

## **InterCorp Financial Services Inc. and Subsidiaries**

Interim consolidated financial statements as of June 30, 2020, December 31, 2019 and for the six-months period ended June 30, 2020 and 2019

## **Intercorp Financial Services Inc. and Subsidiaries**

Interim consolidated financial statements as of June 30, 2020, December 31, 2019 and for the six-months period ended June 30, 2020 and 2019

### **Content**

#### **Interim consolidated financial statements**

Interim consolidated statement of financial position

Interim consolidated statement of income

Interim consolidated statement of other comprehensive income

Interim consolidated statement of changes in equity

Interim consolidated statement of cash flows

Notes to the interim consolidated financial statements

## Intercorp Financial Services Inc. and Subsidiaries

### Interim consolidated statement of financial position

As of June 30, 2020 (unaudited) and December 31, 2019 (audited)

	<u>Note</u>	<u>30.06.2020</u> S/(000)	<u>31.12.2019</u> S/(000)		<u>Note</u>	<u>30.06.2020</u> S/(000)	<u>31.12.2019</u> S/(000)
<b>Assets</b>				<b>Liabilities and equity</b>			
Cash and due from banks	3(a)			Deposits and obligations	8		
Non-interest bearing		2,886,603	2,704,758	Non-interest bearing		8,176,061	5,644,238
Interest bearing		11,440,070	7,153,180	Interest bearing		<u>35,968,658</u>	<u>32,448,986</u>
Restricted funds		<u>797,814</u>	<u>1,270,937</u>			44,144,719	38,093,224
		15,124,487	11,128,875				
Inter-bank funds	3(e)	31,841	85,006	Inter-bank funds	3(e)	-	169,138
Financial investments	4	21,198,660	19,072,718	Due to banks and correspondents	9	7,997,696	3,979,637
Loans, net:	5			Bonds, notes and other obligations	10	7,495,439	6,890,290
Loans, net of unearned interest		42,061,811	38,531,632	Due from customers on acceptances		16,577	139,685
Impairment allowance for loans		<u>(2,731,348)</u>	<u>(1,394,779)</u>	Insurance contract liabilities	11	11,708,247	11,338,810
		39,330,463	37,136,853	Other accounts payable, provisions and other liabilities	7	2,579,193	2,048,048
				Deferred Income Tax liability, net		<u>1,115</u>	<u>13</u>
				<b>Total liabilities</b>		<u>73,942,986</u>	<u>62,658,845</u>
				<b>Equity, net</b>	12		
				Equity attributable to IFS's shareholders:			
Investment property	6	1,031,240	972,096	Capital stock		1,038,017	1,038,017
Property, furniture and equipment, net		899,251	950,943	Treasury stock		(57)	(196)
Due from customers on acceptances		16,577	139,685	Capital surplus		532,771	530,456
Intangibles and goodwill, net		1,027,930	979,262	Reserves		5,200,000	4,700,000
Other accounts receivable and other assets, net	7	2,825,609	1,051,872	Unrealized results, net		429,879	442,905
Deferred Income Tax asset, net		293,736	44,983	Retained earnings		<u>594,380</u>	<u>2,145,688</u>
						7,794,990	8,856,870
				Non-controlling interest		<u>41,818</u>	<u>46,578</u>
				<b>Total equity, net</b>		<u>7,836,808</u>	<u>8,903,448</u>
<b>Total assets</b>		<u>81,779,794</u>	<u>71,562,293</u>	<b>Total liabilities and equity, net</b>		<u>81,779,794</u>	<u>71,562,293</u>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Interim consolidated statement of income

For the six-months period ended June 30, 2020 and 2019

	Note	30.06.2020	30.06.2019
		S/(000)	S/(000)
Interest and similar income	14	2,428,340	2,368,471
One-off impact from the modification of contractual cash flows due to the loan rescheduling schemes	14	(136,637)	-
Interest and similar expenses	14	(649,146)	(687,850)
<b>Net interest and similar income</b>		<b>1,642,557</b>	<b>1,680,621</b>
Impairment loss on loans, net of recoveries	5(d)	(1,603,166)	(379,355)
(Loss) recovery due to impairment on financial investments	4(b.1)	(52,396)	2,674
<b>Net interest and similar income after impairment loss</b>		<b>(13,005)</b>	<b>1,303,940</b>
Fee income from financial services, net	15	362,884	445,713
Net gain on foreign exchange transactions		241,440	77,125
Net gain on sale of financial investments		85,435	67,647
Gain from derecognition of financial assets at amortized cost	4(c)	-	8,474
Net (loss) gain on financial assets at fair value through profit or loss		(140,913)	39,611
Net gain on investment property	6(b)	25,864	43,278
Other income	16	14,818	32,113
		<b>589,528</b>	<b>713,961</b>
<b>Insurance premiums and claims</b>	17		
Net premiums earned		239,265	194,355
Net claims and benefits incurred for life insurance contracts and others		(362,591)	(338,149)
		<b>(123,326)</b>	<b>(143,794)</b>
<b>Other expenses</b>			
Salaries and employee benefits		(370,559)	(392,272)
Administrative expenses		(361,699)	(371,387)
Depreciation and amortization		(131,648)	(128,181)
Other expenses	16	(63,210)	(74,576)
		<b>(927,116)</b>	<b>(966,416)</b>
<b>(Expense) income before translation result and Income Tax</b>		<b>(473,919)</b>	<b>907,691</b>
Translation result		(29,597)	22,005
Income Tax	13(e)	191,107	(226,858)
<b>Net (loss) profit for the period</b>		<b>(312,409)</b>	<b>702,838</b>
<b>Attributable to:</b>			
IFS's shareholders		(310,107)	698,516
Non-controlling interests		(2,302)	4,322
		<b>(312,409)</b>	<b>702,838</b>
<b>(Loss) earnings per share attributable to IFS's shareholders basic and diluted (stated in Soles)</b>	18	<b>(2.749)</b>	<b>6.310</b>
<b>Weighted average number of outstanding shares (in thousands)</b>	18	<b>112,789</b>	<b>110,692</b>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Interim consolidated statement of other comprehensive income

For the six-months period ended June 30, 2020 and 2019

	<b>30.06.2020</b>	<b>30.06.2019</b>
	S/(000)	S/(000)
<b>Net (loss) profit for the period</b>	<b>(312,409)</b>	<b>702,838</b>
<b>Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:</b>		
(Losses) gains on equity instruments at fair value through other comprehensive income	(38,584)	80,853
Income Tax	29	(212)
<b>Total unrealized gain that will not be reclassified to the consolidated statement of income</b>	<b>(38,555)</b>	<b>80,641</b>
<b>Other comprehensive income to be reclassified to the consolidated statement of income in subsequent periods:</b>		
Net variation of debt instruments at fair value through other comprehensive income	(266,230)	920,120
Income Tax	1,004	(7,242)
	(265,226)	912,878
Insurance premiums reserve	226,273	(676,231)
Net variation of cash flow hedges	16,647	(7,705)
Income Tax	(2,569)	3,012
	14,078	(4,693)
Translation of foreign operations	50,443	(19,219)
<b>Total unrealized gain to be reclassified to the consolidated statement of income in subsequent periods</b>	<b>25,568</b>	<b>212,735</b>
<b>Total other comprehensive (loss) income for the period, net of Income Tax</b>	<b>(325,396)</b>	<b>996,214</b>
<b>Attributable to:</b>		
IFS's shareholders	(323,133)	991,134
Non-controlling interests	(2,263)	5,080
	<b>(325,396)</b>	<b>996,214</b>

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of changes in equity

For the six-months period ended June 30, 2020 and 2019

	Attributable to IFS's shareholders														
	Unrealized results, net														
	Instruments that will be reclassified to the consolidated statement of income														
	Number of shares (in thousands)		Capital stock S/(000)	Treasury stock S/(000)	Capital surplus S/(000)	Reserves S/(000)	Instruments that will not be reclassified to the consolidated statement of income  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)	Foreign currency translation reserve S/(000)	Retained earnings S/(000)	Total S/(000)	Non-controlling interests S/(000)	Total equity, net S/(000)
	Issued	In treasury													
Balances as of January 1, 2019	113,110	(2,418)	963,446	(208,178)	268,077	4,700,000	147,554	(232,337)	75,575	27,911	102,983	1,203,043	7,048,074	40,402	7,088,476
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	698,516	698,516	4,322	702,838
Other comprehensive income	-	-	-	-	-	-	80,559	911,042	(675,121)	(4,643)	(19,219)	-	292,618	758	293,376
Total other comprehensive income	-	-	-	-	-	-	80,559	911,042	(675,121)	(4,643)	(19,219)	698,516	991,134	5,080	996,214
Declared and paid dividends, Note 12(a)	-	-	-	-	-	-	-	-	-	-	-	(654,464)	(654,464)	-	(654,464)
Dividends paid to non-controlling interests of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,455)	(3,455)
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	-	-	11,422	11,422	80	11,502
Others	-	-	-	-	-	-	-	-	-	-	-	5,059	5,059	(99)	4,960
Balance as of June 30, 2019	113,110	(2,418)	963,446	(208,178)	268,077	4,700,000	228,113	678,705	(599,546)	23,268	83,764	1,263,576	7,401,225	42,008	7,443,233
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 loss for the period	-	-	-	-	-	-	-	-	-	-	-	(310,107)	(310,107)	(2,302)	(312,409)
Other comprehensive income	-	-	-	-	-	-	(38,492)	(264,914)	225,902	14,035	50,443	-	(13,026)	39	(12,987)
Total other comprehensive income	-	-	-	-	-	-	(38,492)	(264,914)	225,902	14,035	50,443	(310,107)	(323,133)	(2,263)	(325,396)
Initial Public Offering, Note 1(b)	-	-	-	-	2,315	-	-	-	-	-	-	(2,315)	-	-	-
Declared and paid dividends, Note 12(a)	-	-	-	-	-	-	-	-	-	-	-	(698,228)	(698,228)	-	(698,228)
Purchase of treasury stock, Note 12(b)	-	1	-	139	-	-	-	-	-	-	-	-	139	-	139
Transfer from retained earnings to reserves, note 12(d)	-	-	-	-	-	500,000	-	-	-	-	-	(500,000)	-	-	-
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,432)	(2,432)
Others	-	-	-	-	-	-	-	-	-	-	-	(40,658)	(40,658)	(65)	(40,723)
Balance as of June 30, 2020	115,447	-	1,038,017	(57)	532,771	5,200,000	226,391	771,245	(697,953)	(8,723)	138,919	594,380	7,794,990	41,818	7,836,808

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

## Intercorp Financial Services Inc. and Subsidiaries

### Interim consolidated statement of cash flows

For the six-months period ended June 30, 2020 and 2019

	30.06.2020	30.06.2019
	S/(000)	S/(000)
<b>Cash flows from operating activities</b>		
Net (loss) profit for the period	(312,409)	702,838
<b>Plus (minus) adjustments to net profit</b>		
Impairment loss on loans, net of recoveries	1,603,166	379,355
Loss (recovery) due to impairment of financial investments	52,396	(2,674)
Depreciation and amortization	131,648	128,181
Provision for sundry risks	3,220	1,703
Deferred Income Tax	(249,394)	6,942
Net gain on sale of financial investments	(85,435)	(67,647)
Gain from derecognition of financial assets at amortized cost	-	(8,474)
Net loss (gain) of financial assets at fair value through profit or loss	140,913	(39,611)
Net gain for valuation of investment property	(6,483)	(21,981)
Translation result	29,597	(22,005)
Net loss on sale of investment property	-	1,556
(Increase) decrease in accrued interest receivable	(106,478)	979
Increase in accrued interest payable	21,042	40,984
<b>Net changes in assets and liabilities</b>		
Net increase in loans	(3,792,818)	(1,646,799)
Increase in other accounts receivable and other assets	(1,444,624)	(19,631)
Net decrease (increase) in restricted funds	453,312	(119,836)
Increase in deposits and obligations	6,049,469	1,646,516
Increase in due to banks and correspondents	4,025,403	295,859
Increase in other accounts payable, provisions and other liabilities	912,457	331,862
Decrease of investments at fair value through profit or loss	51,788	34,331
<b>Net cash provided by operating activities</b>	<u>7,476,770</u>	<u>1,622,448</u>

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

## Interim consolidated statement of cash flows (continued)

	30.06.2020	30.06.2019
	S/(000)	S/(000)
<b>Cash flows from investing activities</b>		
Net (purchase) sale of financial investments	(2,219,745)	674,993
Purchase of property, furniture and equipment	(32,907)	(26,633)
Purchase of intangible assets	(112,054)	(57,720)
Purchase of investment property	(52,661)	(11,726)
Sale of investment property	-	20,472
<b>Net cash (used in) provided by investing activities</b>	<b>(2,417,367)</b>	<b>599,386</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(698,228)	(654,464)
Net increase of bonds, notes and other obligations	288,123	245,572
Net decrease in receivable inter-bank funds	53,165	264,900
Net (decrease) increase in payable inter-bank funds	(169,138)	50,013
Sale of treasury stock	139	-
Dividend payments to non-controlling interests	(2,432)	(3,455)
Lease payments	(52,017)	(63,457)
<b>Net cash provided by financing activities</b>	<b>(580,388)</b>	<b>(160,891)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,479,015</b>	<b>2,060,943</b>
Translation (loss) gain on cash and cash equivalents	(10,034)	25,683
Cash and cash equivalents at the beginning of the period	9,851,729	7,087,062
<b>Cash and cash equivalents at the end of the period</b>	<b>14,320,710</b>	<b>9,173,688</b>

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



## Intercorp Financial Services Inc. and Subsidiaries

### Notes to the interim consolidated financial statements

As of June 30, 2020 (unaudited) and December 31, 2019 (audited)

#### 1. Business activity and other relevant events

##### (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 June 30, 2020 and December 31, 2019, Intercorp Perú holds directly and indirectly 70.62 percent of the issued and outstanding capital stock of IFS.

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

As of June 30, 2020 and December 31, 2019, 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") and 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 June 30, 2020 have been authorized by Management and the Audit Committee on August 10, 2020 and approved by the Board of Directors held on August 12, 2020. The audited consolidated financial statement of IFS and Subsidiaries as of December 31, 2019, were approved by the General Shareholders' Meeting held on April 7, 2020.

##### (b) Global pandemic Covid-19 –

A new coronavirus strain (Covid-19) was first identified in Wuhan, China, in December 2019, and later declared a pandemic by the World Health Organization, has spread in almost all regions in the world, which has resulted in travel restrictions and trade slowdowns. In that sense, on March 15, 2020, the Peruvian Government, through Supreme Decree No.044-2020, declared a National lockdown ordering the closing of the national borders, compulsory social confinement, the lockdown of businesses deemed non-essential (exceptions were production, distribution and commercialization of food and pharmaceuticals, financial services and healthcare), among others. As of the date of this report, the National lockdown has been extended until August 31, 2020.

Within this context, the Ministry of Economy and Finance (henceforth "MEF"), the Central Reserve Bank of Peru (henceforth "BCRP") and the Superintendence of Banking, 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 systems (due to the lockdown of certain economic sectors), as well as some additional measures focused on securing the continuity of the economy's payment chain.

## Notes to the interim consolidated financial statements (continued)

The main measures implemented in the financial system are related to facilities for loan rescheduling (payment deferrals), see further detail in Note 2.3, suspension of counting of past due days, partial withdrawal of severance indemnities and launching of credit programs guaranteed by the Peruvian Government, such as “Reactiva Perú”, created through Legislative Decree No. 1455-2020 to secure the continuity of the payment chain in the face of Covid-19’s impact.

Said program grants guarantees to companies in order for them to obtain working capital loans and thus comply with their short-term obligations with their workers and suppliers of goods and services. This program manages guarantees amounting to S/30,000 million.

As of June 30, 2020, Interbank holds loans of the “Reactiva Perú” program for approximately S/3,833 million, out of which S/3,258 million are guaranteed by the Peruvian Government; see Notes 5 and 9.

On the other hand, IFS’s Management monitors closely the situation and focuses in securing the operation and enhance the liquidity and solvency positions of the Subsidiaries. Regarding liquidity, Interbank has maintained an active participation in the BCRP’s daily operations and has used available credit lines from correspondent banks abroad.

Likewise, with the purpose of strengthening its capital and regulatory capital requirements to face the volatile environment, the Subsidiaries have implemented the following measures:

- In Shareholders’ Meeting held on April 3, 2020, Interbank approved a reduction in the percentage of distributable dividends, from 45 to 25 percent. In addition, the net profit generated in the first quarter of 2020 also has a capitalization agreement.
- On June 30, 2020, Interbank placed subordinated bonds for US\$300,000,000, as explained in Note 10.
- In Board’s Session held on June 30, 2020, Interseguro committed to the capitalization of S/50,000,000 with charge to the period’s net profit.

### (c) Initial Public Offering –

On July 3, 2019, the Board of IFS approved the filing with the Securities and Exchange Commission of the United States of America (henceforth “SEC”), of a Registration Statement under Form F-1 of the Securities Exchange Act of 1933 of the United States of America, in relation with a proposal of an Initial Public Offering (henceforth “Offering”) of IFS’s common shares.

On July 18, 2019, IFS announced the placement of the Offering for approximately 9,000,000 common shares at a price of US\$46.00 per common share. The sale was performed by (i) IFS, (ii) Interbank, (iii) Intercorp Peru; and (iv) a non-related shareholder. Additionally, IFS granted the Offering placers a 30-day call option to buy up to 1,350,000 new common shares, as an additional initial issuance.

As result of said Offering, IFS sold 2,418,754 common shares held as treasury stock (including shares sold by Interbank), as well as approximately 1,150,000 new common shares to be issued. Intercorp Peru sold 2,531,246 shares, and the non-related shareholder sold 3,000,000 shares. Additionally, the placers exercised the call option regarding 1,186,841 new common shares.

## Notes to the interim consolidated financial statements (continued)

In this sense, IFS and Subsidiaries combined, sold, 4,755,595 shares at US\$46.00 per share. The sale value amounted to approximately US\$218,757,000 (before issuance expenses).

The total impact of the Offering on the Company's net equity, after discounting the issuance expenses, amounted to S/684,125,000 (approximately US\$208,384,000), mainly explained by:

- (i) Issuance of 2,336,841 shares, for an amount of S/336,950,000, out of which S/74,571,000 correspond to capital stock and S/262,379,000 to capital surplus (net of issuance expenses for S/15,957,000).
  - (ii) Sale of 2,418,754 share held as treasury stock, including shares sold by Interbank, for a total amount of S/347,175,000, which were recorded in captions "Treasury stock" and "Retained earnings", see Note 12(b).
- (d) Subsidiaries Activities –
- 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.

As of June 30, 2020 and December 31, 2019, Interbank had 233 and 255 offices, respectively, and a branch established in the Republic of Panama. Regarding said branch, on April 23, 2019, Interbank's Board approved its voluntary closing. As of the date of this report, there is no specific date for the completion of said process.

Additionally, it holds approximately 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	Manages securitization funds.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand "American Express".
Inversiones Huancavelica S.A.	Real estate activities. This entity was absorbed by Banco Internacional del Perú S.A.A. through a process of merging by absorption, which was authorized by the SBS in September 2019.
Contacto Servicios Integrales de Créditos y Cobranzas S.A.	Collection services. This entity was absorbed by Banco Internacional del Perú S.A.A. through a process of merging by absorption, which was authorized by the SBS in September 2019.

## Notes to the interim consolidated financial statements (continued)

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

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. As of June 30, 2020 and December 31, 2019, Interseguro participates in:

Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú -

Interseguro holds participations in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth “Patrimonio Fideicometido – Interproperties Perú”), structured entity, incorporated in April 2008, 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 June 30, 2020 and December 31, 2019, amounted to S/117,268,000 and S/114,058,000, 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). IFS has ownership and decision-making power over these properties and IFS has the exposure or rights to their returns; therefore, IFS consolidates 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 June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019, 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. It provides investment consultancy and related services.

(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 June 30, 2020 and December 31, 2019, 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.

(f) Hipotecaria Sura Empresa Administradora Hipotecaria S.A. -

As of December 31, 2019, this company has been extinguished. It was incorporated in Peru and was regulated by the SBS. Its main activity was the granting of mortgage loans. It disbursed its last loans in 2015.

## 2. Main accounting principles and practices

### 2.1 Basis of presentation and use of estimates –

The interim consolidated financial statements as of June 30, 2020 and December 31, 2019 and for the six-months period ended June 30, 2020 and 2019, have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s consolidated audited financial statements as of December 31, 2019 and 2018 (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 the estimated useful life of intangible assets, property, furniture and equipment, and the estimation of deferred Income Tax.

## Notes to the interim consolidated financial statements (continued)

### 2.2 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.

### 2.3 Regulations issued by the SBS –

As indicated in Note 1(b), with the purpose of facilitating the payment of debt of the clients of the financial entities affected by the outbreak of Covid-19, the SBS issued the following Multiple Official Letters:

#### 2.3.1 Regulations related to loan portfolio

(a) Multiple Official Letters No.10997-2020-SBS, No.11150-2020-SBS, No.11170-2020-SBS and No.13195-2020-SBS issued on March 13, 2020, March 16, 2020, March 20, 2020, and May 19, 2020, respectively. Through these Multiple Official Letters, the SBS established the following exceptional measures applicable to loan portfolio:

- The financial system entities are enabled to modify the contractual conditions of loans without presenting them as refinanced provided that the entire term is not extended for more than six months from the original term. Also, debtors must have a maximum past due of 15 days as of February 29, 2020.
- In the case of loans to retail clients with modified contractual conditions, the associated interest can continue to be recognized on an accrual basis. However, if the debtor changes its situation to past due after the establishment of new loan terms, the financial entity must reverse the cumulative interest of said loan, proportionally, in a six-month period.
- For loans to non-retail clients with modified contractual conditions, the associated interest must be recognized by the cash flow method. Cumulative and not collected interest related to these loans must be reversed starting on the modification date.
- For debtors with past due loans of more than 15 days as of February 29, 2020, the calculation of past due days will be suspended during the National lockdown.
- If a debtor presents past due payments after the contractual modifications, said loan will be deemed as refinanced loan, following the general criteria of the current regulation.
- According to Multiple Official Letter No.11150-2020-SBS, the scope of the aforementioned facilities shall be determined by each entity of the financial system, after analyzing the level of impact in their respective loan portfolio.
- Financial entities are able to record, as preventive and responsible manner, necessary voluntary provisions that allow them to deal with risk increasing in the loan portfolio, at the moment they materialize.

## Notes to the interim consolidated financial statements (continued)

- (b) Multiple Official Letter No.13805-2020-SBS, issued on May 29, 2020: Amended the following regulations:

Multiple Official Letters No.10997-2020-SBS, No.11150-2020-SBS and No. 11170-2020-SBS (see Note 2.3.1 (a)); and additionally, amended Multiple Official Letters No. 12679-2020 and No. 13195-2020, issued on May 5, 2020, and May 19, 2020, respectively. The main amendments were the following:

- (i) Financial entities can unilaterally reprogram loans until June 30, 2020, provided the compliance of certain criteria included in said Multiple Official Letter.
- (ii) The loan rescheduling term ranges from 6 to 12 months with respect to the original term.
- (iii) For contractual modifications made since the date of the regulation, and only for purposes of the National lockdown, the debt shall be deemed as current if it is past due for a maximum of 30 calendar days.
- (iv) The suspension of counting of past due days, applicable to past due loans of more than 15 days as of February 29, 2020, shall be effective for the duration of the National lockdown, as well as the accounting situation of said loans. Also, in the case of loans that as of February 29, 2020, have been past due between 15 and 60 days, said suspension shall be effective until the end of the month following that of the lifting of the National lockdown.

In application of the regulations issued by the SBS and summarized in previous paragraphs, Interbank has reprogramed loans for approximately S/12,700 million and has modified their respective payment schedules. Thus, the present value of the loans has decreased by S/137 million, which are presented by reducing the interest income of the loan portfolio; see Note 14.

### 2.3.2 Resolution No.1264-2020-SBS, issued on March 26, 2020

This Resolution establishes that in the modifications of the contractual conditions indicated in the Multiple Official Letters mentioned in Note 2.3.1, it shall not increase the regulatory capital requirement for the non-revolving consumer loans and mortgage loans. Likewise, said Resolution authorizes the financial entities to use the additional regulatory capital for the component of the economic cycle.

### 2.3.3 Repurchase agreements of loan portfolio represented by securities

On April 3, 2020, the BCRP issued the Circular Letter No.0014-2020-BCRP, which establishes the characteristics and procedures of the repurchase agreements of loan portfolio guaranteed by the Peruvian Government. At the selling date, the bank receives the domestic currency (sale amount) and, at the same operation, is obliged to repurchase said portfolio (repurchase amount). The BCRP shall disburse 80 percent of the funds in the bank's current account it holds at the BCRP and the remaining part in a restricted account also held by the bank at the BCRP.

## Notes to the interim consolidated financial statements (continued)

### 3. Cash and due from banks and inter-bank funds

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

	30.06.2020	31.12.2019
	S/(000)	S/(000)
Cash and clearing (b)	1,728,890	1,877,843
Deposits in the Central Reserve Bank of Peru – BCRP (b)	10,009,339	5,861,570
Deposits in banks (c)	2,582,481	2,112,316
Accrued interest	5,963	6,209
	14,326,673	9,857,938
Restricted funds (d)	797,814	1,270,937
<b>Total</b>	<b>15,124,487</b>	<b>11,128,875</b>

- (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 that accrued interest at an annual rate established by the BCRP. As of June 30, 2020, the excess in foreign currency accrued interest in US Dollars at 0.01 percent (1.25 percent as of December 31, 2019).

In 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:

	30.06.2020	31.12.2019
	S/(000)	S/(000)
Repurchase agreements with BCRP (*)	664,373	1,208,506
Derivative financial instruments	128,274	57,816
Others	5,167	4,615
<b>Total</b>	<b>797,814</b>	<b>1,270,937</b>

- (\*) As of June 30, 2020, correspond to deposits maintained in the BCRP which guarantee agreements amounting to S/647,500,000 (guaranteed agreements amounting to S/1,205,200,000 as of December 31, 2019); see Note 9(b).

Cash and cash equivalents presented in the interim consolidated statement of cash flows do not include the restricted funds and accrued interest.

- (e) Inter-bank funds
- Corresponds to loans made among financial institutions with maturity, in general, being less than 30 days. As of June 30, 2020, Inter-bank funds assets accrue interest at an annual rate of 0.25 percent in foreign currency (Inter-bank funds assets accrue interest at an annual rate of 2.26 percent in national currency and Inter-bank funds liabilities accrue interest at an annual rate of 2.25 percent in national currency and 1.75 percent in foreign currency, as of December 31, 2019) and do not have specific guarantees.



## Notes to the interim consolidated financial statements (continued)

### 4. Financial investments

(a) This caption is made up as follows:

	30.06.2020	31.12.2019
	S/(000)	S/(000)
<b>Financial investments</b>		
Debt instruments measured at fair value through other comprehensive income (b)	15,770,728	14,010,029
Investments at amortized cost (c)	2,498,394	2,160,775
Investments at fair value through profit or loss (d)	1,509,992	1,551,537
Equity instruments measured at fair value through other comprehensive income (e)	1,130,545	1,125,722
<b>Total financial investments</b>	<b>20,909,659</b>	<b>18,848,063</b>
<b>Accrued income</b>		
On debt instruments measured at fair value through other comprehensive income (b)	236,529	178,444
On investments at amortized cost (c)	52,472	46,211
<b>Total</b>	<b>21,198,660</b>	<b>19,072,718</b>

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	Unrealized gross amount		Estimated fair value	Maturity	Annual effective interest rates			
		Gains	Losses (c)			S/		US\$	
						Min %	Max %	Min %	Max %
As of June 30, 2020	S/(000)	S/(000)	S/(000)	S/(000)					
Corporate, leasing and subordinated bonds (*)	8,018,919	529,029	(188,525)	8,359,423	Sep-20 / Jul-97	(0.17)	14.06	0.79	50.20
Peruvian Sovereign Bonds	5,149,964	292,265	(2,226)	5,440,003	Sep-23 / Feb-55	0.86	5.50	-	-
Negotiable Certificates of Deposit issued by BCRP	889,695	6,076	(1)	895,770	Jul-20 / Mar-23	0.25	3.04	-	-
Bonds guaranteed by the Peruvian Government	588,992	50,831	-	639,823	Oct-24 / Jul-34	1.50	3.77	3.22	4.67
Global Bonds of the Republic of Peru	280,009	939	-	280,948	Jul-25 / Jan-26	-	-	1.71	1.72
Global Bonds of the Republic of Colombia	155,029	42	(310)	154,761	Jul-21 / Feb-24	-	-	1.73	2.48
Total	15,082,608	879,182	(191,062)	15,770,728					
Accrued interest				236,529					
Total				16,007,257					

	Amortized cost	Unrealized gross amount		Estimated fair value	Maturity	Annual effective interest rates			
		Gains	Losses (c)			S/		US\$	
						Min %	Max %	Min %	Max %
As of December 31, 2019	S/(000)	S/(000)	S/(000)	S/(000)					
Corporate, leasing and subordinated bonds (*)	7,562,985	648,601	(12,300)	8,199,286	Jan-20 / Jan-114	0.71	21.76	2.26	10.73
Peruvian Sovereign Bonds	3,213,581	330,856	(242)	3,544,195	Aug-24 / Feb-55	1.59	5.31	-	-
Negotiable Certificates of Deposit issued by BCRP	1,481,962	1,533	(2)	1,483,493	Jan-20 / Jun-21	2.15	3.04	-	-
Bonds guaranteed by the Peruvian Government	626,087	42,153	(167)	668,073	Oct-24 / Jul -34	2.24	4.14	3.61	5.14
Global Bonds of the Republic of Colombia	114,431	551	-	114,982	Jul-21 / Mar-23	-	-	2.24	2.46
Total	12,999,046	1,023,694	(12,711)	14,010,029					
Accrued interest				178,444					
Total				14,188,473					

(\*) As of June 30, 2020 and December 31, 2019, Inteligo holds corporate bonds from different entities for approximately S/293,654,000 and S/440,409,000, respectively, which guarantee loans with Credit Suisse First Boston and Bank J. Safra Sarasin; see Note 9(a).

Notes to the interim consolidated financial statements (continued)

- (b.1) The Group has determined that the unrealized losses on debt instruments as of June 30, 2020 and December 31, 2019, not related to credit risk, are of temporary nature. As of June 30, 2020 and December 31, 2019, the detail of the unrealized losses corresponding to debt instruments classified as at fair value through other comprehensive income is as follows:

Issuer	30.06.2020			31.12.2019			Maturity as of June 30, 2020	Risk rating as of June 30, 2020 (***)
	Amortized Cost	Unrealized gross gain	Unrealized gross loss	Amortized Cost	Unrealized gross gain	Unrealized gross loss		
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Corporación Financiera de Desarrollo S.A.	298,540	15,216	(6,399)	374,631	30,197	(1,438)	2029-2046	AA (**)
Rutas de Lima	295,019	-	(124,859)	285,047	46,465	-	2036-2039	Less than B- (*)
Orazul Energy Egenor SCA	204,520	-	(5,154)	22,069	68	-	2027	BB (*)
Línea Amarilla S.A.C.	174,326	-	(5,215)	174,049	14,284	-	2037	AA (**)
Votorantim	146,139	-	(11,664)	98,907	2,330	-	2041	BBB- (*)
Latam Airlines	13,805	-	(10,175)	22,356	614	-	2024	Less than B- (*)
Instruments with individual losses minor than S/4 million	6,371,221	292,307	(27,596)	4,883,248	393,088	(11,273)	-	-
<b>Total</b>	<b>7,503,570</b>	<b>307,523</b>	<b>(191,062)</b>	<b>5,860,307</b>	<b>487,046</b>	<b>(12,711)</b>		

(\*) Instrument rated abroad.

(\*\*) Instrument rated in Peru.

(\*\*\*) For those issuers with different instruments, the classification presented corresponds to the instrument with the largest unrealized loss.

## Notes to the interim consolidated financial statements (continued)

On the other hand, the movement of the allowance for expected credit losses for debt instruments measured at fair value through other comprehensive income is presented below:

	30.06.2020	31.12.2019	30.06.2019
	S/(000)	S/(000)	S/(000)
<b>Expected credit loss at the beginning of the period</b>	34,743	28,050	28,050
Impairment of financial investments			-
New assets originated or purchased	(28)	1,588	641
Assets derecognized or matured (excluding write-offs)	(293)	(1,290)	(685)
Others (*)	52,717	6,492	(2,630)
<b>Loss (recovery) of the period to impairment on financial investments</b>	52,396	6,790	(2,674)
Foreign exchange effect	4,214	(97)	(73)
<b>Expected credit loss at the end of the period</b>	<b>91,353</b>	<b>34,743</b>	<b>25,303</b>

(\*) As of June 30, 2020, mainly includes the impairment allocated to Rutas de Lima for approximately S/47,236,000.

- (c) As of June 30, 2020 and December 31, 2019, investments at amortized cost are entirely comprised of Sovereign Bonds of the Republic of Peru issued in Soles, for an amount of S/2,550,866,000 and S/2,206,986,000, respectively, including accrued interest.

As of June 30, 2020 these investments have maturity dates that range from September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 5.20 percent (as of December 31, 2019, these investments have maturity dates that range from September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 6.26 percent), and estimated fair value amounting to approximately S/2,739,861,000 and S/2,328,303,000, as of June 30, 2020 and December 31, 2019, respectively.

During the year 2019, the Government of the Republic of Peru performed public offerings to buyback certain sovereign bonds, with the purpose of renewing its debt and funding its fiscal deficit. Considering the purpose of this offering, following such offering, there would be no outstanding sovereign bonds of the repurchased issuances. In the event that some bonds remained outstanding, they would become illiquid on the market. In that sense, Interbank took part of these public offerings and sold to the Government of the Republic of Peru sovereign bonds classified as investments at amortized cost for approximately S/340,518,000, generating a gain amounting to S/8,474,000, which was recorded within the caption "Gain from derecognition of financial investments at amortized cost" of the interim consolidated statement of income. Notwithstanding the aforementioned, with the purpose of maintaining its asset management strategy, the Bank purchased simultaneously other sovereign bonds of the Republic of Peru for approximately S/340,432,000, and classified them as investments at amortized cost. In Management's opinion and pursuant to IFRS 9, said transaction is congruent with the Group's business model because although said sales were significant, they were infrequent and were performed with the sole purpose of facilitating the debt renewal and the funding of the fiscal deficit of the Republic of Peru.

As of June 30, 2020 and December 31, 2019, Interbank keeps loans with the BCRP that are guaranteed with these sovereign bonds of the Republic of Peru, classified as restricted, for approximately S/1,987,831,000 and S/762,347,000, respectively; see Note 9(a).

## Notes to the interim consolidated financial statements (continued)

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

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
<b>Equity instruments</b>		
Local and foreign mutual funds and investment funds participations	1,042,991	1,083,079
BioPharma Credit PLC	125,581	132,054
Royalty Pharma	100,139	117,682
Others minor	160,189	153,468
<b>Debt instruments</b>		
Corporate, leasing and subordinated bonds	81,092	65,254
<b>Total</b>	<b>1,509,992</b>	<b>1,551,537</b>

- (e) The composition of equity instruments measured at fair value through other comprehensive income is presented below:

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
BioPharma Credit PLC	343,582	336,338
InRetail Perú Corp	286,537	285,962
Ishares	105,228	140,198
Luz del Sur S.A.A.	92,425	87,983
Engie-Energía Perú S.A.	82,238	90,670
Ferreycorp S.A.A.	67,848	83,013
Credicorp	55,843	18,030
Others minor than S/17 million	96,844	83,528
<b>Total</b>	<b>1,130,545</b>	<b>1,125,722</b>

## Notes to the interim consolidated financial statements (continued)

- (f) The Group rates its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

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

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

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

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

Below are the debt instruments measured at fair value through other comprehensive income and at amortized cost, classified by stages, in accordance with IFRS 9 as of June 30, 2020 and December 31, 2019:

Debt instruments measured at fair value through other comprehensive income and at amortized cost	30.06.2020				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Corporate, leasing and subordinated bonds	8,154,237	201,556	3,630	8,359,423	7,866,111	333,175	-	8,199,286
Peruvian Sovereign Bonds	7,938,397	-	-	7,938,397	5,704,970	-	-	5,704,970
Negotiable Certificates of Deposit issued by BCRP	895,770	-	-	895,770	1,483,493	-	-	1,483,493
Bonds guaranteed by the Peruvian Government	639,823	-	-	639,823	668,073	-	-	668,073
Global Bonds of the Republic of Colombia	154,761	-	-	154,761	114,982	-	-	114,982
Global Bonds of the Republic of Peru	280,948	-	-	280,948	-	-	-	-
<b>Total</b>	<b>18,063,936</b>	<b>201,556</b>	<b>3,630</b>	<b>18,269,122</b>	<b>15,837,629</b>	<b>333,175</b>	<b>-</b>	<b>16,170,804</b>

# Notes to the interim consolidated financial statements (continued)

## 5. Loans, net

(a) This caption is made up as follows:

	30.06.2020	31.12.2019
	S/(000)	S/(000)
<b>Direct loans</b>		
Loans	33,108,307	28,504,689
Credit cards	5,287,951	5,876,983
Leasing	1,340,353	1,533,395
Discounted notes	437,119	686,164
Factoring	305,810	374,192
Advances and overdrafts	87,860	87,373
Refinanced loans	258,639	251,180
Past due and under legal collection loans	977,646	943,168
	41,803,685	38,257,144
<b>Plus (minus)</b>		
Accrued interest from performing loans	358,549	316,171
Unearned interest and interest collected in advance	(100,423)	(41,683)
Impairment allowance for loans (d)	(2,731,348)	(1,394,779)
<b>Total direct loans, net</b>	39,330,463	37,136,853
<b>Indirect loans</b>	4,083,347	4,101,977

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

	30.06.2020	31.12.2019
	(*)	
	S/(000)	S/(000)
Commercial loans (c.1) (**)	21,192,382	17,479,006
Consumer loans (c.1)	12,271,144	12,821,567
Mortgage loans (c.1)	7,348,638	7,206,445
Small and micro-business loans (c.1)	991,521	750,126
<b>Total</b>	41,803,685	38,257,144

(\*) As of June 30, 2020, the balance of the direct loan portfolio includes disbursements made by Interbank within the “Reactiva Perú” program for approximately S/3,833 million, out of which S/3,452 million were granted to clients of its commercial portfolio and S/381 million to clients of its small and micro- business portfolio.

(\*\*) In 2019, Interbank acquired a commercial loan from Sumitomo Mitsui Banking Corporation for an amount of S/164,950,000.

Notes to the interim consolidated financial statements (continued)

(c) The following table shows the credit quality and maximum exposure to credit risk of direct loans based on the Group's internal credit rating as of June 30, 2020 and December 31, 2019. The amounts presented do not consider impairment.

	30.06.2020				31.12.2019			
	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)
<b>Direct loans, (c.1)</b>								
<b>Not impaired</b>								
High grade	30,040,931	1,243,972	-	31,284,903	28,314,167	271,610	-	28,585,777
Standard grade	4,760,965	1,210,725	-	5,971,690	4,675,010	528,372	-	5,203,382
Sub-standard grade	647,425	983,423	-	1,630,848	358,527	969,387	-	1,327,914
Past due but not impaired	967,508	741,517	-	1,709,025	1,474,310	770,876	-	2,245,186
<b>Impaired</b>								
Individually impaired	-	-	7,691	7,691	-	-	8,444	8,444
Collectively impaired	-	-	1,199,528	1,199,528	-	-	886,441	886,441
<b>Total direct loans</b>	<u>36,416,829</u>	<u>4,179,637</u>	<u>1,207,219</u>	<u>41,803,685</u>	<u>34,822,014</u>	<u>2,540,245</u>	<u>894,885</u>	<u>38,257,144</u>
	30.06.2020				31.12.2019			
	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)
<b>Indirect loans</b>								
<b>Not impaired</b>								
High grade	3,633,332	268,746	-	3,902,078	3,733,040	62,860	-	3,795,900
Standard grade	97,062	44,721	-	141,783	108,515	118,463	-	226,978
Sub-standard grade	10	7,314	-	7,324	7,597	41,095	-	48,692
Past due but not impaired	-	-	-	-	-	-	-	-
<b>Impaired</b>								
Individually impaired	-	-	22,607	22,607	-	-	22,607	22,607
Collectively impaired	-	-	9,555	9,555	-	-	7,800	7,800
<b>Total indirect loans</b>	<u>3,730,404</u>	<u>320,781</u>	<u>32,162</u>	<u>4,083,347</u>	<u>3,849,152</u>	<u>222,418</u>	<u>30,407</u>	<u>4,101,977</u>

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

	30.06.2020				31.12.2019			
	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)
<b>Commercial loans</b>								
<b>Not impaired</b>								
High grade	16,034,848	918,313	-	16,953,161	12,786,786	53,449	-	12,840,235
Standard grade	2,367,567	765,615	-	3,133,182	2,605,473	127,347	-	2,732,820
Sub-standard grade	42,786	182,674	-	225,460	132,707	401,991	-	534,698
Past due but not impaired	440,896	221,109	-	662,005	1,069,813	102,267	-	1,172,080
<b>Impaired</b>								
Individually impaired	-	-	7,691	7,691	-	-	8,444	8,444
Collectively impaired	-	-	210,883	210,883	-	-	190,729	190,729
<b>Total commercial loans</b>	<u>18,886,097</u>	<u>2,087,711</u>	<u>218,574</u>	<u>21,192,382</u>	<u>16,594,779</u>	<u>685,054</u>	<u>199,173</u>	<u>17,479,006</u>



## Notes to the interim consolidated financial statements (continued)

	30.06.2020				31.12.2019			
	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)
<b>Consumer loans</b>								
<b>Not impaired</b>								
High grade	7,929,667	315,799	-	8,245,466	9,319,421	176,764	-	9,496,185
Standard grade	1,367,448	412,309	-	1,779,757	1,443,966	311,673	-	1,755,639
Sub-standard grade	362,845	613,521	-	976,366	196,126	362,228	-	558,354
Past due but not impaired	246,178	406,024	-	652,202	167,295	443,693	-	610,988
<b>Impaired</b>								
Individually impaired	-	-	-	-	-	-	-	-
Collectively impaired	-	-	617,353	617,353	-	-	400,401	400,401
<b>Total consumer loans</b>	<u>9,906,138</u>	<u>1,747,653</u>	<u>617,353</u>	<u>12,271,144</u>	<u>11,126,808</u>	<u>1,294,358</u>	<u>400,401</u>	<u>12,821,567</u>
	30.06.2020				31.12.2019			
	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)
<b>Mortgage loans</b>								
<b>Not impaired</b>								
High grade	5,441,888	2,598	-	5,444,486	5,676,737	21,775	-	5,698,512
Standard grade	796,074	19,356	-	815,430	550,656	65,662	-	616,318
Sub-standard grade	232,046	140,811	-	372,857	25,855	190,605	-	216,460
Past due but not impaired	279,685	112,744	-	392,429	225,687	201,506	-	427,193
<b>Impaired</b>								
Individually impaired	-	-	-	-	-	-	-	-
Collectively impaired	-	-	323,436	323,436	-	-	247,962	247,962
<b>Total mortgage loans</b>	<u>6,749,693</u>	<u>275,509</u>	<u>323,436</u>	<u>7,348,638</u>	<u>6,478,935</u>	<u>479,548</u>	<u>247,962</u>	<u>7,206,445</u>
	30.06.2020				31.12.2019			
	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)
<b>Small and micro-business loans</b>								
<b>Not impaired</b>								
High grade	634,528	7,262	-	641,790	531,223	19,622	-	550,845
Standard grade	229,876	13,445	-	243,321	74,915	23,690	-	98,605
Sub-standard grade	9,748	46,417	-	56,165	3,839	14,563	-	18,402
Past due but not impaired	749	1,640	-	2,389	11,515	23,410	-	34,925
<b>Impaired</b>								
Individually impaired	-	-	-	-	-	-	-	-
Collectively impaired	-	-	47,856	47,856	-	-	47,349	47,349
<b>Total small and micro-business loans</b>	<u>874,901</u>	<u>68,764</u>	<u>47,856</u>	<u>991,521</u>	<u>621,492</u>	<u>81,285</u>	<u>47,349</u>	<u>750,126</u>
<b>Total direct loans</b>	<u>36,416,829</u>	<u>4,179,637</u>	<u>1,207,219</u>	<u>41,803,685</u>	<u>34,822,014</u>	<u>2,540,245</u>	<u>894,885</u>	<u>38,257,144</u>

Notes to the interim consolidated financial statements (continued)

(d) During the six-months period ended June 30, 2020, the impairment loss for direct and indirect loans amounted to S/1,595,382,000 and S/7,784,000, respectively. Following is the movement of the allowance for expected credit loss for direct and indirect loans:

(d.1) Direct loans

Direct loans	30.06.2020					30.06.2019					31.12.2019
	Commercial	Consumer	Mortgage	Small and micro-business	Total	Commercial	Consumer	Mortgage	Small and micro-business	Total	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Expected credit loss at the beginning of period balances	146,250	1,058,600	121,682	68,247	1,394,779	194,213	986,951	114,610	69,030	1,364,804	1,364,804
Loss due to impairment of direct credits (*)	61,631	1,417,601	45,768	70,382	1,595,382	22,219	344,214	6,179	23,305	395,917	772,743
Write-offs (**)	(14,308)	(292,112)	(999)	(19,453)	(326,872)	(7,725)	(371,253)	(1,108)	(25,313)	(405,399)	(874,068)
Recovery of written-off loans	534	43,666	-	1,936	46,136	567	61,378	-	1,778	63,723	136,468
Foreign exchange effect (***)	14,636	1,946	5,080	261	21,923	(1,796)	(4,205)	(1,092)	(91)	(7,184)	(5,168)
Expected credit loss at the end of period balances	208,743	2,229,701	171,531	121,373	2,731,348	207,478	1,017,085	118,589	68,709	1,411,861	1,394,779

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

Indirect loans	30.06.2020	30.06.2019	31.12.2019
	S/(000)	S/(000)	S/(000)
Expected credit loss at the beginning of period balances	39,694	62,051	62,051
Loss due to impairment of indirect credits (*)	7,784	(16,562)	(21,932)
Write-offs (**)	-	-	-
Recovery of written-off loans	-	-	-
Foreign exchange effect (***)	786	(616)	(425)
Expected credit loss at the end of period balances	48,264	44,873	39,694

- (\*) As of June 30, 2020, the increase in loan impairment loss, net of recoveries, corresponds to greater provision requirements, mainly in the consumer loan portfolio related to adjustments performed in the calculation model of expected credit loss of Interbank’s clients aimed to face the impact of Covid-19; see Note 1(b).
- (\*\*) The Group writes-off financial assets that are still subject to collection activities. In this regard, the Group seeks to recover the amounts legally owed in full but have been written off because there is no reasonable expectation of recovery.
- (\*\*\*) Corresponds mainly to the effect of the exchange rate and the variation of the time value of money.

# Notes to the interim consolidated financial statements (continued)

## 6. Investment property

(a) This caption is made up as follows:

	30.06.2020	31.12.2019	Acquisition or construction year	Valuation methodology as of June 30, 2020 and December 31, 2019
	S/(000)	S/(000)		
<b>Land</b>				
San Isidro – Lima	244,794	239,152	2009	Appraisal
San Martín de Porres – Lima	76,880	72,013	2015	Appraisal
Piura	32,300	50,396	2008	Appraisal
Sullana	17,658	16,540	2012	Appraisal
Santa Clara – Lima	13,837	12,961	2017	Appraisal
Lurin	4,031	4,032	2008	Appraisal
Others	5,015	4,695	-	DCF/Appraisal
	<u>394,515</u>	<u>399,789</u>		
<b>Completed investment property - “Real Plaza” Shopping Malls</b>				
Talara	35,290	37,772	2015	DCF
	<u>35,290</u>	<u>37,772</u>		
<b>Buildings</b>				
Orquídeas - San Isidro - Lima	160,832	168,787	2017	DCF
Ate Vitarte – Lima	106,414	82,925	2006	DCF
Piura (d)	68,125	-	2020	DCF
Chorrillos – Lima	66,291	71,680	2017	DCF
Chimbote	39,878	49,898	2015	DCF
Maestro-Huancayo	32,283	34,569	2017	DCF
Cusco	30,528	30,774	2017	DCF
Pardo y Aliaga – Lima	22,424	19,963	2008	DCF
Panorama – Lima	20,477	21,819	2016	DCF
Trujillo	17,478	17,600	2016	DCF
Cercado de Lima – Lima	14,262	13,545	2017	DCF
Others	22,443	22,975	2017	DCF
	<u>601,435</u>	<u>534,535</u>		
<b>Total</b>	<u><u>1,031,240</u></u>	<u><u>972,096</u></u>		

DCF: Discounted cash flow

i) As of June 30, 2020 and December 31, 2019, there are no liens on investment property.

## Notes to the interim consolidated financial statements (continued)

- (b) The net gain on investment properties as of June 30, 2020 and 2019, consists of the following:

	30.06.2020	30.06.2019
	S/(000)	S/(000)
Gain on valuation of investment property	6,483	21,981
Income from rental of investment property	19,381	22,853
Loss on sale of investment property (e)	-	(1,556)
<b>Total</b>	<b>25,864</b>	<b>43,278</b>

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

	30.06.2020	30.06.2019
	S/(000)	S/(000)
<b>Beginning of period balances</b>	972,096	986,538
Additions (d)	52,661	11,726
Sales (e)	-	(20,472)
Valuation gain	6,483	21,981
<b>Balance as of June 30</b>	<b>1,031,240</b>	<b>999,773</b>
<b>Balance as of December 31, 2019</b>		<b>972,096</b>

- (d) Annual variation corresponds mainly to outlays related to the purchase of the "Piura" building, which was acquired in cash from a related entity..

During 2019, main additions are outlays related to the construction of the "Chimbote" and "Chorrillos" educational centers.

- (e) During 2019, Interseguro sold to a related entity in cash and at market value, a percentage of the land located in Miraflores, Lima (called "Cuartel San Martin"); recognizing a net loss of approximately S/1,556,000. The result of the sale of investment property is presented as "Net gain on investment property" in the interim consolidated statement of income.
- (f) The valuation techniques to estimate the fair value and the main assumptions used are described in Note 7 "Investment property" of the Annual Consolidated Financial Statements.

# Notes to the interim consolidated financial statements (continued)

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

(a) These captions are comprised of the following:

	30.06.2020	31.12.2019
	S/(000)	S/(000)
<b>Accounts receivable and other assets, net</b>		
<b>Financial instruments</b>		
Rights related to Subordinated Bonds 2030, Note 10(c)	1,061,400	-
Accounts receivable related to derivative financial instruments (b)	496,789	220,776
Other accounts receivable, net	400,026	393,254
Accounts receivable from sale of investments	351,157	74,373
Assets for technical reserves for claims and premiums by reinsurers	67,255	77,430
Operations in process	52,171	45,613
Others	44,453	39,760
	<u>2,473,251</u>	<u>851,206</u>
<b>Non-financial instruments</b>		
Prepaid Income Tax	158,551	25,270
Deferred charges	84,245	63,377
Investments in associates	69,383	72,301
Realizable assets, received as payment and seized through legal actions	22,701	22,446
Prepaid rights to related entity	7,076	6,628
Others	10,402	10,644
	<u>352,358</u>	<u>200,666</u>
<b>Total</b>	<u><u>2,825,609</u></u>	<u><u>1,051,872</u></u>
<b>Accounts payable, provisions and other liabilities</b>		
<b>Financial instruments</b>		
Contract with investment component	521,202	465,542
Accounts payable for acquisitions of investments	477,507	75,820
Accounts payable related to derivative financial instruments (b)	467,527	222,305
Other accounts payable	422,770	436,331
Lease liabilities	294,960	341,836
Operations in process	152,357	132,982
Others	148,852	181,732
	<u>2,485,175</u>	<u>1,856,548</u>
<b>Non-financial instruments</b>		
Provision for other contingencies	46,762	50,931
Taxes payable	23,566	76,423
Others	23,690	64,146
	<u>94,018</u>	<u>191,500</u>
<b>Total</b>	<u><u>2,579,193</u></u>	<u><u>2,048,048</u></u>

Notes to the interim consolidated financial statements (continued)

(b) The fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts as of June 30, 2020 and December 31, 2019 is presented below:

As of June 30, 2020	Assets	Liabilities	Notional amount	Effective part recognized in other comprehensive income during the year	Maturity	Hedged instruments	Caption of the interim consolidated statement of financial position where the hedged item has been recognized
	S/(000)	S/(000)	S/(000)	S/(000)			
<b>Derivatives held for trading</b>							
Forward exchange contracts	48,276	105,248	7,156,199	-	Between July 2020 and September 2021	-	-
Interest rate swaps	239,452	244,098	5,551,999	-	Between November 2020 and June 2036	-	-
Currency swaps	61,732	47,339	2,087,997	-	Between July 2020 and February 2027	-	-
Cross currency swaps	-	66,271	208,240	-	January 2023	-	-
Options	-	297	35,036	-	Between July 2020 and March 2021	-	-
	349,460	463,253	15,039,471	-			
<b>Derivatives held as hedges</b>							
<b>Cash flow hedges:</b>							
Cross currency swaps (CCS)	113,765	-	1,560,258	5,951	January 2023	Corporate bonds	Bonds, notes and other obligations
Cross currency swaps (CCS)	33,564	-	530,700	7,939	October 2027	Senior bonds	Bonds, notes and other obligations
Interest rate swaps (IRS)	-	1,515	141,520	305	November 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	1,383	88,450	(79)	December 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	1,376	88,450	(81)	December 2020	Due to banks	Due to banks and correspondents
	147,329	4,274	2,409,378	14,035			
	496,789	467,527	17,448,849	14,035			
<b>As of December 31, 2019</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Notional amount</b>	<b>Effective part recognized in other comprehensive income during the year</b>	<b>Maturity</b>	<b>Hedged instruments</b>	<b>Caption of the interim consolidated statement of financial position where the hedged item has been recognized</b>
	S/(000)	S/(000)	S/(000)	S/(000)			
<b>Derivatives held for trading</b>							
Forward exchange contracts	95,961	45,276	9,289,914	-	Between January 2020 and January 2021	-	-
Interest rate swaps	81,517	75,071	4,238,143	-	Between November 2020 and December 2029	-	-
Currency swaps	30,438	36,428	1,727,922	-	Between January 2020 and September 2026	-	-
Cross currency swaps	-	50,523	195,056	-	January 2023	-	-
Options	33	126	22,154	-	Between January 2020 and December 2020	-	-
	207,949	207,424	15,473,189	-			
<b>Derivatives held as hedges</b>							
<b>Cash flow hedges:</b>							
Cross currency swaps (CCS)	12,827	8,225	1,461,474	(31,211)	January 2023	Corporate bonds	Bonds, notes and other obligations
Cross currency swaps (CCS)	-	2,821	497,100	(19,694)	October 2027	Senior bonds	Bonds, notes and other obligations
Interest rate swaps (IRS)	-	1,670	132,560	(285)	November 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	1,080	82,850	(289)	December 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	1,085	82,850	(287)	December 2020	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS) (ii)	-	-	-	1,097	-	-	-
	12,827	14,881	2,256,834	(50,669)			
	220,776	222,305	17,730,023	(50,669)			

(i) As of June 30, 2020 and December 31, 2019, certain derivative financial instruments required the establishment of collateral deposits; see Note 3(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 in 2020 and 2019. During the year 2019, two hedges were discontinued for a total nominal value of US\$20,000,000 because of the early redemption of the senior bonds denominated “5.750% Senior Notes due 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)

### 8. Deposits and obligations

- (a) This caption is made up as follows:

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
Saving deposits	15,232,806	11,384,876
Time deposits	13,555,249	13,053,033
Demand deposits	13,546,177	11,716,035
Compensation for service time	1,805,792	1,933,052
Other obligations	4,695	6,228
<b>Total</b>	<b>44,144,719</b>	<b>38,093,224</b>

- (b) Interest rates applied to deposits and obligations are determined based on the market interest rates.
- (c) As of June 30, 2020 and December 31, 2019, approximately S/12,575,413,000 and S/10,725,904,000, respectively, of deposits and obligations are covered by the Peruvian Deposit Insurance Fund.

### 9. Due to banks and correspondents

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

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
<b>By type</b>		
Banco Central de Reserva del Perú – BCRP (b)	5,474,054	1,897,568
Promotional credit lines	1,431,013	1,422,067
Loans received from foreign entities	1,036,634	613,090
Loans received from Peruvian entities	22,165	2,049
	7,963,866	3,934,774
Interest and commissions payable	33,830	44,863
	7,997,696	3,979,637
<b>By term</b>		
Short term	3,504,129	2,666,530
Long term	4,493,567	1,313,107
<b>Total</b>	<b>7,997,696</b>	<b>3,979,637</b>

- (b) Interbank took part in the auction of funds for the “Reactiva Perú” program, Note 1(b). As of June 30, 2020, the amount recorded as debt to the BCRP amounts to approximately S/3,833 million.
- (c) As of June 30, 2020 and December 31, 2019, some of the Bank loans agreements include standard covenants regarding capital ratios, financial ratios, disposal of assets and transactions among companies under certain conditions, the use of funds and other issues.

In the opinion of Management and its legal advisors, all covenants have been met by the Group related to its due to banks and correspondents as of June 30, 2020 and December 31, 2019.

## Notes to the interim consolidated financial statements (continued)

### 10. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued (000)	30.06.2020 S/(000)	31.12.2019 S/(000)
<b>Local issuances</b>							
<b>Subordinated bonds – first program</b>							
Third (A serie)	Interbank	3.5% + VAC (*)	Semi-annually	2023	S/ 110,000	91,000	91,000
Eighth (A serie)	Interbank	6.91%	Semi-annually	2022	S/ 137,900	137,109	136,908
						228,109	227,908
<b>Subordinated bonds – second program</b>							
Second (A serie)	Interbank	5.81%	Semi-annually	2023	S/ 150,000	149,853	149,827
Third (A serie)	Interbank	7.50%	Semi-annually	2023	US\$50,000	176,640	165,426
						326,493	315,253
<b>Subordinated bonds – third program</b>							
First (single serie)	Interseguro	6.00%	Semi-annually	2029	US\$20,000	70,760	66,280
Second (single serie)	Interseguro	4.34%	Semi-annually	2029	US\$20,000	70,760	66,280
						141,520	132,560
<b>Corporate bonds – second program</b>							
Fifth (A serie)	Interbank	3.41% + VAC (*)	Semi-annually	2029	S/ 150,000	150,000	150,000
<b>Negotiable certificates of deposits – first program</b>							
First (A serie)	Interbank	4.28%	Annually	2020	S/ 150,000	-	148,603
<b>Total local issuances</b>							
						846,122	974,324
<b>International issuances</b>							
Subordinated bonds	Interbank	6.63%	Semi-annually	2029	US\$300,000	1,057,640	990,216
Junior subordinated notes	Interbank	8.50%	Semi-annually	2070	US\$200,000	-	660,992
Senior bonds	IFS	4.13%	Semi-annually	2027	US\$300,000	1,033,231	969,794
Corporate bonds	Interbank	3.38%	Semi-annually	2023	US\$484,895	1,665,354	1,549,877
Corporate bonds	Interbank	5.00%	Semi-annually	2026	S/ 312,000	311,243	311,185
Corporate bonds	Interbank	3.25%	Semi-annually	2026	US\$400,000	1,402,926	1,313,259
Subordinated bonds (c)	Interbank	4.00%	Semi-annually	2030	US\$300,000	1,060,993	-
<b>Total international issuances</b>							
						6,531,387	5,795,323
<b>Total local and international issuances</b>							
						7,377,509	6,769,647
Interest payable						117,930	120,643
<b>Total</b>						7,495,439	6,890,290

(\*) 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 June 30, 2020 and December 31, 2019, the international issuances maintain mainly standard clauses for periodic reporting of financial information. In the opinion of Management and its legal advisors, these clauses have been met by the Group as of June 30, 2020 and December 31, 2019. See detailed information in Note 13 of the Annual Consolidated Financial Statements.

- (c) On the other hand, on June 30, 2020, Interbank issued subordinated bonds called “4.00% Subordinated Notes due 2030” for an amount of US\$300,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America, proceeds from this placement amounted to S/1,061,400,000 and were received on July 8, 2020, see Note 7(a).

### 11. Insurance contract liabilities

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

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
Technical reserves for insurance premiums (b)	11,507,560	11,135,635
Technical reserves for claims (c)	200,687	203,175
	<u>11,708,247</u>	<u>11,338,810</u>
<b>By term</b>		
Short term	991,382	948,316
Long term	10,716,865	10,390,494
<b>Total</b>	<u>11,708,247</u>	<u>11,338,810</u>

Notes to the interim consolidated financial statements (continued)

(b) The movement of technical reserves for insurance premiums (disclosed by type of insurance) for the six-month periods ended June 30, 2020 and 2019, is as follows:

	2020					2019				
	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Beginning of period balances</b>	9,653,420	779,455	661,687	41,073	11,135,635	8,665,894	715,217	586,166	39,683	10,006,960
Insurance subscriptions	110,354	-	1,055	30,371	141,780	157,702	-	2,463	34,825	194,990
Acquisition of Mapfre (*)	-	-	292,499	-	292,499	-	-	-	-	-
Interest rate effect	(206,353)	(16,277)	(3,643)	-	(226,273)	642,214	34,017	-	-	676,231
Time passage adjustments	(79,673)	(4,006)	39,659	(24,640)	(68,660)	(82,519)	18,726	64,137	(34,188)	(33,844)
Maturities and recoveries	-	-	(22,130)	-	(22,130)	-	-	(20,465)	-	(20,465)
Exchange differences	214,945	-	39,564	200	254,709	(104,151)	-	(14,072)	(21)	(118,244)
<b>Balance as of June 30</b>	<u>9,692,693</u>	<u>759,172</u>	<u>1,008,691</u>	<u>47,004</u>	<u>11,507,560</u>	<u>9,279,140</u>	<u>767,960</u>	<u>618,229</u>	<u>40,299</u>	<u>10,705,628</u>
<b>Balances as of December 31</b>						<u>9,653,420</u>	<u>779,455</u>	<u>661,687</u>	<u>41,073</u>	<u>11,135,635</u>

(\*) In December 2019, the SBS authorized the transfer of a net equity block from Mapfre Peru Vida, which was made effective on January 2, 2020. The final value of the loan portfolio transfer resulted in a price adjustment in favor of Mapfre for a total amount of S/9,534,000, which were disbursed by Interseguro in cash.

(c) In Management's opinion, these balances reflect the exposure of life and general insurance contracts as of June 30, 2020 and December 31, 2019, in accordance with IFRS 4.

(d) The main assumptions used in the estimation of retirement, disability and survival annuities and individual life reserves as of June 30, 2020 and December 31, 2019, are the following:

Type	Mortality table	Interest rates	
		30.06.2020	31.12.2019
Annuities	SPP-S-2017, SPP-I-2017	4.69% in US\$	4.54% in US\$
	with improvement factor for mortality	2.10% in S/ VAC 5.23% in adjusted S/	1.89% in S/ VAC 5.10% in adjusted S/
Retirement, disability and survival	SPP-S-2017, SPP-I-2017 with improvement factor for mortality	2.10% in S/ VAC	1.89% in S/ VAC
Individual life insurance contracts (included linked insurance contracts)	CSO 80 adjusted	4.00 - 5.00%	4.00 - 5.00%

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by life insurance risks; the main variables as of June 30, 2020 and December 31, 2019 are the interest rates and the mortality tables. The Group has assessed the changes of the reserves related to its most significant life insurance contracts included in the reserves of annuities, retirement, disability and survival of +/- 100 basis points (bps) in the interest rates and of +/- 500 basis points (bps) of the mortality factors, being the results as follows:

	30.06.2020			31.12.2019		
	Reserve	Variation of the reserve		Reserve	Variation of the reserve	
		Amount	Percentage		Amount	Percentage
Variables	S/(000)	S/(000)	%	S/(000)	S/(000)	%
Annuities						
Portfolio in S/ and US Dollars - Basis amount						
Changes in interest rate: + 100 bps	8,705,228	(987,465)	(10.19)	8,646,725	(1,006,695)	(10.43)
Changes in interest rate: - 100 bps	10,901,962	1,209,269	12.48	10,890,170	1,236,750	12.81
Changes in mortality table at 105%	9,594,086	(98,608)	(1.02)	9,554,268	(99,152)	(1.03)
Changes in mortality table at 95%	9,796,140	103,446	1.07	9,757,493	104,073	1.08
Retirements, disability and survival						
Portfolio in S/ – Basis amount						
Changes in interest rate: + 100 bps	671,305	(87,866)	(11.57)	687,451	(92,004)	(11.80)
Changes in interest rate: - 100 bps	868,733	109,562	14.43	894,614	115,159	14.77
Changes in mortality table at 105%	749,073	(10,098)	(1.33)	769,044	(10,411)	(1.34)
Changes in mortality table at 95%	769,788	10,617	1.40	790,403	10,948	1.40

### 12. Net equity

#### (a) Capital stock and distribution of dividends -

IFS's shares are listed on the Lima Stock Exchange and, since July 2019, they are listed 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 June 30, 2020 and December 31, 2019, IFS's capital stock is represented by 115,447,705 subscribed and paid-in common shares.

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.

The General Shareholders' Meeting of IFS held on April 1, 2019, agreed to distribute dividends for the year 2018 for approximately US\$197,187,000 (equivalent to approximately S/654,464,000), equivalent to US\$1.75 per share, which were paid on May 3, 2019.

#### (b) Treasury stock -

As of June 30, 2020 and December 31, 2019, some subsidiaries holds 500 and 1,400 shares issued by IFS, respectively, with an acquisition cost equivalent to S/57,000 and S/196,000, respectively.

##### Sale of treasury stock (2019)

As indicated in Note 1(c), in July 2019, Interbank and IFS sold a combined 2,418,754 shares. Said sale was recorded by decreasing the caption "Treasury stock" for an amount of S/208,178,000, and the highest value collected due to said sale amounted to S/138,997,000 and was recorded in the caption "Retained earnings".

#### (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; see Note 1(c). Capital surplus is presented net of the expenses incurred and related to the issuance of such shares.

#### (d) Reserves -

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

#### (e) Shareholders' equity for legal purposes (regulatory capital) -

IFS is not required to establish a regulatory capital for statutory purposes. As of June 30, 2020 and December 31, 2019, the regulatory capital required for Interbank, Interseguro and Inteligo Bank (a Subsidiary of Inteligo Group Corp.), is calculated based on the separate financial statements of each Subsidiary prepared following the accounting principles and practices stated by their regulators (the SBS or Central Bank of the Bahamas, in the case of Inteligo Bank).

In Management's opinion, Interbank, Interseguro and Inteligo Bank have been fulfilling the current requirements established by their regulators.

**13. Tax situation**

- (a) IFS and its Subsidiaries incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas, are not subject to Income Tax, or any other taxes on capital gains, equity or property; nevertheless, IFS is subject to an additional tax on dividends received from its Subsidiaries incorporated and domiciled in Peru; see paragraph (b). The Subsidiaries incorporated and domiciled in Peru are subject to the Peruvian Tax legislation; see paragraph (c).
- (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 June 30, 2020 and December 31, 2019, 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. The Income Tax and the Value-Added-Tax returns subject to inspection by the Tax Authority in each of the Subsidiaries, are the following:
  - Interbank: Income Tax returns for the years 2014 to 2019, and Value-Added-Tax returns for the years 2015 to 2019.
  - Interseguro: Income Tax returns for the years 2014, 2015, 2017, 2018 and 2019, and Value-Added-Tax returns for the years 2014 to 2019.
  - Hipotecaria Sura and Seguros Sura: Income Tax returns for the years 2014 to 2018, and Value-Added-Tax returns for the years 2014 to 2018.

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

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, the Bank considers that the interest in

## Notes to the interim consolidated financial statements (continued)

suspense do not constitute accrued income, in accordance with the SBS's regulations, which is also supported by rulings by the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009 and a recent 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 impacted 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 with another financial entity, ruled in favor of the tax treatment over the interest in suspense followed by said entity; which is consistent with the tax treatment followed by Interbank. On March 12, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court published on the website of the Judiciary its ruling regarding Interbank's Income Tax for the year 2003, declaring groundless the cassation appeals filed by SUNAT and the Ministry of Economy and Finance ("MEF", by its Spanish acronym), thus reaffirming the position held by the Bank regarding that interest in suspense does not constitute taxable income. Lastly, on July 6, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court has formally notified the aforementioned ruling.

From the tax and legal analysis performed, reinforced by the aforementioned recent ruling by the Permanent Chamber of Constitutional and Social Law of the Supreme Court, Interbank's Management and its external legal advisors consider that it exists sufficient technical support for the prevalence of Interbank's position, in relation with the tax periods under resolution process; thus, it has not been recorded any provision for this contingency as of June 30, 2020 and December 31, 2019.

The tax liability requested for this concept and other minor contingencies as of June 30, 2020, without considering the effects of the ruling by the Permanent Chamber of Constitutional and Social Law of the Supreme Court published on March 12, 2020, amounted to approximately S/306,000,000, out of which S/34,000,000 corresponded to taxes and the difference to fines and interest arrears (as of December 31, 2019 amounted to approximately S/303,000,000, out of which S/34,000,000 corresponded to taxes and the difference to fines and interest arrears); however, it is estimated that once SUNAT performs the resettlements of the Income Tax, including the effects of said ruling, the requested amount will diminish significantly.

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

On February 14, 2018, SUNAT notified Interbank of the beginning of the partial audit process for the third category Income Tax corresponding to the year 2014. Subsequently, on September 7, 2018, SUNAT closed said partial audit process and did not determine any additional settlement of said tax.

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. As of June 30, 2020 and December 31, 2019, the tax debt requested by SUNAT amounts to approximately S/52,000,000 and S/50,000,000, respectively (including

## Notes to the interim consolidated financial statements (continued)

taxes, penalties and moratorium interest). The main concept observed was the deduction of loan write-offs without proof by the SBS.

To date, Interbank's Management has submitted the respective complaints to the resolutions indicated above. In the opinion of Management and its legal advisors, any eventual additional tax would not be significant for the financial statements as of June 30, 2020 and December 31, 2019.

On April 26, 2019, SUNAT notified Interbank 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 commencement of the definitive audit process on the Income Tax corresponding to the year 2014. To date, said audit is under process.

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

Lastly, to date, SUNAT is auditing Interbank's 2012 taxable period. In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of June 30, 2020 and December 31, 2019.

Interseguro:

On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial audit of the Income Tax for non-domiciled entities for Sura corresponding to January 2015. The tax debt requested by SUNAT amounts to approximately S/19,000,000. 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 Seguros 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.

In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of June 30, 2020 and December 31, 2019.

- (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:

	<b>For the six-months period ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
Current – Expense	58,287	219,915
Deferred – (Income) Expense	(249,394)	6,943
	<u>(191,107)</u>	<u>226,858</u>

# Notes to the interim consolidated financial statements (continued)

## 14. Interest income and expenses, and similar accounts

(a) This caption is comprised of the following:

	For the six-months period ended June 30,	
	2020 S/(000)	2019 S/(000)
<b>Interest and similar income</b>		
Interest on loan portfolio	1,933,063	1,854,164
Interest on investments at fair value through other comprehensive income	373,330	368,360
Interest on investments at amortized cost	54,160	44,291
Dividends on financial instruments	41,180	41,955
Interest on due from banks and inter-bank funds	24,282	58,738
Other interest and similar income	2,325	963
<b>Subtotal</b>	<b>2,428,340</b>	<b>2,368,471</b>
One-off impact from the modification of contractual cash flows due to the loan rescheduling schemes (*)	(136,637)	-
<b>Interest and similar income, net</b>	<b>2,291,703</b>	<b>2,368,471</b>
<b>Interest and similar expenses</b>		
Interest and fees on deposits and obligations	(317,393)	(350,679)
Interest on bonds, notes and other obligations	(187,393)	(202,318)
Interest and fees on obligations with financial institutions	(91,522)	(88,828)
Deposit insurance fund fees	(25,545)	(21,985)
Interest on lease payments	(8,373)	(5,843)
Result from hedging transactions	(4,608)	(4,583)
Other interest and similar expenses	(14,312)	(13,614)
<b>Total</b>	<b>(649,146)</b>	<b>(687,850)</b>

(b) Corresponds to lower income generated by the modification of contractual cash flows due to customer loans rescheduling, see Note 2.3.1.



# Notes to the interim consolidated financial statements (continued)

## 15. Fee income from financial services, net

(a) This caption is comprised of the following:

	For the six-months period ended June 30,	
	2020	2019
	S/(000)	S/(000)
<b>Income</b>		
Accounts maintenance, carriage, transfers, and debit and credit card fees	230,612	317,448
Banking services fees	98,440	100,665
Funds management	75,110	69,224
Contingent loans fees	24,354	28,097
Collection services	18,304	19,797
Brokerage and custody services	3,902	3,598
Others	23,135	19,366
<b>Total</b>	<b>473,857</b>	<b>558,195</b>
<b>Expenses</b>		
Credit cards	(53,391)	(56,715)
Debtor's life insurance premiums	(28,896)	(19,704)
Foreign banks fees	(6,186)	(8,085)
Brokerage and custody services	(273)	(300)
Others	(22,227)	(27,678)
<b>Total</b>	<b>(110,973)</b>	<b>(112,482)</b>
<b>Net</b>	<b>362,884</b>	<b>445,713</b>

# Notes to the interim consolidated financial statements (continued)

## 16. Other income and (expenses)

(a) This caption is comprised of the following:

	For the six-months period ended June 30,	
	2020	2019
	S/(000)	S/(000)
<b>Other income</b>		
Other technical income from insurance operations	4,835	5,402
Income from ATM rentals	1,915	2,044
Services rendered to third parties	1,201	1,470
Income from investments in associates	999	9,523
Other income	5,868	13,674
<b>Total other income</b>	<b>14,818</b>	<b>32,113</b>
<b>Other expenses</b>		
Commissions from insurance activities	(24,046)	(22,547)
Sundry technical insurance expenses	(9,824)	(21,529)
Provision for sundry risk	(3,220)	(1,703)
Donations	(3,031)	(2,828)
Expenses related to rental income	(577)	(1,247)
Other expenses	(22,512)	(24,722)
<b>Total other expenses</b>	<b>(63,210)</b>	<b>(74,576)</b>

17. Insurance premiums and claims

(a) The caption of net premiums earned is comprised of the following:

	Premiums assumed (1)		Adjustment of technical reserves (2)		Gross premiums (*) (3) = (1) - (2)		Premiums ceded to reinsurers (4)		Net premiums earned (5) = (3) - (4)	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Life insurance</b>										
Annuities	109,091	151,784	(30,682)	(40,549)	78,409	111,235	-	-	78,409	111,235
Group life	73,531	66,113	(4)	(309)	73,527	65,804	(2,415)	(2,579)	71,112	63,225
Individual life	64,246	66,447	(19,140)	(43,217)	45,106	23,230	(2,198)	(2,243)	42,908	20,987
Retirement, disability and survival	4,492	8,469	4,006	(53,358)	8,498	(44,889)	(238)	(2,513)	8,260	(47,402)
Others	1	-	571	(2,718)	572	(2,718)	-	-	572	(2,718)
<b>Total life insurance</b>	251,361	292,813	(45,249)	(140,151)	206,112	152,662	(4,851)	(7,335)	201,261	145,327
<b>Total general insurance</b>	44,113	50,220	(5,998)	(1,072)	38,115	49,148	(111)	(120)	38,004	49,028
<b>Total</b>	295,474	343,033	(51,247)	(141,223)	244,227	201,810	(4,962)	(7,455)	239,265	194,355

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

(b) The caption of net claims and benefits incurred for life insurance contracts and others is comprised of the following:

	Gross claims and benefits		Ceded claims and benefits		Net insurance claims and benefits	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Life insurance</b>						
Annuities	(303,663)	(291,453)	-	-	(303,663)	(291,453)
Group life	(22,002)	(23,414)	1,256	(234)	(20,746)	(23,648)
Individual life	(5,673)	(3,621)	802	1,823	(4,871)	(1,798)
Retirement, disability and survival	(23,514)	(6,733)	4,264	(5,167)	(19,250)	(11,900)
Others	(5,416)	(586)	(685)	(137)	(6,101)	(723)
<b>General insurance</b>	(7,965)	(8,529)	5	(98)	(7,960)	(8,627)
	(368,233)	(334,336)	5,642	(3,813)	(362,591)	(338,149)

## Notes to the interim consolidated financial statements (continued)

### 18. (Loss) Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the period	Weighted average number of shares (in thousands)
<b>Period 2019</b>				
Balance as of January 1, 2019	110,692	110,692	180	110,692
<b>Balance as of June 30, 2019</b>	110,692	110,692		110,692
<b>Net profit for the period S/(000)</b>				698,516
<b>Basic and diluted earnings per share (Soles)</b>				6.310
<b>Period 2020</b>				
Balance as of January 1, 2020	115,446	115,446	180	112,789
Sale of treasury stock	4	4	40	1
Purchase of treasury stock	(3)	(3)	54	(1)
<b>Balance as of June 30, 2020</b>	115,447	115,447		112,789
<b>Net loss for the period S/(000)</b>				(310,107)
<b>Basic and diluted loss per share (Soles)</b>				(2.749)

# Notes to the interim consolidated financial statements (continued)

## 19. Transactions with shareholders, related parties and affiliated entities

- (a) The table below presents the main transactions with shareholders, related parties and affiliated entities as of June 30, 2020 and December 31, 2019:

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
<b>Assets</b>		
Investments at fair value through profit or loss		
Participations - Royalty Pharma	100,139	117,682
Others minor	98	270
Negotiable certificates of deposit – Financiera Oh! S.A.	-	9,372
	<u>100,237</u>	<u>127,324</u>
Investments at fair value through other comprehensive income		
Shares - InRetail Perú Corp.	286,537	285,962
Corporate bonds - InRetail Shopping Malls S.A.	50,481	49,728
Corporate bonds - Colegios Peruanos S.A.	26,390	30,977
	<u>363,408</u>	<u>366,667</u>
Loans, net (b)	1,270,747	1,114,211
Accounts receivable (h)	78,540	77,824
Long-term accounts receivable (g)	39,540	39,141
Accounts receivable related to derivative financial instruments	4,287	817
Other assets (f)	15,919	11,928
<b>Liabilities</b>		
Deposits and obligations	996,287	944,561
Other liabilities	251	56
Accounts payable related to derivative financial instruments	-	344
<b>Off-balance sheet accounts</b>		
Indirect loans (b)	97,928	134,658
	<b>For the six-months period ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
<b>Income (expenses)</b>		
Interest and similar income	35,859	41,869
Interest and similar expenses	(6,296)	(6,856)
Valuation of financial derivative instruments	3,814	52
Rental income	9,352	6,472
Loss on sale of investment property	-	(1,556)
Administrative expenses	(23,714)	(20,824)
Others, net	2,963	1,365

## Notes to the interim consolidated financial statements (continued)

- (b) As of June 30, 2020 and December 31, 2019, the detail of loans is the following:

	<b>30.06.2020</b>			<b>31.12.2019</b>		
	<b>Direct</b> S/(000)	<b>Indirect</b> S/(000)	<b>Total</b> S/(000)	<b>Direct</b> S/(000)	<b>Indirect</b> S/(000)	<b>Total</b> S/(000)
Controlling	1	-	1	17	-	17
Affiliated	991,623	43,302	1,034,925	847,993	59,267	907,260
Associates	279,123	54,626	333,749	266,201	75,391	341,592
	<u>1,270,747</u>	<u>97,928</u>	<u>1,368,675</u>	<u>1,114,211</u>	<u>134,658</u>	<u>1,248,869</u>

- (c) As of June 30, 2020 and December 31, 2019, the directors, executives and employees of the Group have been involved, directly and indirectly, 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 officers of financial entities. As of June 30, 2020 and December 31, 2019, direct loans to employees, directors and officers amounted to S/208,056,000 and S/231,546,000, 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.
- (d) The Group's key personnel basic remuneration for the six-months period ended June 30, 2020 and 2019, are presented below:

	<b>For the six-months period ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
Salaries	12,380	12,837
Board of Directors' compensations	2,261	1,025
<b>Total</b>	<u>14,641</u>	<u>13,862</u>

- (e) As of June 30, 2020 and December 31, 2019, 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/993,000 and S/701,000, respectively.

## Notes to the interim consolidated financial statements (continued)

- (f) It corresponds mainly to prepaid expenses for spaces ceded to Interbank in the stores of Supermercados Peruanos S.A. for the operation of financial agencies until the year 2030, and for an amount of approximately S/7,076,000 and S/6,628,000 as of June 30, 2020 and December 31, 2019, respectively (see Note 7(a)). Interbank may renew the term of the agreement for an additional term of 15 years.
- (g) It corresponds to a loan with maturity in 2046 and bears interests at market rates.
- (h) As of June 30, 2020 and December 31, 2019, 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.

**20. 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 interim consolidated financial statements.

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

No revenue from transactions with a single external customer or counterparty exceeded 10 percent of the Group’s total revenues for the periods as of June 30, 2020 and 2019.



## Notes to the interim consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the six-months period ended June 30, 2020 and 2019:

	2020					2019				
	Banking	Insurance	Wealth management	Holding and consolidation adjustments	Total consolidated	Banking	Insurance	Wealth management	Holding and consolidation adjustments	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Total income (*)</b>										
Third party	2,405,570	636,267	82,289	(3,630)	3,120,496	2,606,473	564,904	197,886	(92,467)	3,276,796
Inter-segment	(24,544)	-	1,269	23,275	-	(37,080)	-	(736)	37,816	-
<b>Total income</b>	<b>2,381,026</b>	<b>636,267</b>	<b>83,558</b>	<b>19,645</b>	<b>3,120,496</b>	<b>2,569,393</b>	<b>564,904</b>	<b>197,150</b>	<b>(54,651)</b>	<b>3,276,796</b>
<b>Consolidated income statement data</b>										
Interest and similar income	2,026,884	318,466	74,369	8,621	2,428,340	1,984,136	308,960	84,531	(9,156)	2,368,471
One-off impact from the modification of contractual cash flows due to the loan rescheduling schemes	(136,637)	-	-	-	(136,637)	-	-	-	-	-
Interest and similar expenses	(576,639)	(43,324)	(28,053)	(1,130)	(649,146)	(622,280)	(35,682)	(29,284)	(604)	(687,850)
<b>Net interest and similar income</b>	<b>1,313,608</b>	<b>275,142</b>	<b>46,316</b>	<b>7,491</b>	<b>1,642,557</b>	<b>1,361,856</b>	<b>273,278</b>	<b>55,247</b>	<b>(9,760)</b>	<b>1,680,621</b>
Impairment loss on loans, net of recoveries	(1,603,139)	-	(27)	-	(1,603,166)	(379,296)	-	(59)	-	(379,355)
(Loss) recovery due to impairment on financial investments	(35)	(45,229)	(7,132)	-	(52,396)	56	2,777	(159)	-	2,674
<b>Net interest and similar income after impairment loss</b>	<b>(289,566)</b>	<b>229,913</b>	<b>39,157</b>	<b>7,491</b>	<b>(13,005)</b>	<b>982,616</b>	<b>276,055</b>	<b>55,029</b>	<b>(9,760)</b>	<b>1,303,940</b>
Fee income from financial services, net	303,375	(2,303)	83,444	(21,632)	362,884	393,936	(1,951)	76,023	(22,295)	445,713
Net gain on sale of financial investments	67,759	58,166	(40,490)	-	85,435	21,457	8,100	38,090	-	67,647
Gain from derecognition of financial assets at amortized cost	-	-	-	-	-	8,474	-	-	-	8,474
Other income (**)	144,189	22,673	(35,034)	9,381	141,209	198,470	55,431	(758)	(61,016)	192,127
Total net premiums earned minus claims and benefits	-	(123,326)	-	-	(123,326)	-	(143,785)	-	(9)	(143,794)
Depreciation and amortization	(114,211)	(12,810)	(7,520)	2,893	(131,648)	(110,159)	(11,886)	(6,341)	205	(128,181)
Other expenses	(637,883)	(115,354)	(53,953)	11,722	(795,468)	(676,416)	(133,198)	(49,225)	20,604	(838,235)
<b>Income before translation result and Income Tax</b>	<b>(526,337)</b>	<b>56,959</b>	<b>(14,396)</b>	<b>9,855</b>	<b>(473,919)</b>	<b>818,378</b>	<b>48,766</b>	<b>112,818</b>	<b>(72,271)</b>	<b>907,691</b>
Translation result	(1,819)	(20,060)	(5,635)	(2,083)	(29,597)	(3,446)	13,000	2,321	10,130	22,005
Income Tax	181,908	-	(2,015)	11,214	191,107	(215,035)	-	(3,460)	(8,363)	(226,858)
<b>Net profit for the period</b>	<b>(346,248)</b>	<b>36,899</b>	<b>(22,046)</b>	<b>18,986</b>	<b>(312,409)</b>	<b>599,897</b>	<b>61,766</b>	<b>111,679</b>	<b>(70,504)</b>	<b>702,838</b>
<b>Attributable to:</b>										
IFS's shareholders	(346,248)	36,899	(22,046)	21,287	(310,108)	599,897	61,766	111,679	(74,826)	698,516
Non-controlling interests	-	-	-	(2,301)	(2,301)	-	-	-	4,322	4,322
	<b>(346,248)</b>	<b>36,899</b>	<b>(22,046)</b>	<b>18,986</b>	<b>(312,409)</b>	<b>599,897</b>	<b>61,766</b>	<b>111,679</b>	<b>(70,504)</b>	<b>702,838</b>

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

(\*\*) For the Banking Segment, the caption "Other income" for the six-months period ended June 30, 2019, includes approximately S/52,580,000, before taxes, as gain on the sale of Interfondos to Inteligo Perú Holding S.A.C., which is eliminated in the accounting consolidation process, see Note 2.2. The net profit (after taxes) amounted to approximately S/32,422,000.

	30.06.2020				
	Banking	Insurance	Wealth management	Holding and consolidation adjustments	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Capital expenditures (*)	92,908	101,087	3,627	-	197,622
Total assets	63,002,062	14,164,688	4,292,272	320,772	81,779,794
Total liabilities	57,285,435	13,498,173	3,534,609	(375,231)	73,942,986
	31.12.2019				
	Banking	Insurance	Wealth management	Holding and consolidation adjustments	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Capital expenditures (*)	195,177	69,643	6,769	-	271,589
Total assets	53,019,361	13,917,641	4,098,057	527,234	71,562,293
Total liabilities	46,676,473	12,943,718	3,244,210	(205,556)	62,658,845

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

(i) The distribution of the Group’s total income based on the location of the customer and its assets, for the six-months period ended June 30, 2020, is S/3,064,942,000 in Peru and S/55,554,000 in Panama (for the six-months period ended June 30, 2019, is S/3,108,267,000 in Peru and S/168,529,000 in Panama). The distribution of the Group’s total assets based on the location of the customer and its assets, as of June 30, 2020 is S/77,646,788,000 in Peru and S/4,133,006,000 in Panama (for the year ended December 31, 2019, it is S/67,623,222,000 in Peru and S/3,939,071,000 in Panama).

## Notes to the interim consolidated financial statements (continued)

### 21. Financial instruments classification

The financial assets and liabilities of the interim consolidated statement of financial position as of June 30, 2020 and December 31, 2019, are presented below:

	As of June 30, 2020					As of December 31, 2019				
	At fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Amortized cost	Total	At fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Amortized cost	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Financial assets</b>										
Cash and due from banks	-	-	-	15,124,487	15,124,487	-	-	-	11,128,875	11,128,875
Inter-bank funds	-	-	-	31,841	31,841	-	-	-	85,006	85,006
Financial investments	1,509,992	16,007,257	1,130,545	2,550,866	21,198,660	1,551,537	14,188,473	1,125,722	2,206,986	19,072,718
Loans, net	-	-	-	39,330,463	39,330,463	-	-	-	37,136,853	37,136,853
Due from customers on acceptances	-	-	-	16,577	16,577	-	-	-	139,685	139,685
Others accounts receivable and other assets, net	496,789	-	-	1,976,462	2,473,251	220,776	-	-	630,430	851,206
	<u>2,006,781</u>	<u>16,007,257</u>	<u>1,130,545</u>	<u>59,030,696</u>	<u>78,175,279</u>	<u>1,772,313</u>	<u>14,188,473</u>	<u>1,125,722</u>	<u>51,327,835</u>	<u>68,414,343</u>
<b>Financial liabilities</b>										
Deposits and obligations	-	-	-	44,144,719	44,144,719	-	-	-	38,093,224	38,093,224
Inter-bank funds	-	-	-	-	-	-	-	-	169,138	169,138
Due to banks and correspondents	-	-	-	7,997,696	7,997,696	-	-	-	3,979,637	3,979,637
Bonds, notes and other obligations	-	-	-	7,495,439	7,495,439	-	-	-	6,890,290	6,890,290
Due from customers on acceptances	-	-	-	16,577	16,577	-	-	-	139,685	139,685
Insurance contract liabilities	-	-	-	11,708,247	11,708,247	-	-	-	11,338,810	11,338,810
Others accounts payable, provisions and other liabilities	467,527	-	-	2,017,648	2,485,175	222,305	-	-	1,634,243	1,856,548
	<u>467,527</u>	<u>-</u>	<u>-</u>	<u>73,380,326</u>	<u>73,847,853</u>	<u>222,305</u>	<u>-</u>	<u>-</u>	<u>62,245,027</u>	<u>62,467,332</u>

### 22. 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 this risk, every Subsidiary of the Group has a specialized structure and organization in their management, measurement systems, mitigation and coverage processes that considers the specific needs and regulatory requirements to develop 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 the Management of IFS.

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.

The information that shows the credit quality and maximum exposure to credit risk of direct loans based on the Group's internal credit rating as of June 30, 2020 and December 31, 2019, are presented in Note 5.

#### (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.

Notes to the interim consolidated financial statements (continued)

The Group receives and delivers guarantees in the form of cash with respect to transactions with derivatives; see Note 3.

(b.1) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of June 30, 2020 and December 31, 2019, is presented below:

	Related amounts not offset in the interim consolidated statement of financial position					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities and offset in the interim consolidated statement of financial position	Net amounts of financial assets presented in the interim consolidated statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received (pledged), Note 3(d)	Net amount
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets						
As of June 30, 2020						
Derivatives, Note 7(b)	496,789	-	496,789	(313,735)	(37,574)	145,480
Total assets	496,789	-	496,789	(313,735)	(37,574)	145,480
As of December 31, 2019						
Derivatives, Note 7(b)	220,776	-	220,776	(134,103)	(42,351)	44,322
Total assets	220,776	-	220,776	(134,103)	(42,351)	44,322
Liabilities						
As of June 30, 2020						
Derivatives, Note 7(b)	467,527	-	467,527	(313,735)	(128,274)	25,518
Total liabilities	467,527	-	467,527	(313,735)	(128,274)	25,518
As of December 31, 2019						
Derivatives, Note 7(b)	222,305	-	222,305	(134,103)	(57,816)	30,386
Total liabilities	222,305	-	222,305	(134,103)	(57,816)	30,386

## 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 June 30, 2020, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.534 per US\$1 bid and S/3.541 per US\$1 ask (S/3.311 and S/3.317 as of December 31, 2019, respectively). As of June 30, 2020, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.538 per US\$1 (S/3.314 as of December 31, 2019).

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

	As of June 30, 2020				As of December 31, 2019			
	US Dollars	Soles	Other currencies	Total	US Dollars	Soles	Other currencies	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Assets</b>								
Cash and due from banks	10,130,527	4,544,708	449,252	15,124,487	9,386,504	1,311,291	431,080	11,128,875
Inter-bank funds	31,841	-	-	31,841	-	85,006	-	85,006
Financial investments	7,565,023	13,602,589	31,048	21,198,660	6,948,954	12,111,165	12,599	19,072,718
Loans, net	10,443,632	28,886,831	-	39,330,463	10,919,233	26,217,620	-	37,136,853
Due from customers on acceptances	6,716	-	9,861	16,577	128,397	-	11,288	139,685
Other accounts receivable and other assets, net	403,566	1,006,730	1,062,955	2,473,251	245,402	604,456	1,348	851,206
	<u>28,581,305</u>	<u>48,040,858</u>	<u>1,553,116</u>	<u>78,175,279</u>	<u>27,628,490</u>	<u>40,329,538</u>	<u>456,315</u>	<u>68,414,343</u>
<b>Liabilities</b>								
Deposits and obligations	15,320,657	28,459,461	364,601	44,144,719	13,840,447	23,888,049	364,728	38,093,224
Inter-bank funds	-	-	-	-	149,137	20,001	-	169,138
Due to banks and correspondents	1,259,924	6,737,772	-	7,997,696	830,122	3,149,515	-	3,979,637
Bonds, notes and other obligations	6,606,782	888,657	-	7,495,439	5,857,206	1,033,084	-	6,890,290
Due from customers on acceptances	6,716	-	9,861	16,577	128,397	-	11,288	139,685
Insurance contract liabilities	4,248,126	7,460,121	-	11,708,247	4,234,217	7,104,593	-	11,338,810
Other accounts payable, provisions and other liabilities	637,110	1,845,559	2,506	2,485,175	414,604	1,441,612	332	1,856,548
	<u>28,079,315</u>	<u>45,391,570</u>	<u>376,968</u>	<u>73,847,853</u>	<u>25,454,130</u>	<u>36,636,854</u>	<u>376,348</u>	<u>62,467,332</u>
Forwards position, net	(2,530,909)	2,601,464	(70,555)	-	(2,718,082)	2,776,866	(58,784)	-
Currency swaps position, net	102,772	(102,772)	-	-	138,676	(138,676)	-	-
Cross currency swaps position, net	1,882,718	(1,882,718)	-	-	1,763,518	(1,763,518)	-	-
Options position, net	19	(19)	-	-	(37)	37	-	-
<b>Monetary position, net</b>	<u>(43,410)</u>	<u>3,265,243</u>	<u>1,105,593</u>	<u>4,327,426</u>	<u>1,358,435</u>	<u>4,567,393</u>	<u>21,183</u>	<u>5,947,011</u>

As of June 30, 2020, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$617,957,000, equivalent to S/2,186,332,000 (US\$683,214,000, equivalent to S/2,264,171,000 as of December 31, 2019).

23. 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 interim consolidated statement of financial position:

	As of June 30, 2020				As of December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Financial assets</b>								
<b>Financial investments</b>								
At fair value through profit or loss (*)	635,763	494,470	379,759	1,509,992	682,341	381,844	487,352	1,551,537
Debt instruments measured at fair value through other comprehensive income	12,687,075	3,083,653	-	15,770,728	10,779,395	3,230,634	-	14,010,029
Equity instruments measured at fair value through other comprehensive income	1,124,283	6,262	-	1,130,545	1,119,620	6,102	-	1,125,722
<b>Derivatives receivable</b>	-	496,789	-	496,789	-	220,776	-	220,776
	14,447,121	4,081,174	379,759	18,908,054	12,581,356	3,839,356	487,352	16,908,064
Accrued interest				236,529				178,444
<b>Total financial assets</b>				19,144,583				17,086,508
<b>Financial liabilities</b>								
<b>Derivatives payable</b>	-	467,527	-	467,527	-	222,305	-	222,305

(\*) As of June 30, 2020, and December 31, 2019, 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. Fair value is estimated using a discounted cash flow (DCF) model. 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.

Notes to the interim consolidated financial statements (continued)

The table below presents a description of significant unobservable data used in valuation:

	Valuation technique	Significant unobservable inputs	Valuation	Sensitivity of inputs to fair value
Royalty Pharma	DCF Method	Sales forecast	Average sector analysis, estimates	10 percent increase (decrease) in the sales forecast would result in increase (decrease) in fair value by S/11,003,000. 500 basis points increase in the WACC would result in decrease in fair value by S/17,708,000.
		WACC	8.00%	500 basis points decrease in the WACC would result in increase in fair value by S/24,738,000.
Mutual funds and investment funds participations	DCF Method	Discount rate	Depends on the credit risk	500 basis points increase in the discount rate would result in decrease in fair value by S/3,375,000. 500 basis points decrease in the discount rate would result in increase in fair value by S/4,380,000.
		WACC	9.00%	500 basis points increase in the WACC would result in decrease in fair value by S/732,000. 500 basis points decrease in the WACC would result in increase in fair value by S/867,000.
	Comparable multiples	Price-to-sales ratio	Depends on industry's entity	10 percent increase (decrease) in the price-to-sales ratio would result in increase (decrease) in fair value by S/3,853,000.
	Equity value		Depends on the credit risk	500 basis points increase (decrease) in the equity value would result in increase (decrease) in fair value by S/2,000.

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

	30.06.2020	31.12.2019
	S/(000)	S/(000)
Balance as of January 1	487,352	407,957
Purchases	26,694	222,098
Sales	(65,340)	(150,575)
Total gain recognized on the interim consolidated statement of income	42,997	7,872
Transfers from Level 3	(111,944)	-
Ending balance	379,759	487,352

During the six-months period ended June 30, 2020 and 2019, there were neither transfers of financial instruments from Level 3 to Level 1 or Level 2, nor from Level 1 to Level 2.



## 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 June 30, 2020					As of December 31, 2019				
	Level 1	Level 2	Level 3	Fair value	Book value	Level 1	Level 2	Level 3	Fair value	Book value
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Assets</b>										
Cash and due from banks	-	15,124,487	-	15,124,487	15,124,487	-	11,128,875	-	11,128,875	11,128,875
Inter-bank funds	-	31,841	-	31,841	31,841	-	85,006	-	85,006	85,006
Investments at amortized cost	2,739,861	-	-	2,739,861	2,550,866	929,333	1,398,970	-	2,328,303	2,206,986
Loans, net	-	40,767,681	-	40,767,681	39,330,463	-	38,115,562	-	38,115,562	37,136,853
Due from customers on acceptances	-	16,577	-	16,577	16,577	-	139,685	-	139,685	139,685
Other accounts receivables and other assets, net	-	1,976,462	-	1,976,462	1,976,462	-	630,430	-	630,430	630,430
<b>Total</b>	2,739,861	57,917,048	-	60,656,909	59,030,696	929,333	51,498,528	-	52,427,861	51,327,835
<b>Liabilities</b>										
Deposits and obligations	-	44,206,001	-	44,206,001	44,144,719	-	38,099,641	-	38,099,641	38,093,224
Inter-bank funds	-	-	-	-	-	-	169,138	-	169,138	169,138
Due to banks and correspondents	-	8,031,845	-	8,031,845	7,997,696	-	3,982,373	-	3,982,373	3,979,637
Bonds, notes and other obligations	6,445,019	1,272,136	-	7,717,155	7,495,439	5,073,917	2,044,630	-	7,118,547	6,890,290
Due from customers on acceptances	-	16,577	-	16,577	16,577	-	139,685	-	139,685	139,685
Insurance contract liabilities	-	11,708,247	-	11,708,247	11,708,247	-	11,338,810	-	11,338,810	11,338,810
Other accounts payable and other liabilities	-	2,017,648	-	2,017,648	2,017,648	-	1,634,243	-	1,634,243	1,634,243
<b>Total</b>	6,445,019	67,252,454	-	73,697,473	73,380,326	5,073,917	57,408,520	-	62,482,437	62,245,027

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:

- 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 June 30, 2020 and December 31, 2019, the book value of loans, net of allowances, was not significantly different from the calculated fair values.
- 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.
- 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)

### 24. 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 interim consolidated financial statements. These services give rise to the risk that the Group could eventually be held responsible of yield of the assets under its management.

As of June 30, 2020 and December 31, 2019, the value of the managed off-balance sheet financial assets is as follows:

	<b>30.06.2020</b>	<b>31.12.2019</b>
	S/(000)	S/(000)
Investment funds	13,887,905	13,243,888
Mutual funds	5,414,133	5,049,034
<b>Total</b>	<b>19,302,038</b>	<b>18,292,922</b>