the purpose of reflecting the impact of the uncertainty due to the Covid-19 pandemic, see Note 1(b), the Group decided to apply the expert judgment to perform migrations of clients with higher risk from Stage 1 to Stage 2 and Stage 3, and from Stage 2 to Stage 3. These migrations into higher risk Stages led to incurrence of higher provisions for expected loss during 2020, see Note 30.1(d.5) of the audited annual consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

| | 31.03.2021 | | | | 31.03.2020 | | | | 31.12.2020 |
|--|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| | 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) |
| Small and micro-business loans | | | | | | | | | |
| Expected credit loss at the beginning of year balances | 12,525 | 82,783 | 50,406 | 145,714 | 12,792 | 14,889 | 40,566 | 68,247 | 68,247 |
| Impact of the expected credit loss in the consolidated statement of income - | | | | | | | | | |
| New originated or purchased assets | 1,182 | - | - | 1,182 | 4,910 | - | - | 4,910 | 145,290 |
| Assets derecognized or matured (excluding write-offs) | (355) | (914) | (391) | (1,660) | (1,706) | (301) | (576) | (2,583) | (6,545) |
| Transfers to Stage 1 | 15,965 | (15,768) | (197) | - | 1,223 | (1,223) | - | - | - |
| Transfers to Stage 2 | (5,756) | 5,791 | (35) | - | (3,626) | 3,697 | (71) | - | - |
| Transfers to Stage 3 | (194) | (13,002) | 13,196 | - | (143) | (2,735) | 2,878 | - | - |
| Impact on the expected credit loss for credits that change stage in the year (*) | (10,691) | 20,988 | 15,242 | 25,539 | (593) | 4,847 | 5,062 | 9,316 | 78,730 |
| Others | (11,386) | (4,830) | 260 | (15,956) | (334) | 12,220 | (851) | 11,035 | (118,528) |
| Total | (11,235) | (7,735) | 28,075 | 9,105 | (269) | 16,505 | 6,442 | 22,678 | 98,947 |
| Write-offs | - | - | (10,271) | (10,271) | - | - | (13,462) | (13,462) | (25,672) |
| Recovery of written-off loans | - | - | 831 | 831 | - | - | 1,237 | 1,237 | 3,879 |
| Foreign exchange effect | 24 | 3 | 53 | 80 | 13 | 2 | 114 | 129 | 313 |
| Expected credit loss at the end of year balances | 1,314 | 75,051 | 69,094 | 145,459 | 12,536 | 31,396 | 34,897 | 78,829 | 145,714 |

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

| | 31.03.2021 | | | | 31.03.2020 | | | | 31.12.2020 |
|--|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| | 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) |
| Changes in the allowance for expected credit losses for indirect loans | | | | | | | | | |
| Expected credit loss at beginning of year balances | 15,741 | 18,945 | 23,037 | 57,723 | 16,367 | 4,720 | 18,607 | 39,694 | 39,694 |
| Impact of the expected credit loss in the consolidated statement of income - | | | | | | | | | |
| New originated or purchased assets | 2,717 | - | - | 2,717 | 1,118 | - | - | 1,118 | 5,816 |
| Assets derecognized or matured | (2,508) | (481) | (902) | (3,891) | (887) | (395) | (43) | (1,325) | (3,753) |
| Transfers to Stage 1 | 200 | (131) | (69) | - | 1,659 | (1,659) | - | - | - |
| Transfers to Stage 2 | (419) | 419 | - | - | (127) | 127 | - | - | - |
| Transfers to Stage 3 | - | - | - | - | - | (1) | 1 | - | - |
| Impact on the expected credit loss for credits that change stage in the year (*) | (146) | (146) | 189 | (103) | (1,407) | 350 | 1 | (1,056) | 6,698 |
| Others | 1,807 | (1,024) | (569) | 214 | (1,942) | (251) | (559) | (2,752) | 8,192 |
| Total | 1,651 | (1,363) | (1,351) | (1,063) | (1,586) | (1,829) | (600) | (4,015) | 16,953 |
| Write-offs | - | - | - | - | - | - | 1 | 1 | - |
| Foreign exchange effect | 242 | 131 | 16 | 389 | 285 | 127 | 18 | 430 | 1,076 |
| Expected credit loss at the end of year balances | 17,634 | 17,713 | 21,702 | 57,049 | 15,066 | 3,018 | 18,026 | 36,110 | 57,723 |

(*) With the purpose of reflecting the impact of the uncertainty due to Covid-19 pandemic, see Note 1(b), the Group decided to apply the expert judgment to perform migrations of clients with higher risk from Stage 1 to Stage 2 and Stage 3, and from Stage 2 to Stage 3. These migrations to higher risk stages led to incurrence of higher provisions for expected losses during the year 2020, see Note 30.1(d.5) of the audited annual consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

7. Investment property

(a) This caption is made up as follows:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) | Acquisition or construction year | valuation methodology as of March 31, 2021 and as of December 31, 2020 |
|--|-----------------------|-----------------------|-------------------------------------|--|
| Land | | | | |
| San Isidro – Lima | 278,243 | 241,112 | 2009 | Appraisal |
| San Martín de Porres – Lima | 81,818 | 79,080 | 2015 | Appraisal |
| Sullana | 18,368 | 17,703 | 2012 | Appraisal |
| Santa Clara – Lima | 14,694 | 14,162 | 2017 | Appraisal |
| Others | 9,353 | 9,161 | - | Appraisal / Cost |
| | <u>402,476</u> | <u>361,218</u> | | |
| Completed investment property - “Real Plaza” Shopping Malls | | | | |
| Talara | 35,135 | 34,982 | 2015 | DCF |
| | <u>35,135</u> | <u>34,982</u> | | |
| Buildings | | | | |
| Orquídeas - San Isidro – Lima | 162,858 | 158,825 | 2017 | DCF |
| Piura (d) | 114,653 | 107,992 | 2008/2020 | DCF/Appraisal |
| Ate Vitarte – Lima | 109,956 | 109,980 | 2006 | DCF/Appraisal |
| Paseo del Bosque (d) | 104,901 | - | 2021 | DCF |
| Chorrillos – Lima | 67,966 | 67,424 | 2017 | DCF |
| Chimbote | 43,058 | 42,805 | 2015 | DCF |
| Maestro-Huancayo | 32,508 | 32,395 | 2017 | DCF |
| Cusco | 32,154 | 31,586 | 2017 | DCF |
| Pardo y Aliaga – Lima | 21,661 | 21,285 | 2008 | DCF |
| Panorama – Lima | 20,552 | 20,449 | 2016 | DCF |
| Trujillo | 18,436 | 18,111 | 2016 | DCF |
| Cercado de Lima – Lima | 15,319 | 14,697 | 2017 | DCF |
| Others | 22,265 | 22,229 | - | DCF |
| | <u>766,287</u> | <u>647,778</u> | | |
| Total | <u>1,203,898</u> | <u>1,043,978</u> | | |

DCF: Discounted cash flow

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

Notes to the interim consolidated financial statements (continued)

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

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|---|------------------------------|------------------------------|
| Gain on valuation of investment property | 35,506 | 11,481 |
| Income from rental of investment property | 8,501 | 10,462 |
| Total | 44,007 | 21,943 |

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

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|--|------------------------------|------------------------------|
| Beginning of period balances | 1,043,978 | 972,096 |
| Additions (d) | 122,798 | 1,785 |
| Valuation gain | 35,506 | 11,481 |
| Net transfers | 1,616 | - |
| Balance as of March 31 | 1,203,898 | 985,362 |
| Balance as of December 31, 2020 | | 1,043,978 |

- (d) During 2021, it mainly corresponds to outlays related to the purchase of the "Paseo del Bosque" building, which was purchased from third parties.

Notes to the interim consolidated financial statements (continued)

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

(a) These captions are comprised of the following:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|-----------------------|-----------------------|
| Other accounts receivable and other assets | | |
| Financial Instruments | | |
| Accounts receivable related to derivative financial instruments (b) | 561,080 | 395,249 |
| Other accounts receivable, net | 400,692 | 357,783 |
| Accounts receivable from sale of investments | 255,444 | 111,237 |
| Operations in process | 108,923 | 93,933 |
| Assets for technical reserves for claims and premiums by reinsurers | 57,370 | 59,235 |
| Others | 31,931 | 35,952 |
| | <u>1,415,440</u> | <u>1,053,389</u> |
| Non-financial instruments | | |
| Income Tax paid to recover | 236,972 | 149,356 |
| Deferred charges | 95,770 | 52,939 |
| Investments in associates | 77,998 | 70,344 |
| Realizable assets, received as payment and seized through legal actions | 23,163 | 23,224 |
| Prepaid rights to related entity, Note 20(f) | 3,400 | 3,400 |
| Others | 11,090 | 2,377 |
| | <u>448,393</u> | <u>301,640</u> |
| Total | <u>1,863,833</u> | <u>1,355,029</u> |
| Other accounts payable, provisions and other liabilities | | |
| Financial Instruments | | |
| Other accounts payable | 473,094 | 420,443 |
| Contract liability with investment component | 556,841 | 505,177 |
| Accounts payable for acquisitions of investments | 401,069 | 185,432 |
| Dividends payable | 334,973 | 921 |
| Accounts payable related to derivative financial instruments (b) | 306,084 | 271,326 |
| Lease liabilities | 255,617 | 269,755 |
| Operations in process | 206,121 | 175,194 |
| Workers' profit sharing and salaries payable | 77,154 | 110,640 |
| Allowance for indirect loan losses, Note 6(d.2) | 57,049 | 57,723 |
| Accounts payable to reinsurers and coinsurers | 7,440 | 7,176 |
| | <u>2,675,442</u> | <u>2,003,787</u> |
| Non-financial instruments | | |
| Taxes payable | 78,505 | 38,853 |
| Provision for other contingencies | 51,668 | 48,711 |
| Deferred income | 48,961 | 46,976 |
| Others | 5,396 | 7,825 |
| | <u>184,530</u> | <u>142,365</u> |
| Total | <u>2,859,972</u> | <u>2,146,152</u> |

Notes to the interim consolidated financial statements (continued)

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

| | Assets S/(000) | Liabilities S/(000) | Notional amount S/(000) | Effective part recognized in other comprehensive income during the year S/(000) | Maturity | Hedged Instruments | Caption of the consolidated statement of financial position where the hedged item has been recognized |
|---|-------------------|------------------------|----------------------------|--|--------------------------------------|--------------------|--|
| As of March 31, 2021 | | | | | | | |
| Derivatives held for trading - | | | | | | | |
| Forward exchange contracts | 62,841 | 70,208 | 8,253,705 | - | Between April 2021 and December 2022 | - | - |
| Interest rate swaps | 65,538 | 60,327 | 3,363,935 | - | Between May 2021 and June 2036 | - | - |
| Currency swaps | 155,454 | 98,698 | 4,651,389 | - | Between April 2021 and April 2028 | - | - |
| Cross currency swaps | - | 76,846 | 221,130 | - | January 2023 | - | - |
| Options | - | 5 | 17,215 | - | Between April 2021 and March 2022 | - | - |
| | <u>283,833</u> | <u>306,084</u> | <u>16,507,374</u> | <u>-</u> | | | |
| Derivatives held as hedges - Cash flow hedges: | | | | | | | |
| Cross currency swaps (CCS) | 211,790 | - | 1,656,837 | 14,092 | January 2023 | Corporate bonds | Bonds, notes and obligations outstanding |
| Cross currency swaps (CCS) | <u>65,457</u> | <u>-</u> | <u>563,550</u> | <u>12,743</u> | October 2027 | Senior bonds | Bonds, notes and obligations outstanding |
| | <u>277,247</u> | <u>-</u> | <u>2,220,387</u> | <u>26,835</u> | | | |
| | <u>561,080</u> | <u>306,084</u> | <u>18,727,761</u> | <u>26,835</u> | | | |

Notes to the interim consolidated financial statements (continued)

| | 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, 2020 | | | | | | | |
| Derivatives held for trading - | | | | | | | |
| Forward exchange contracts | 23,512 | 13,935 | 3,661,038 | - | Between January 2021 and December 2022 | - | - |
| Interest rate swaps | 140,906 | 139,531 | 4,382,535 | - | Between May 2021 and June 2036 | - | - |
| Currency swaps | 69,007 | 50,192 | 2,520,758 | - | Between April 2021 and April 2028 | - | - |
| Cross currency swaps | - | 67,523 | 213,125 | - | January 2023 | - | - |
| Options | - | 145 | 22,700 | - | Between January 2021 and June 2021 | - | - |
| | <u>233,425</u> | <u>271,326</u> | <u>10,800,156</u> | <u>-</u> | | | |
| Derivatives held as hedges - Cash flow hedges: | | | | | | | |
| Cross currency swaps (CCS) | 126,839 | - | 1,596,861 | (10,768) | January 2023 | Corporate bonds | Bonds, notes and obligations outstanding |
| Cross currency swaps (CCS) | 34,985 | - | 543,150 | (5,904) | October 2027 | Senior bonds | Bonds, notes and obligations outstanding |
| Interest rate swaps (IRS) (*) | - | - | - | 964 | - | - | - |
| Interest rate swaps (IRS) (*) | - | - | - | 677 | - | - | - |
| Interest rate swaps (IRS) (*) | - | - | - | 681 | - | - | - |
| | <u>161,824</u> | <u>-</u> | <u>2,140,011</u> | <u>(14,350)</u> | | | |
| | <u>395,249</u> | <u>271,326</u> | <u>12,940,167</u> | <u>(14,350)</u> | | | |

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

(i) As of March 31, 2021 and December 31, 2020, certain derivative financial instruments required the establishment of 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 March 31, 2021 and December 31, 2020.

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

Notes to the interim consolidated financial statements (continued)

9. Deposits and obligations

(a) This caption is made up as follows:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|-------------------------------|-----------------------|-----------------------|
| Saving deposits | 18,738,482 | 17,852,282 |
| Demand deposits | 14,888,528 | 13,832,262 |
| Time deposits | 13,867,450 | 13,534,993 |
| Compensation for service time | 1,887,416 | 1,923,698 |
| Other obligations | 14,268 | 6,040 |
| Total | 49,396,144 | 47,149,275 |

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

(c) As of March 31, 2021 and December 31, 2020, approximately S/14,448,037,000 and S/14,020,602,000, respectively, of deposits and obligations are covered by the Peruvian Deposit Insurance Fund.

10. Due to banks and correspondents

(a) This caption is comprised of the following:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|-----------------------|-----------------------|
| By type - | | |
| Banco Central de Reserva del Perú- BCRP (b) | 7,018,097 | 7,736,322 |
| Promotional credit lines (c) | 1,486,901 | 1,453,397 |
| Loans received from foreign entities (d) | 462,111 | 427,278 |
| Loans received from Peruvian entities | 198 | 1,117 |
| | <u>8,967,307</u> | <u>9,618,114</u> |
| Interest and commissions payable | <u>36,014</u> | <u>42,763</u> |
| | <u>9,003,321</u> | <u>9,660,877</u> |
| By term - | | |
| Short term | 1,309,462 | 1,769,403 |
| Long term | <u>7,693,859</u> | <u>7,891,474</u> |
| Total | 9,003,321 | 9,660,877 |

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

As of March 31, 2021 and December 31, 2020, it includes operations of loan reports represented by securities according to which Interbank receives a debt in local currency for approximately S/5,661,876,000 and S/5,887,938,000, respectively, and gives as guarantee, commercial and micro and small business loans; see Note 6(a).

Notes to the interim consolidated financial statements (continued)

11. Bonds, notes and other obligations

(a) This caption is comprised of the following:

| Issuance | Issuer | Annual interest rate | Interest payment | Maturity | Amount issued (000) | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|--|-------------|----------------------|------------------|----------|---------------------|-----------------------|-----------------------|
| Local issuances | | | | | | | |
| Subordinated bonds – first program | | | | | | | |
| Third (A series) | Interbank | 3.5% + VAC (*) | Semi-annually | 2023 | S/110,000 | 91,000 | 91,000 |
| Eighth (A series) | Interbank | 6.91% | Semi-annually | 2022 | S/137,900 | 137,900 | 137,900 |
| | | | | | | <u>228,900</u> | <u>228,900</u> |
| Subordinated bonds – second program | | | | | | | |
| Second (A series) | Interbank | 5.81% | Semi-annually | 2023 | S/150,000 | 149,895 | 149,881 |
| Third (A series) | Interbank | 7.50% | Semi-annually | 2023 | US\$50,000 | 187,628 | 180,819 |
| | | | | | | <u>337,523</u> | <u>330,700</u> |
| Subordinated bonds – third program | | | | | | | |
| Third - single series | Interseguro | 4.84% | Semi-annually | 2030 | US\$25,000 | 93,925 | 90,525 |
| First - single series | Interseguro | 6.00% | Semi-annually | 2029 | US\$20,000 | 75,140 | 72,420 |
| Second - single series | Interseguro | 4.34% | Semi-annually | 2029 | US\$20,000 | 75,140 | 72,420 |
| | | | | | | <u>244,205</u> | <u>235,365</u> |
| Corporate bonds – second program | | | | | | | |
| Fifth (A series) | Interbank | 3.41% + VAC (*) | Semi-annually | 2029 | S/150,000 | 150,000 | 150,000 |
| Total local issuances | | | | | | <u>960,628</u> | <u>944,965</u> |
| International issuances | | | | | | | |
| Subordinated bonds | Interbank | 4.000% | Semi-annually | 2030 | US\$300,000 | 1,119,213 | 1,078,493 |
| Corporate bonds | Interbank | 5.000% | Semi-annually | 2026 | S/312,000 | 311,319 | 311,282 |
| Corporate bonds | Interbank | 3.250% | Semi-annually | 2026 | US\$400,000 | 1,491,313 | 1,436,818 |
| Corporate bonds | Interbank | 3.375% | Semi-annually | 2023 | US\$484,895 | 1,785,479 | 1,714,707 |
| Subordinated bonds | Interbank | 6.625% | Semi-annually | 2029 | US\$300,000 | 1,123,844 | 1,082,915 |
| Senior bonds | IFS | 4.125% | Semi-annually | 2027 | US\$300,000 | 1,105,352 | 1,065,482 |
| Total international issuances | | | | | | <u>6,936,520</u> | <u>6,689,697</u> |
| Total local and international issuances | | | | | | <u>7,897,148</u> | <u>7,634,662</u> |
| Interest payable | | | | | | <u>123,207</u> | <u>144,089</u> |
| Total | | | | | | <u>8,020,355</u> | <u>7,778,751</u> |

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

Notes to the interim consolidated financial statements (continued)

- (b) The international issuances are listed at the Luxembourg Stock Exchange. On the other hand, the local and international issuances include standard clauses of compliance with financial ratios, the use of funds and other administrative matters.

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

12. Insurance contract liabilities

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|-----------------------|-----------------------|
| Technical reserves for insurance premiums (b) | 11,543,535 | 12,298,075 |
| Technical reserves for claims (c) | 224,808 | 203,648 |
| | <u>11,768,343</u> | <u>12,501,723</u> |
| By term - | | |
| Short term | 1,084,807 | 1,035,915 |
| Long term | <u>10,683,536</u> | <u>11,465,808</u> |
| Total | <u>11,768,343</u> | <u>12,501,723</u> |

Notes to the interim consolidated financial statements (continued)

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

| | 31.03.2021 | | | | | | 31.03.2020 | | | | | |
|-------------------------------------|---|----------------|----------------------|---------------|----------------|-------------------|---|----------------|----------------------|---------------|----------------|-------------------|
| | Retirement, disability and survival annuities | Life Insurance | General Insurance | SCTR | Total | | Retirement, disability and survival annuities | Life Insurance | General Insurance | SCTR | Total | |
| | Annuities S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | | Annuities S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | |
| Beginning of year balances | 10,448,455 | 745,292 | 746,171 | 38,015 | 320,142 | 12,298,075 | 9,741,241 | 779,455 | 630,801 | 41,073 | 30,886 | 11,223,456 |
| Insurance subscriptions | 107,265 | - | 951 | 29,284 | - | 137,500 | 73,447 | - | 505 | 34,697 | - | 108,649 |
| Acquisition of Mapfre portfolio (*) | - | - | - | - | - | - | - | - | - | - | 292,499 | 292,499 |
| Time passage adjustments | (901,681) | (88,109) | 33,131 | (30,466) | (45,037) | (1,032,162) | (711,020) | (50,565) | 4,381 | (24,425) | (10,887) | (792,516) |
| Maturities and recoveries | - | - | (12,470) | - | - | (12,470) | - | - | (12,274) | - | - | (12,274) |
| Foreign exchange | 127,252 | - | 25,131 | 180 | 29 | 152,592 | 118,600 | - | 21,875 | 107 | (261) | 140,321 |
| Balance as of March 31 | <u>9,781,291</u> | <u>657,183</u> | <u>792,914</u> | <u>37,013</u> | <u>275,134</u> | <u>11,543,535</u> | <u>9,222,268</u> | <u>728,890</u> | <u>645,288</u> | <u>51,452</u> | <u>312,237</u> | <u>10,960,135</u> |
| Balance as of December, 31 | | | | | | | <u>10,448,455</u> | <u>745,292</u> | <u>746,171</u> | <u>38,015</u> | <u>320,142</u> | <u>12,298,075</u> |

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

Notes to the interim consolidated financial statements (continued)

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

| Type | Mortality table | | Interest rate | |
|--|---|------------|--|--|
| | 31.03.2021 | 31.12.2020 | 31.03.2021 | 31.12.2020 |
| Annuities and Lifetime RPP | SPP-S-2017, SPP-I-2017 with improvement factor for mortality | | 3.96% in US\$ 3.10% in S/ VAC 6.00% in adjusted S/ | 3.53% in US\$ 2.05% in S/ VAC 5.07% in adjusted S/ |
| Retirement, disability and survival | SPP-S-2017, SPP-I-2017 with improvement factor for mortality | | 3.10% in S/ VAC | 2.05% in S/ VAC |
| SCTR insurance | SPP-S-2017, SPP-I-2017 with improvement factor for mortality | | 3.10% in S/ VAC | 2.05% in S/ VAC |
| Individual life insurance contracts (included linked insurance contracts) | CSO 80 ajustable | | 4.00 - 5.00% | 4.00 - 5.00% |

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

| Variables | 31.03.2021 | | | 31.12.2020 | | |
|--|---------------------|-----------------------|-----------------|---------------------|-----------------------|-----------------|
| | Reserves S/(000) | Variation in reserves | | Reserves S/(000) | Variation in reserves | |
| | | Amount S/(000) | Percentage % | | Amount S/(000) | Percentage % |
| Annuities - | | | | | | |
| Portfolio in S/ and US Dollars - basis amount | | | | | | |
| Changes in interest rate: + 100 bps | 8,834,409 | (946,882) | (9.68) | 9,363,723 | (1,084,732) | (10.38) |
| Changes in interest rate: - 100 bps | 10,928,111 | 1,146,820 | 11.72 | 11,778,806 | 1,330,351 | 12.73 |
| Changes in mortality table at 105% | 9,681,523 | (99,769) | (1.02) | 10,333,990 | (114,465) | (1.10) |
| Changes in mortality table at 95% | 9,885,927 | 104,635 | 1.07 | 10,568,733 | 120,278 | 1.15 |
| Retirements, disability and survival - | | | | | | |
| Portfolio in S/ - basis amount | | | | | | |
| Changes in interest rate: + 100 bps | 588,504 | (68,679) | (10.45) | 660,001 | (85,291) | (11.44) |
| Changes in interest rate: - 100 bps | 741,330 | 84,147 | 12.80 | 851,384 | 106,092 | 14.23 |
| Changes in mortality table at 105% | 649,142 | (8,041) | (1.22) | 735,321 | (9,971) | (1.34) |
| Changes in mortality table at 95% | 665,612 | 8,429 | 1.28 | 755,775 | 10,483 | 1.41 |
| SCTR insurance - | | | | | | |
| Portfolio in S/ - basis amount | | | | | | |
| Changes in interest rate: + 100 bps | 239,867 | (35,267) | (12.82) | 274,323 | (45,819) | (14.31) |
| Changes in interest rate: - 100 bps | 320,678 | 45,544 | 16.55 | 380,684 | 60,542 | 18.91 |
| Changes in mortality table at 105% | 272,923 | (2,211) | (0.80) | 317,191 | (2,951) | (0.92) |
| Changes in mortality table at 95% | 277,442 | 2,308 | 0.84 | 323,233 | 3,091 | 0.97 |

Notes to the interim consolidated financial statements (continued)

13. Equity

(a) Capital stock and distribution of dividends -

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

As of March 31, 2021 and December 31, 2020, 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, 2021, agreed to distribute dividends for the year 2020 for approximately US\$88,891,000 (equivalent to approximately S/332,096,000), equivalent to US\$0.77 per share, were paid on May 6, 2021.

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

(b) Treasury stock -

As of March 31, 2021 and December 31, 2020, the Company and some Subsidiaries held 30,074 and 24,824 shares issued by IFS, respectively, with an acquisition cost equivalent to S/3,374,000 and S/2,769,000, respectively.

(c) Capital surplus -

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

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

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

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

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, are subject to the Peruvian Tax legislation; see paragraph (c).

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

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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:

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

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. In this sense, Interbank considers that the interest in suspense do not constitute accrued income, in accordance with the SBS’s regulations and International Financial Reporting Standards, which is also supported by a ruling by the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009 and a pronouncement in June 2019.

Notwithstanding the foregoing, in February 2018, the Third Transitory Chamber of Constitutional and Social Law of the Supreme Court issued a ruling regarding a third bank that impacts the original estimation regarding the degree of contingency for this discrepancy; subsequently, in June 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court, in a case followed by another financial entity, but identical to Interbank’s case, ruled in favor of the tax treatment over the interest in suspense followed by said entity. Likewise, on July 6, 2020 and December 28, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court notified to Interbank its ruling regarding Interbank’s Income Tax 2003 and prepaid income tax for the year 2003, declaring groundless the cassation appeals filed by SUNAT and the MEF, thus reaffirming the position held by Interbank regarding that interest in suspense does not constitute taxable income.

As of March 31, 2021, the tax liability requested for this concept and other minor contingencies amounts to approximately S/419,000,000, which includes the tax, fines and interest arrears, of which S/332,000,000 corresponded to interest in suspense and S/87,000,000 corresponded to other repairs (as of December 31, 2020, the tax liability requested for this concept and other minor contingencies amounts to approximately S/382,000,000, which includes the tax, fines and interest arrears, of which S/293,000,000 corresponded to interest in suspense and S/89,000,000 corresponded to other repairs). From the tax and legal analysis performed, Interbank’s Management and its external legal advisers consider that there exists sufficient technical support for the prevailing of Interbank’s position; as consequence, no provision has been recorded for this contingency as of March 31, 2021 and December 31, 2020.

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

Notes to the interim consolidated financial statements (continued)

On January 14, 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. To such date, the tax debt requested by SUNAT amounts to approximately S/50,000,000. The main concept observed was the deduction of loan write-offs without proof by the SBS. As of March 31, 2021 and December 31, 2020, the tax debt requested for this concept and other minor contingencies amounts to approximately S/40,000,000, which comprises the tax, penalties and moratorium interest.

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

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

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

On July 31, 2020, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2012. To date, the tax debt requested by SUNAT amounted to approximately S/13,000,000. On August 27, 2020, Interbank filed a complaint appeal which is pending resolution.

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

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 March 31, 2021 and December 31, 2020.

Interseguro:

On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial audit of the Income Tax for non-domiciled entities for Sura corresponding to January 2015; see Note 2. The tax debt requested by SUNAT amounts to approximately S/19,000,000. On January 30, 2019, the Company filed an appeal against the Resolution of Determination claimed by SUNAT. Considering that this debt corresponds to a period prior to the acquisition of Sura by the Group and according to the conditions of the purchase and sale agreement of this entity, this debt, if confirmed after the legal actions that Management is to file, would be assumed by the sellers. On November 12, 2020, the Tax Court issued a favorable opinion to Interseguro, revoking the Determination Resolution issued by SUNAT. As of the date of this report, SUNAT has not appealed to this Resolution.

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

Notes to the interim consolidated financial statements (continued)

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

| | For the three-month ended | |
|-----------------------------|---------------------------|-----------------|
| | 2021 S/(000) | 2020 S/(000) |
| Current – Expense | 17,765 | 112,470 |
| Deferred – Expense (income) | 73,938 | (36,629) |
| | <u>91,703</u> | <u>75,841</u> |

15. Interest income and expenses, and similar accounts

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

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|--|-----------------------|-----------------------|
| Interest and similar income | | |
| Interest on loan portfolio | 778,057 | 986,668 |
| Impact from the modification of contractual cash flows due to the loan rescheduling schemes (*) | 33,686 | - |
| Interest on investments at fair value through other comprehensive income | 218,044 | 193,427 |
| Interest on investments at amortized cost | 31,861 | 26,226 |
| Dividends on financial instruments | 16,001 | 20,832 |
| Interest on due from banks and inter-bank funds | 7,003 | 19,903 |
| Other interest and similar income | <u>1,035</u> | <u>1,154</u> |
| Total | <u>1,085,687</u> | <u>1,248,210</u> |
| Interest and similar expenses | | |
| Interest on bonds, notes and other obligations | (101,994) | (100,130) |
| Interest and fees on deposits and obligations | (83,145) | (173,753) |
| Interest and fees on obligations with financial institutions | (40,109) | (41,304) |
| Deposit insurance fund fees | (16,105) | (12,213) |
| Interest on lease payments | (3,705) | (4,640) |
| Other interest and similar expenses | <u>(6,749)</u> | <u>(6,054)</u> |
| Total | <u>(251,807)</u> | <u>(338,094)</u> |

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

The amount recorded during the first quarter of 2021 amounted to S/33,686,000 and corresponds to the recovery of the interest recorded for rescheduling clients loans.

Notes to the interim consolidated financial statements (continued)

16. Fee income from financial services, net

(a) This caption is comprised of the following:

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|---|-----------------------|-----------------------|
| Income | | |
| Accounts maintenance, carriage, transfers, and debit and credit card fees | 124,927 | 147,659 |
| Banking services fees | 53,069 | 63,311 |
| Funds management | 46,269 | 37,405 |
| Contingent loans fees | 15,894 | 12,932 |
| Collection services | 12,485 | 9,908 |
| Brokerage and custody services | 2,469 | 2,394 |
| Others | 14,503 | 11,051 |
| Total | 269,616 | 284,660 |
| Expenses | | |
| Credit cards | (30,125) | (30,828) |
| Credit life insurance premiums | (10,550) | (14,494) |
| Local banks fees | (6,888) | (2,596) |
| Foreign banks fees | (5,468) | (3,234) |
| Registry expenses | (587) | (486) |
| Brokerage and custody services | (226) | (159) |
| Others | (14,514) | (12,555) |
| Total | (68,358) | (64,352) |
| Net | 201,258 | 220,308 |

Notes to the interim consolidated financial statements (continued)

17. Other income and (expenses)

(a) This caption is comprised of the following:

| | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
|--|-----------------------|-----------------------|
| Other income | | |
| Income from investments in associates | 8,418 | 5,142 |
| Services rendered to third parties | 2,285 | 640 |
| Other technical income from insurance operations | 1,904 | 1,902 |
| Income from ATM rentals | 1,164 | 1,089 |
| Other income | 1,504 | 3,144 |
| | <hr/> | <hr/> |
| Total other income | 15,275 | 11,917 |
| | <hr/> | <hr/> |
| Other expenses | | |
| Commissions from insurance activities | (13,376) | (16,972) |
| Sundry technical insurance expenses | (12,579) | (4,999) |
| Provision for sundry risk | (2,042) | (2,382) |
| Donations | (1,152) | (1,076) |
| Provision for accounts receivable | (698) | (1,456) |
| Administrative and tax penalties | (531) | (779) |
| Expenses related to rental income | (231) | (1,404) |
| Other expenses | (17,491) | (12,015) |
| | <hr/> | <hr/> |
| Total other expenses | (48,100) | (41,083) |
| | <hr/> | <hr/> |

Notes to the interim consolidated financial statements (continued)

18. Net premiums earned

(a) This caption is comprised of the following:

| | Premiums assumed | | Adjustment of technical reserves | | Gross premiums (*) | | Premiums ceded to reinsurers | | Net premiums earned | |
|-------------------------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------|
| | 31.03.2021 S/(000) | 31.03.2020 S/(000) | 31.03.2021 S/(000) | 31.03.2020 S/(000) | 31.03.2021 S/(000) | 31.03.2020 S/(000) | 31.03.2021 S/(000) | 31.03.2020 S/(000) | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
| Life Insurance | | | | | | | | | | |
| Annuities (**) | 113,533 | 76,413 | (64,667) | (48,307) | 48,866 | 28,106 | - | - | 48,866 | 28,106 |
| Group life | 33,682 | 37,980 | (2,110) | 225 | 31,572 | 38,205 | (1,554) | (1,151) | 30,018 | 37,054 |
| Individual life | 41,058 | 33,682 | (19,498) | 7,161 | 21,560 | 40,843 | (1,243) | (1,096) | 20,317 | 39,747 |
| Retirement, disability and survival | 2,804 | 1,974 | (1,221) | (531) | 1,583 | 1,443 | (122) | (121) | 1,461 | 1,322 |
| Others | - | 1 | (2,566) | (1,008) | (2,566) | (1,007) | - | - | (2,566) | (1,007) |
| Total life insurance | 191,077 | 150,050 | (90,062) | (42,460) | 101,015 | 107,590 | (2,919) | (2,368) | 98,096 | 105,222 |
| Total general insurance | 23,804 | 30,610 | 1,126 | (10,431) | 24,930 | 20,179 | (17) | (84) | 24,913 | 20,095 |
| Total general | 214,881 | 180,660 | (88,936) | (52,891) | 125,945 | 127,769 | (2,936) | (2,452) | 123,009 | 125,317 |

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

(**) The variation of the adjustment of technical reserves is due mainly to aging over time. During 2020, the Management performed a detail analysis on the nature of the product "Renta Particular Plus – Vitalicio", for which a majority of contracts (policies) had an important insurance component and it was determined to reclassify an amount of S/1,376,000 from "Interest and similar expenses" into the caption "Net premium earned" for S/878,000 and "Net claims incurred for life insurance and others" for S/2,254,000, according to IFRS 4.

(b) The composition of the net claims and benefits incurred for life insurance contracts and others for the three months ended March 31, 2021 and 2020 is presented below:

| | Gross claims and benefits | | Ceded claims and benefits | | Net insurance claims and benefits | |
|--------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|-----------------------------------|-----------------------|
| | 31.03.2021 S/(000) | 31.03.2020 S/(000) | 31.03.2021 S/(000) | 31.03.2020 S/(000) | 31.03.2021 S/(000) | 31.03.2020 S/(000) |
| Life Insurance | | | | | | |
| Annuities | (163,027) | (154,533) | - | - | (163,027) | (154,533) |
| Group life | (54,316) | (10,601) | 2,126 | (97) | (52,190) | (10,698) |
| Individual life | (3,995) | (1,536) | 221 | 67 | (3,774) | (1,469) |
| Retirement (disability and survival) | (13,894) | (13,931) | 2,246 | 4,400 | (11,648) | (9,531) |
| Others | (4,172) | (3,689) | 457 | 269 | (3,715) | (3,420) |
| General Insurance | (6,597) | (6,439) | 9 | (16) | (6,588) | (6,455) |
| | (246,001) | (190,729) | 5,059 | 4,623 | (240,942) | (186,106) |

Notes to the interim consolidated financial statements (continued)

19. Earnings per share

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

| | Outstanding shares (in thousands) | Shares considered in computation (in thousands) | Effective days in the year | Weighted average number of shares (in thousands) |
|--|---|---|-------------------------------|--|
| Period 2020 | | | | |
| Balance as of January 1, 2020 | 115,446 | 115,446 | 90 | 115,446 |
| Sale of treasury stock | 1 | 1 | 16 | 0 |
| Purchase of treasury stock | (3) | (3) | 4 | (0) |
| Balance as of March 31, 2020 | 115,444 | 115,444 | | 115,446 |
| Net earnings attributable to IFS S/(000) | | | | 143,375 |
| Basic and diluted earnings per share attributable to IFS's shareholders (Soles) | | | | 1.242 |
| Period 2021 | | | | |
| Balance as of January 1, 2021 | 115,423 | 115,423 | 90 | 115,423 |
| Sale of treasury stock | 1 | 1 | 10 | 0 |
| Purchase of treasury stock | (6) | (6) | 5 | (0) |
| Balance as of March 31, 2021 | 115,418 | 115,418 | | 115,423 |
| Net earnings attributable to IFS S/(000) | | | | 526,272 |
| Basic and diluted earnings per share attributable to IFS's shareholders (Soles) | | | | 4.560 |

Notes to the interim consolidated financial statements (continued)

20. Transactions with shareholders, related parties and affiliated entities

- (a) The table below presents the main transactions with shareholders, related parties and affiliated companies as of March 31, 2021 and December 31, 2020 and for the three-month periods ended March 31, 2021 and 2020:

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|-----------------------|-----------------------|
| Assets | | |
| Instruments at fair value through profit or loss | | |
| Participations - Royalty Pharma | 112,906 | 107,530 |
| Others | 730 | 107 |
| | <u>113,636</u> | <u>107,637</u> |
| Investments at fair value through other comprehensive income | | |
| Shares - InRetail Perú Corp. | 380,617 | 339,945 |
| Corporate bonds - InRetail Shopping Malls S.A. | 46,518 | 53,358 |
| Corporate bonds - Colegios Peruanos S.A. | 1,070 | 1,193 |
| | <u>428,205</u> | <u>394,496</u> |
| Loans, net (b) | 1,406,947 | 1,196,143 |
| Accounts receivable from UTP (h) | 80,153 | 79,504 |
| Accounts receivable from Homecenters Peruanos S.A. (g) | 40,380 | 40,128 |
| Accounts receivable from Compañía Iberoamericana de Plásticos | - | 10,962 |
| Accounts receivable from derivative financial instruments | 6,093 | 4,276 |
| Accounts receivable from Colegios Peruanos S.A. | 4,629 | 3,634 |
| Other assets (f) | 8,099 | 6,921 |
| Liabilities | | |
| Deposits and obligations | 974,090 | 849,906 |
| Other liabilities | 488 | 567 |
| Off-balance sheet accounts | | |
| Indirect loans (b) | 94,820 | 124,366 |
| | 31.03.2021 | 31.03.2020 |
| | S/(000) | S/(000) |
| Income (expenses) | | |
| Interest and similar income | 17,375 | 17,883 |
| Interest and similar expenses | (575) | (4,846) |
| Valuation of financial derivative instruments | 1,144 | 645 |
| Rental income | 4,555 | 4,970 |
| Administrative expenses | (9,670) | (8,119) |
| Others, net | 14,191 | 2,486 |

Notes to the interim consolidated financial statements (continued)

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

| | 31.03.2021 | | | 31.12.2020 | | |
|------------|----------------------------|------------------------------|------------------|----------------------------|------------------------------|------------------|
| | Direct Loans S/(000) | Indirect Loans S/(000) | Total S/(000) | Direct Loans S/(000) | Indirect Loans S/(000) | Total S/(000) |
| Affiliated | 1,059,501 | 46,593 | 1,106,094 | 931,746 | 46,967 | 978,713 |
| Associates | 347,446 | 48,227 | 395,673 | 264,397 | 77,399 | 341,796 |
| | <u>1,406,947</u> | <u>94,820</u> | <u>1,501,767</u> | <u>1,196,143</u> | <u>124,366</u> | <u>1,320,509</u> |

(c) As of March 31, 2021 and December 31, 2020, the directors, executives and employees of the Group have been involved in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian law, which regulates and limits on certain transactions with employees, directors and executives of financial entities. As of March 31, 2021 and December 31, 2020, direct loans to employees, directors and executives amounted to S/225,234,000 and S/222,076,000, respectively; said loans are repaid monthly and bear interest at market rates. There are no loans to the Group's directors and key personnel guaranteed with shares of any Subsidiary.

Notes to the interim consolidated financial statements (continued)

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|-----------------------------------|------------------------------|------------------------------|
| Salaries | 9,613 | 9,794 |
| Board of Directors' compensations | <u>1,004</u> | <u>957</u> |
| Total | <u>10,617</u> | <u>10,751</u> |

- (e) As of December 31, 2020, the Group holds participations in different mutual funds managed by Interfondos that are classified as investment at fair value through profit or loss and amount to S/342,000.
- (f) During the year 2020, the Bank signed a framework contract to cede the use of commercial spaces for the installation of Money Market stores and/or ATMs in the facilities of Supermercados Peruanos S.A. for a period of 5 years. As of March 31, 2021 and December 31, 2020, the balance corresponds to a cash guarantee granted to Supermercados Peruanos S.A. for an amount of US\$1,000,000, equivalent to approximately S/3,400,000.
- (g) It corresponds to a loan with maturity in 2046 and bears interest at market rates.
- (h) As of March 31, 2021 and December 31, 2020, corresponds to a financial lease for the construction of educational facilities in San Juan de Lurigancho and Ate Vitarte districts.
- (i) In Management's opinion, transactions with related companies have been performed under market conditions and within the limits permitted by the SBS. Taxes generated by these transactions and the taxable base used for computing them are those customarily used in the industry and they are determined according to the tax rules in force.

Notes to the interim consolidated financial statements (continued)

21. Business segments

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

Banking -

Mainly loans, credit facilities, deposits and current accounts.

Insurance -

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

Wealth management -

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

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

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

Notes to the interim consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the three-month periods ended March 31, 2021 and 2020:

| | 31.03.2021 | | | | | 31.03.2020 | | | | |
|---|--------------------|----------------------|---------------------------------|--|----------------------------------|--------------------|------------------------------|---------------------------------|--|----------------------------------|
| | Banking S/(000) | Insurance S/(000) | Wealth management S/(000) | Holding and consolidation adjustments S/(000) | Total consolidated S/(000) | Banking S/(000) | Insurance (**) S/(000) | Wealth management S/(000) | Holding and consolidation adjustments S/(000) | Total consolidated S/(000) |
| Total income (*) | | | | | | | | | | |
| Third party | 1,209,819 | 447,141 | 134,809 | 5,844 | 1,797,613 | 1,337,229 | 309,502 | (1,702) | (11,882) | 1,633,147 |
| Inter-segment | (6,447) | - | (10,432) | 16,879 | - | (14,286) | - | 4,036 | 10,250 | - |
| Total income | 1,203,372 | 447,141 | 124,377 | 22,723 | 1,797,613 | 1,322,943 | 309,502 | 2,334 | (1,632) | 1,633,147 |
| Consolidated statement of income data | | | | | | | | | | |
| Interest and similar income | 865,024 | 175,921 | 37,819 | 6,923 | 1,085,687 | 1,037,127 | 167,949 | 41,091 | 2,043 | 1,248,210 |
| Interest and similar expenses | (218,063) | (22,515) | (9,585) | (1,644) | (251,807) | (302,831) | (19,834) | (15,544) | 115 | (338,094) |
| Net interest and similar income | 646,961 | 153,406 | 28,234 | 5,279 | 833,880 | 734,296 | 148,115 | 25,547 | 2,158 | 910,116 |
| Impairment loss on loans, net of recoveries | (188,943) | - | (61) | - | (189,004) | (312,611) | - | (7) | - | (312,618) |
| (Loss) recovery due to impairment of financial investments | (43) | 46,874 | 392 | - | 47,223 | (196) | (40,135) | (191) | - | (40,522) |
| Net interest and similar income after impairment loss on loans | 457,975 | 200,280 | 28,565 | 5,279 | 692,099 | 421,489 | 107,980 | 25,349 | 2,158 | 556,976 |
| Fee income from financial services, net | 160,218 | (2,408) | 49,337 | (5,889) | 201,258 | 190,361 | (1,027) | 43,013 | (12,039) | 220,308 |
| Net gain on sale of financial investments | 98,506 | 87,619 | 19,959 | - | 206,084 | 37,467 | 23,937 | (33,116) | - | 28,288 |
| Other income | 86,071 | 63,000 | 27,694 | 4,810 | 181,575 | 72,274 | (6,673) | (52,690) | (1,886) | 11,025 |
| Total net premiums earned minus claims and benefits | - | (117,933) | - | - | (117,933) | - | (60,789) | - | - | (60,789) |
| Depreciation and amortization | (59,124) | (6,311) | (3,680) | 1,454 | (67,661) | (57,445) | (6,378) | (3,986) | 1,446 | (66,363) |
| Other expenses | (344,817) | (72,439) | (28,671) | 1,546 | (444,381) | (358,308) | (66,041) | (30,885) | 10,391 | (444,843) |
| Income before translation result and income tax | 398,829 | 151,808 | 93,204 | 7,200 | 651,041 | 305,838 | (8,991) | (52,315) | 70 | 244,602 |
| Translation result | 1,645 | (14,738) | (2,674) | (14,823) | (30,590) | (2,904) | (12,583) | (3,008) | (5,361) | (23,856) |
| Income Tax | (80,666) | - | (3,643) | (7,394) | (91,703) | (81,434) | - | 666 | 4,927 | (75,841) |
| Net profit for the period | 319,808 | 137,070 | 86,887 | (15,017) | 528,748 | 221,500 | (21,574) | (54,657) | (364) | 144,905 |
| Attributable to: | | | | | | | | | | |
| IFS's shareholders | 319,808 | 137,070 | 86,887 | (17,493) | 526,272 | 221,500 | (21,574) | (54,657) | (1,894) | 143,375 |
| Non-controlling interest | - | - | - | 2,476 | 2,476 | - | - | - | 1,530 | 1,530 |
| | 319,808 | 137,070 | 86,887 | (15,017) | 528,748 | 221,500 | (21,574) | (54,657) | (364) | 144,905 |

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

(**) As of March 31, 2020, certain balances in the Insurance Segment have been modified due to the reclassifications detailed in Note 18(a).

Notes to the interim consolidated financial statements (continued)

| 31.03.2021 | | | | | |
|-------------------------|--------------------|----------------------|------------------------------|---|-------------------------------|
| | Banking S/(000) | Insurance S/(000) | Wealth management S/(000) | Holding and consolidation adjustments S/(000) | Total consolidated S/(000) |
| Capital investments (*) | 33,260 | 122,798 | 1,364 | - | 157,422 |
| Total assets | 69,970,377 | 14,775,465 | 4,565,298 | 731,152 | 90,042,292 |
| Total liabilities | 63,695,862 | 13,773,518 | 3,373,737 | 277,890 | 81,121,007 |
| 31.12.2020 | | | | | |
| | Banking S/(000) | Insurance S/(000) | Wealth management S/(000) | Holding and Consolidation adjustments S/(000) | Total consolidated S/(000) |
| Capital investments (*) | 193,113 | 109,786 | 6,771 | - | 309,670 |
| Total assets | 68,038,621 | 15,311,267 | 4,308,618 | 577,523 | 88,236,029 |
| Total liabilities | 61,814,096 | 14,375,950 | 3,233,691 | (141,657) | 79,282,080 |

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

The distribution of the Group’s total income based on the location of the customer and its assets, for the three-month period ended March 31, 2021, is S/1,690,396,000 in Peru and S/107,217,000 in Panama (for the three-month periods ended March 31, 2020, was S/1,645,209,000 in Peru and S/12,062,000 in Panama). The distribution of the Group’s total assets based on the location of the customer and its assets as of March 31, 2021 is S/85,648,500,000 in Peru and S/4,393,792,000 in Panama (for the year ended December 31, 2020, was S/84,096,653,000 in Peru and S/4,139,376,000 in Panama).

Notes to the interim consolidated financial statements (continued)

22. Financial instruments classification

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

| | 31.03.2021 | | | | | 31.12.2020 | | | | |
|--|--|--|--|------------------------------|-------------------|--|--|--|------------------------------|-------------------|
| | At fair value through profit or loss S/(000) | Debt instruments measured at fair value through other comprehensive income S/(000) | Equity instruments measured at fair value through other comprehensive income S/(000) | Amortized cost S/(000) | Total S/(000) | At fair value through profit or loss S/(000) | Debt instruments measured at fair value through other comprehensive income S/(000) | Equity instruments measured at fair value through other comprehensive income S/(000) | Amortized cost S/(000) | Total S/(000) |
| Financial assets | | | | | | | | | | |
| Cash and due from banks | - | - | - | 19,260,547 | 19,260,547 | - | - | - | 18,765,482 | 18,765,482 |
| Inter-bank funds | - | - | - | - | - | - | - | - | 18,105 | 18,105 |
| Financial investments | 2,288,443 | 18,168,721 | 1,450,066 | 2,771,617 | 24,678,847 | 2,042,777 | 18,153,492 | 1,373,548 | 2,707,298 | 24,277,115 |
| Loans, net | - | - | - | 40,836,885 | 40,836,885 | - | - | - | 40,519,423 | 40,519,423 |
| Due from customers on acceptances | - | - | - | 72,453 | 72,453 | - | - | - | 16,320 | 16,320 |
| Other accounts receivable and other assets, net | 561,080 | - | - | 854,360 | 1,415,440 | 395,249 | - | - | 658,140 | 1,053,389 |
| | <u>2,849,523</u> | <u>18,168,721</u> | <u>1,450,066</u> | <u>63,795,862</u> | <u>86,264,172</u> | <u>2,438,026</u> | <u>18,153,492</u> | <u>1,373,548</u> | <u>62,684,768</u> | <u>84,649,834</u> |
| Financial liabilities | | | | | | | | | | |
| Deposits and obligations | - | - | - | 49,396,144 | 49,396,144 | - | - | - | 47,149,275 | 47,149,275 |
| Inter-bank funds | - | - | - | - | - | - | - | - | 28,971 | 28,971 |
| Due to banks and correspondents | - | - | - | 9,003,321 | 9,003,321 | - | - | - | 9,660,877 | 9,660,877 |
| Bonds, notes and other obligations | - | - | - | 8,020,355 | 8,020,355 | - | - | - | 7,778,751 | 7,778,751 |
| Due from customers on acceptances | - | - | - | 72,453 | 72,453 | - | - | - | 16,320 | 16,320 |
| Insurance contract liabilities | - | - | - | 11,768,343 | 11,768,343 | - | - | - | 12,501,723 | 12,501,723 |
| Other accounts payable, provisions and other liabilities | 306,084 | - | - | 2,369,358 | 2,675,442 | 271,326 | - | - | 1,732,461 | 2,003,787 |
| | <u>306,084</u> | <u>-</u> | <u>-</u> | <u>80,629,974</u> | <u>80,936,058</u> | <u>271,326</u> | <u>-</u> | <u>-</u> | <u>78,868,378</u> | <u>79,139,704</u> |

23. Financial risk management

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

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

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 Annual Consolidated Financial Statements.

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

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

It should be noted that the new cash flows of the rescheduled loans did not generate substantial nor significant changes in the conditions initially contracted by the client; therefore, the adjustments in the conditions did not generate any substantial modification and, thus, neither a derecognition of the financial asset, see Note 30.1 (d.5) of the audited annual consolidated financial statements. On the other hand, with the purpose of reflecting in the statistical models the effect of said rescheduled loans in the calculation of the expected loss, it evaluated a series of expert judgments that comply with the regulating requirement, see Note 30.1 (d.6) of the audited annual consolidated financial statements.

Notes to the interim consolidated financial statements (continued)

(b) Offsetting of financial assets and liabilities

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

| | Gross amounts of recognized financial assets S/(000) | Gross amounts of recognized financial liabilities and offset in the consolidated statement of financial position S/(000) | Net amounts of financial assets presented in the consolidated statement of financial position S/(000) | Related amounts not offset in the consolidated statement of financial position | | Net amount S/(000) |
|--------------------------------|---|--|---|---|---|-----------------------|
| | | | | Financial Instruments (including non-cash guarantees) S/(000) | Cash guarantees received S/(000) | |
| As of March 31, 2021 | | | | | | |
| Derivatives, Note 8(b) | 561,080 | - | 561,080 | (193,225) | (139,948) | 227,907 |
| Total | <u>561,080</u> | <u>-</u> | <u>561,080</u> | <u>(193,225)</u> | <u>(139,948)</u> | <u>227,907</u> |
| As of December 31, 2020 | | | | | | |
| Derivatives, Note 8(b) | 395,249 | - | 395,249 | (191,844) | (55,767) | 147,638 |
| Total | <u>395,249</u> | <u>-</u> | <u>395,249</u> | <u>(191,844)</u> | <u>(55,767)</u> | <u>147,638</u> |

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

| | Gross amounts of recognized financial liabilities S/(000) | Gross amounts of recognized financial assets and offset in the consolidated statement of financial position S/(000) | Net amounts of financial liabilities presented in the consolidated statement of financial position S/(000) | Related amounts not offset in the consolidated statement of financial position | | Net amount S/(000) |
|--------------------------------|--|--|---|---|--|-----------------------|
| | | | | Financial Instruments (including non-cash guarantees) S/(000) | Cash guarantees pledged S/(000) | |
| As of March 31, 2021 | | | | | | |
| Derivatives, Note 8(b) | 306,084 | - | 306,084 | (193,225) | (84,008) | 28,851 |
| Total | <u>306,084</u> | <u>-</u> | <u>306,084</u> | <u>(193,225)</u> | <u>(84,008)</u> | <u>28,851</u> |
| As of December 31, 2020 | | | | | | |
| Derivatives, Note 8(b) | 271,326 | - | 271,326 | (191,844) | (70,559) | 8,923 |
| Total | <u>271,326</u> | <u>-</u> | <u>271,326</u> | <u>(191,844)</u> | <u>(70,559)</u> | <u>8,923</u> |

Notes to the interim consolidated financial statements (continued)

(c) Foreign exchange risk

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

As of March 31, 2021, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.754 per US\$1 bid and S/3.758 per US\$1 ask (S/3.618 and S/3.624 as of December 31, 2020, respectively). As of March 31, 2021, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.757 per US\$1 (S/3.621 as of December 31, 2020).

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

| | As of March 31, 2021 | | | | As of December 31, 2020 | | | |
|--|-----------------------|-------------------|-----------------------------|-------------------|-------------------------|-------------------|-----------------------------|-------------------|
| | US Dollars S/(000) | Soles S/(000) | Other currencies S/(000) | Total S/(000) | US Dollars S/(000) | Soles S/(000) | Other currencies S/(000) | Total S/(000) |
| Assets | | | | | | | | |
| Cash and due from banks | 9,169,039 | 9,486,736 | 604,772 | 19,260,547 | 7,232,836 | 10,959,492 | 573,154 | 18,765,482 |
| Inter-bank funds | - | - | - | - | 18,105 | - | - | 18,105 |
| Financial investments | 9,502,692 | 15,083,879 | 92,276 | 24,678,847 | 8,926,088 | 15,262,993 | 88,034 | 24,277,115 |
| Loans, net | 10,969,835 | 29,867,050 | - | 40,836,885 | 10,535,743 | 29,983,680 | - | 40,519,423 |
| Due from customers on acceptances | 72,453 | - | - | 72,453 | 16,320 | - | - | 16,320 |
| Other accounts receivable and other assets, net | 339,400 | 1,075,355 | 685 | 1,415,440 | 312,407 | 740,113 | 869 | 1,053,389 |
| | <u>30,053,419</u> | <u>55,513,020</u> | <u>697,733</u> | <u>86,264,172</u> | <u>27,041,499</u> | <u>56,946,278</u> | <u>662,057</u> | <u>84,649,834</u> |
| Liabilities | | | | | | | | |
| Deposits and obligations | 18,614,868 | 30,394,199 | 387,077 | 49,396,144 | 16,244,869 | 30,519,198 | 385,208 | 47,149,275 |
| Inter-bank funds | - | - | - | - | 28,971 | - | - | 28,971 |
| Due to banks and correspondents | 681,835 | 8,321,486 | - | 9,003,321 | 643,977 | 9,016,900 | - | 9,660,877 |
| Bonds, notes and other obligations | 7,133,308 | 887,047 | - | 8,020,355 | 6,887,363 | 891,388 | - | 7,778,751 |
| Due from customers on acceptances | 72,453 | - | - | 72,453 | 16,320 | - | - | 16,320 |
| Insurance contract liabilities | 4,898,831 | 6,869,512 | - | 11,768,343 | 4,905,233 | 7,596,490 | - | 12,501,723 |
| Other accounts payable, provisions and other liabilities | 907,351 | 1,747,216 | 20,875 | 2,675,442 | 530,180 | 1,440,976 | 32,631 | 2,003,787 |
| | <u>32,308,646</u> | <u>48,219,460</u> | <u>407,952</u> | <u>80,936,058</u> | <u>29,256,913</u> | <u>49,464,952</u> | <u>417,839</u> | <u>79,139,704</u> |
| Forwards position, net | (673,643) | 866,947 | (193,304) | - | 1,525,029 | (1,369,873) | (155,156) | - |
| Currency swaps position, net | 2,345,839 | (2,345,839) | - | - | 264,160 | (264,160) | - | - |
| Cross currency swaps position, net | 1,999,257 | (1,999,257) | - | - | 1,926,886 | (1,926,886) | - | - |
| Options position, net | - | - | - | - | 48 | (48) | - | - |
| Monetary position, net | <u>1,416,226</u> | <u>3,815,411</u> | <u>96,477</u> | <u>5,328,114</u> | <u>1,500,709</u> | <u>3,920,359</u> | <u>89,062</u> | <u>5,510,130</u> |

As of March 31, 2021, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$652,278,000, equivalent to S/2,450,608,000 (US\$634,242,000, equivalent to S/2,296,590,000 as of December 31, 2020).

Notes to the interim consolidated financial statements (continued)

24. Fair value

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

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

| | As of March 31, 2021 | | | | As of December 31, 2020 | | | |
|--|----------------------|--------------------|--------------------|-------------------|-------------------------|--------------------|--------------------|-------------------|
| | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Total S/(000) | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Total S/(000) |
| Financial assets | | | | | | | | |
| Financial investments | | | | | | | | |
| At fair value through profit or loss (*) | 885,267 | 679,056 | 724,120 | 2,288,443 | 577,438 | 986,627 | 478,712 | 2,042,777 |
| Debt instruments measured at fair value through other comprehensive income | 10,543,666 | 7,446,660 | - | 17,990,326 | 10,247,432 | 7,654,920 | - | 17,902,352 |
| Equity instruments measured at fair value through other comprehensive income | 1,404,031 | 8,465 | 37,570 | 1,450,066 | 1,329,471 | 7,867 | 36,210 | 1,373,548 |
| Derivatives receivable | - | 561,080 | - | 561,080 | - | 395,249 | - | 395,249 |
| | <u>12,832,964</u> | <u>8,695,261</u> | <u>761,690</u> | <u>22,289,915</u> | <u>12,154,341</u> | <u>9,044,663</u> | <u>514,922</u> | <u>21,713,926</u> |
| Accrued interest | | | | <u>178,395</u> | | | | <u>251,140</u> |
| Total financial assets | | | | <u>22,468,310</u> | | | | <u>21,965,066</u> |
| Financial liabilities | | | | | | | | |
| Derivatives payable | - | 306,084 | - | 306,084 | - | 271,326 | - | 271,326 |

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

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

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

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

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|---|-----------------------|-----------------------|
| Initial balance as of January 1 | 514,922 | 487,352 |
| Purchases | 194,569 | 155,198 |
| Sales | (10,193) | (272,711) |
| Gain recognized on the consolidated statement of income | <u>62,392</u> | <u>145,083</u> |
| Final balance | <u>761,690</u> | <u>514,922</u> |

Notes to the interim consolidated financial statements (continued)

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

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

| | As of March 31, 2021 | | | | | As of December 31, 2020 | | | | |
|---|----------------------|--------------------|--------------------|--------------------------|--------------------------|-------------------------|--------------------|--------------------|--------------------------|--------------------------|
| | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Fair value S/(000) | Book value S/(000) | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Fair value S/(000) | Book value S/(000) |
| Assets | | | | | | | | | | |
| Cash and due from banks | - | 19,260,547 | - | 19,260,547 | 19,260,547 | - | 18,765,482 | - | 18,765,482 | 18,765,482 |
| Inter-bank funds | - | - | - | - | - | - | 18,105 | - | 18,105 | 18,105 |
| Investments at amortized cost | 2,881,947 | - | - | 2,881,947 | 2,771,618 | 2,988,539 | - | - | 2,988,539 | 2,707,298 |
| Loans, net | - | 41,188,925 | - | 41,188,925 | 40,836,885 | - | 40,809,701 | - | 40,809,701 | 40,519,423 |
| Due from customers on acceptances | - | 72,453 | - | 72,453 | 72,453 | - | 16,320 | - | 16,320 | 16,320 |
| Other accounts receivable and other assets, net | - | 854,360 | - | 854,360 | 854,360 | - | 658,140 | - | 658,140 | 658,140 |
| Total | 2,881,947 | 61,376,285 | - | 64,258,232 | 63,795,863 | 2,988,539 | 60,267,748 | - | 63,256,287 | 62,684,768 |
| Liabilities | | | | | | | | | | |
| Deposits and obligations | - | 49,423,302 | - | 49,423,302 | 49,396,144 | - | 47,146,077 | - | 47,146,077 | 47,149,275 |
| Inter-bank funds | - | - | - | - | - | - | 28,971 | - | 28,971 | 28,971 |
| Due to banks and correspondents | - | 9,015,507 | - | 9,015,507 | 9,003,321 | - | 9,686,361 | - | 9,686,361 | 9,660,877 |
| Bonds, notes and other obligations | 7,047,706 | 1,351,694 | - | 8,399,400 | 8,020,355 | 6,856,829 | 1,405,383 | - | 8,262,212 | 7,778,751 |
| Due from customers on acceptances | - | 72,453 | - | 72,453 | 72,453 | - | 16,320 | - | 16,320 | 16,320 |
| Insurance contract liabilities | - | 11,768,343 | - | 11,768,343 | 11,768,343 | - | 12,501,723 | - | 12,501,723 | 12,501,723 |
| Other accounts payable and other liabilities | - | 2,369,358 | - | 2,369,358 | 2,369,358 | - | 1,732,461 | - | 1,732,461 | 1,732,461 |
| Total | 7,047,706 | 74,000,657 | - | 81,048,363 | 80,629,974 | 6,856,829 | 72,517,296 | - | 79,374,125 | 78,868,378 |

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

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

Notes to the interim consolidated financial statements (continued)

25. Fiduciary activities and management of funds

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

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

| | 31.03.2021 S/(000) | 31.12.2020 S/(000) |
|------------------|------------------------------|------------------------------|
| Investment funds | 15,990,487 | 15,008,109 |
| Mutual funds | <u>6,354,774</u> | <u>5,980,724</u> |
| Total | <u>22,345,261</u> | <u>20,988,833</u> |