
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission file number 001-38965

INTERCORP FINANCIAL SERVICES INC.

(Exact name of Registrant as specified in its charter)

INTERCORP FINANCIAL SERVICES INC.
(Translation of Registrant's name into English)

REPUBLIC OF PANAMA
(Jurisdiction of incorporation or organization)

Intercorp Financial Services Inc.
Torre Interbank, Av. Carlos Villarán 140
La Victoria
Lima 13, Peru
(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	IFS	NYSE and Lima

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Shares of common stock: 115,417,631

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
				Emerging growth company	<input type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued
by the International Accounting Standards Board ☒

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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INTRODUCTION

All references to “we”, “us”, “our company”, and “IFS” in this Annual Report on Form 20-F are to Intercorp Financial Services Inc., a corporation (*sociedad anónima*) organized under the laws of the Republic of Panama (“Panama”).

In this Annual Report on Form 20-F, we refer to and the discussion of our business includes the business of our principal subsidiaries as follows: (i) in our banking segment: Banco Internacional del Perú, S.A.A.—Interbank, an open-stock corporation (*sociedad anónima abierta*) organized under the laws of Peru, as “Interbank”; (ii) in our insurance segment: Interseguro Compañía de Seguros, S.A., a corporation (*sociedad anónima*) organized under the laws of Peru, as “Interseguro”; (iii) in our wealth management segment: Inteligo Group Corp., a corporation (*sociedad anónima*) organized under the laws of Panama, as “Inteligo”; Inteligo Bank Ltd., a corporation organized under the laws of The Bahamas, as “Inteligo Bank”; Inteligo Sociedad Agente de Bolsa S.A., a corporation (*sociedad anónima*) organized under the laws of Peru, as “Inteligo SAB”; Inteligo USA Inc., a corporation organized under the laws of New York, as “Inteligo USA”, and Interfondos S.A. Sociedad Administradora de Fondos, a corporation organized under the laws of Peru, as “Interfondos SAFM” or “Interfondos” and (iv) in our payments segment: Procesos de Medios de Pago S.A., a corporation (*sociedad anónima*) organized under the laws of Peru, as “PMP” and its subsidiary Izipay S.A.C., a corporation (*sociedad anónima*) organized under the laws of Peru, as “Izipay”, both of which are IFS’s consolidated subsidiaries since April 2022.

In this Annual Report on Form 20-F, we also refer to our parent company, Intercorp Perú Ltd. (“Intercorp Peru” or “Intercorp”), a holding company for a group of companies operating mainly in Peru under the name “Intercorp”. Intercorp Peru’s main subsidiaries include our company and Intercorp Retail Inc. (“Intercorp Retail”). Intercorp Retail acts as a holding company for the retail and real estate operations of Intercorp Peru in Peru. Through its subsidiary, InRetail Peru Corp., whose shares are listed on the Lima Stock Exchange under the symbol “INRETAILC1,” Intercorp Retail has controlling stakes in (i) Supermercados Peruanos S.A. (“Supermercados Peruanos”), an operating supermarket chain that consolidates other operating companies, primarily operating under the: “Plaza Vea,” “Vivanda,” “MASS” and “Makro” brands, (ii) InRetail Pharma S.A., a holding company consisting of a chain of pharmacies operating under the “Inkafarma” and “MiFarma” brands with a distribution and marketing business as well as manufacturing some pharmaceutical products and (iii) InRetail Real Estate Corp., an owner, developer and operator of shopping malls under the “Real Plaza” brand. Intercorp Retail also controls directly (a) Tiendas Peruanas S.A., a department store chain operating under the “Oechsle” brand that started operations in 2009, (b) Financiera Oh! S.A., a consumer finance company that started operations in 2010, and (c) Homecenters Peruanos S.A. (“Homecenters Peruanos”), a home improvement company operating under the “Promart” brand. Our parent company Intercorp Peru also controls the following companies involved in the private education and healthcare businesses under the following brands: “Innova Schools,” “Zegel IPAE,” “UTP” “IDAT” and “Aviva”.

SUMMARY OF RISK FACTORS

An investment in our common shares is subject to a number of risks, including risks relating to the nature of our business as a holding company of banking, insurance, financial institutions, and payments institutions, our operations in Peru and our common shares. The following list summarizes some, but not all, of these risks. Please read the information in the section entitled “Risk Factors” for a more thorough description of these and other risks.

Risks Relating to Our Businesses

- We are a holding company and all of our operations are conducted through our subsidiaries. Our ability to pay corporate expenses and to pay dividends, if any, to holders of our common shares will depend on the ability of our subsidiaries to pay dividends and make other distributions to us.
- As a holding company, our right to receive any distribution of assets of our subsidiaries will be effectively subordinated to the rights of our subsidiaries’ creditors, and holders of our common shares may have limited recourse against our subsidiaries’ assets in case of our liquidation.
- Global and local health concerns, including in relation to the COVID-19 pandemic or other outbreaks of pandemics or contagious diseases, may adversely affect our and our subsidiaries’ business, financial condition and results of operations.
- Our subsidiaries are subject to extensive regulation and supervision, and changes in existing regulations or the implementation of future regulations may have a material adverse effect on our financial condition and results of operations.
- The operations of our subsidiaries require the maintenance of banking, insurance and other licenses and any non-compliance with applicable license and operating obligations could have a material adverse effect on our business, financial condition and results of operations.
- Under certain circumstances, the SBS, the SMV, the Superintendency of Banks of Panama or the Central Bank of The Bahamas, as applicable, may intervene in our subsidiaries’ operations in order to prevent, control and reduce the effects of a failure of our operations.
- The adoption of new international banking and insurance guidelines may cause our subsidiaries to require additional capital and could cause their cost of funds to increase, which could have a material adverse effect on our financial condition and results of operations.
- Our controlling shareholder, InterCorp Peru, is subject to capital requirements imposed by the SBS, and InterCorp Peru’s failure to comply with these requirements could have a material adverse effect on our financial condition and results of operations.
- Our subsidiaries face intense competition from other banking, insurance and financial institutions, and from other players including providers of emerging financial technologies and failure to compete successfully could have a material adverse effect on our financial condition and results of operations.
- Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior could have a material adverse effect on our financial conditions and results of operations.
- The banking and insurance markets are exposed to macroeconomic shocks that may negatively impact household income and, consequently, could have a material adverse effect on our financial condition and results of operations.
- We could sustain losses if Interbank’s asset quality declines.
- Reduced diversification in Interbank’s loan portfolio could have a material adverse effect on our financial condition and results of operations.
- The allowances of Interbank for impairment losses may not be adequate to cover the future losses to its loan portfolio or other assets, which could have a material adverse effect on our financial condition and results of operations.
- Our financial results may be negatively affected by changes to IFRS accounting standards.
- Our financial results may be negatively affected by investment losses.
- Interest rate changes could have a material adverse effect on our financial condition and results of operations.
- Interseguro is exposed to the impact of changes in interest rates on other comprehensive income.
- Actual mortality and morbidity rates and other factors may differ from those assumed in the calculation of technical reserves and may have a material adverse effect on Interseguro’s financial condition and results of operations.
- Interbank may not be able to obtain the funding required to support growth and implement its strategy.
- A reduction in our subsidiaries’ credit ratings could increase their cost of borrowing funds and make their ability to raise new funds and renew maturing debt more difficult.
- Interseguro’s failure to underwrite and price insurance premiums accurately for the products it offers would have a material adverse effect on its financial condition and results of operations.
- Interbank’s and Interseguro’s reliance on Peruvian sovereign and global bonds in their respective investment portfolios leaves us vulnerable to a default on such debt.

- Interseguro may suffer losses in its investment portfolio because of risks associated with its real estate investments.
- Tax exemptions applicable to a substantial portion of Interseguro's investment earnings could be changed in the future.
- We and our subsidiaries are dependent on key personnel.
- Interruption, mismanagement or failure in our subsidiaries' information technology systems may adversely affect their operations.
- Cyber-security events could negatively affect our reputation or results of operations and may result in litigation.
- Our subsidiaries are susceptible to fraud, unauthorized transactions and operational errors.
- Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.
- Our employees could join labor unions and we could be subject to organized labor actions, including work stoppages that could have a material adverse effect on our business.
- Our trademarks and trade names may be misappropriated or challenged by others.
- Any failure to comply with anti-corruption, anti-bribery, anti-money laundering and anti-terrorist financing and antitrust laws and regulations could damage our reputation or expose us to penalties.
- We and our subsidiaries are subject to litigation and other legal, administrative and regulatory proceedings.
- Legal restrictions on our clients may reduce the demand for our services.

Risks Relating to Peru

- Economic, social and political developments in Peru, including political instability, social unrest, persistent inflation and unemployment, could have a material adverse effect on our businesses.

- Public health crises and epidemics/pandemics, such as that being caused by the COVID-19 pandemic, may materially and adversely affect Peru's economy. Additionally, the Peruvian government measures adopted in order to address these health crises and epidemic/pandemics, such as the COVID-19 pandemic, may not be sufficient to address their impact.
- Fluctuations in the value of the *sol* could have a material adverse effect on our financial condition and results of operations.
- Potential exchange controls implemented by the Peruvian government could adversely affect our ability to pay dividends and have a material adverse effect on our financial condition and results of operations.
- Increased inflation in Peru could have an adverse effect on the Peruvian long-term credit market as well as the Peruvian economy generally and, therefore, on our financial condition and results of operations.
- The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.
- The Peruvian economy could be adversely affected by economic developments in regional or global markets.
- A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.
- The market volatility generated by distortions in the international financial markets may affect the Peruvian capital markets and the Peruvian banking system.
- The operations of Interbank, Interseguro, Interfondos, Inteligo SAB and Izipay could be adversely affected by earthquakes, floodings or other natural disasters.
- Corruption and ongoing high profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.
- Changes in tax laws may increase our tax liabilities and, as a result, have a material and adverse effect on us.
- The dollarization of the Peruvian economy hampers monetary policy, which in turn may have an effect on our business.

Risks Relating to the Common Shares

- There may be a lack of liquidity and market for our common shares.
- The price of our common shares may be volatile.
- We may raise additional capital in the future through the issuance of equity securities, which may result in dilution of the interests of our shareholders.
- The significant share ownership of our controlling shareholder may conflict with the interests of the holders of our common shares and may have an adverse effect on the future market price of our shares.
- Holders of our common shares may have fewer and less well-defined rights than shareholders of a company organized in other jurisdictions, such as the United States.
- Holders of our common shares may have difficulty enforcing judgments against us, our officers and directors.
- Judgments of Peruvian courts with respect to our common shares will be payable only in *soles*.
- We are subject to different corporate disclosure and accounting standards than those holders of our common shares may be familiar with in the United States.
- We could be considered a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. tax consequences for U.S. investors.
- One or more of our subsidiaries could be classified as a PFIC for U.S. federal income tax purposes.
- If we are unable to maintain effective internal control over financial reporting in the future, our results of operations and the price of our common shares could be adversely affected.
- The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members or executive officers.
- Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.
- If securities or industry analysts do not actively follow our business, or if they publish unfavorable research about our business, the price and trading volume of our common shares could decline.
- Future offerings of debt or preferred securities may limit our operating and financial flexibility and may materially adversely affect the market price of, and dilute the value of, the common shares.

- Peruvian corporations, including our subsidiaries, may be jointly and severally liable for any unpaid Peruvian capital gains tax related to the transfer of the common shares.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements. All statements other than statements of historical facts included in this Annual Report on Form 20-F regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; expectations regarding sales, profitability and growth; our possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans. In addition, this Annual Report on Form 20-F includes forward-looking statements relating to our potential exposure to various types of market risks, such as macroeconomic risk, Peru specific risks, foreign exchange rate risk, interest rate risks and other risks related to our financial performance. The words “aim,” “may,” “will,” “expect,” “is expected to,” “anticipate,” “believe,” “future,” “continue,” “help,” “estimate,” “plan,” “schedule,” “intend,” “should,” “would be,” “seeks,” “estimates,” “shall,” or the negative or other variations thereof, as well as other similar expressions regarding matters that are not historical facts, are or may indicate forward-looking statements.

We have based these forward-looking statements on our management’s current views with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

- our holding company structure;
- economic, business and political developments in Peru and globally, including corruption scandals involving the Peruvian government and related political instability;
- economic and geopolitical developments in regional or global markets, including Russia’s continued invasion of Ukraine;
- the financial market volatility and market turmoil generated by the recent bank failures in the United States and the emergency sale of Credit Suisse or similar developments in the financial industry;
- health epidemics and pandemics (including the coronavirus (“COVID-19”) pandemic) and other outbreaks, government measures to contain the spread of these pandemics or outbreaks, their effects on the economy of Peru, and their impact on global and regional economic growth prospects, creditworthiness, counter-party risk, as well as any logistical, operational or labor disruptions, among others;
- protests and social unrest in Peru against government economic policies and social inequality;
- changes in Peruvian, Panamanian and Bahamian and other foreign laws and regulations including the adoption of new capital requirements for banks or insurance companies, as well as interest rate caps for banks;
- the dollarization of the Peruvian economy;
- increased competition in the Peruvian financial services and insurance markets;
- increased inflation;
- exchange rate instability and government measures to control foreign exchange rates;
- developments affecting the purchasing power of middle-income consumers or consumer spending generally;
- changes in interest rates;
- downturns in the capital markets and changes in capital markets in general that affect policies or attitudes towards lending to Peru or Peruvian companies or securities issued by Peruvian companies;
- our ability to keep up with technological changes and integrate new businesses into our operations;
- the inability to obtain the capital we need for further expansion of our businesses;
- the inability to attract and retain key personnel;

- any future acquisitions may not bring anticipated benefits;
- changes in tax laws;
- severe weather, adverse climate changes and natural disasters;
- changes and volatility in regional or global markets;
- dependence on sovereign debt in our investment portfolios;
- credit and other risks of lending, such as increases in defaults of borrowers;
- increased costs of funding or our inability to obtain additional debt or equity financing on attractive terms or at all;
- a deterioration in the quality of our assets;
- allowances for impairment losses may be inadequate;
- changes to accounting standards;
- changes in actuarial assumptions upon which our annuity business is based;
- failure to adequately price insurance premiums;
- decreases in the spread between investment yields and implied interest rates in annuities;
- dependence on information technology (“IT”) systems and cybersecurity risks; and
- other risks and uncertainties described in “Item 3. Key Information—Risk Factors.”

We urge holders of our common shares to read the sections of this Annual Report on Form 20-F entitled “Item 3. Key Information—Risk Factors”, “Item 4. Information on the Company— Business Overview” and “Item 5. Operating and Financial Review and Prospects” for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. Additionally, new risks and uncertainties can emerge from time to time, and it is not possible for us to predict all future risks and uncertainties, nor can we assess their potential impact. Accordingly, holders of our common shares should not place undue reliance on forward-looking statements as a prediction of actual results.

In particular, the COVID-19 pandemic has continued to cause uncertainty and disrupt the global economy, including the Peruvian economy, which may impact our business, results of operation and cash flows.

All forward-looking statements included in this Annual Report on Form 20-F are based on information available to us on the date of this Annual Report on Form 20-F. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All other written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this Annual Report on Form 20-F.

PRESENTATION OF FINANCIAL INFORMATION

Our audited annual consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years ended December 31, 2022, 2021 and 2020 included in this Annual Report on Form 20-F have been prepared in *soles* and in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and audited by Tanaka, Valdivia & Asociados Sociedad Civil de Responsabilidad Limitada, PCAOB ID 1315, a member firm of Ernst & Young Global Limited (“EY Peru”).

For a description of our significant accounting policies, see Note 3 to our audited annual consolidated financial statements.

For regulatory purposes, including regulations of the *Banco Central de Reserva del Perú* (the “Central Reserve Bank of Peru”) and regulations and the reporting requirements of the *Superintendencia del Mercado de Valores* (the “SMV”), our Peruvian subsidiaries, Interbank and Interseguro, also prepare in Spanish and make available to shareholders statutory financial statements as prescribed by the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones*, or “SBS”), hereinafter “SBS GAAP”.

We have included in this Annual Report on Form 20-F certain information reported by the SBS for the Peruvian banking and insurance sectors as a whole as well as for individual financial institutions in Peru, including Interbank and Interseguro, which report to the SBS in SBS GAAP. The information under SBS GAAP has been presented for comparative market purposes. All statements in this Annual Report on Form 20-F regarding our relative market position and financial performance vis-à-vis the financial services and insurance sectors in Peru are based, out of necessity, on information obtained from the SBS and the SMV. With respect to comparative banking information, we typically compare ourselves against certain peer banks or against the system as a whole. With respect to comparative insurance information, we typically compare ourselves against the industry as a whole. Statements in this Annual Report on Form 20-F regarding our relative market position and financial performance, however, do not include information relating to Inteligo as Inteligo is not regulated by and does not report to the SBS or the SMV.

Certain comparative financial information related to our compound annual growth rate (“CAGR”) included in this Annual Report on Form 20-F has been prepared based on information reported pursuant to SBS GAAP, except for Inteligo. Compound Annual Growth Rate (“CAGR”) is calculated by (i) dividing the value of a variable on year X (ending value) by the value of this same variable on year Y (beginning value), then (ii) raising this to an exponent of one divided by (X-Y) and (iii) subtracting one from the result. In addition, our Peruvian subsidiaries pay dividends to us on the basis of the SBS GAAP financial statements as further described in this Annual Report on Form 20-F. See “Item 8 Financial Information—Consolidated Statements and Other Financial Information—Dividends and dividends policy” and “Item 3. Key Information—Risk Factors—We are a holding company and all of our operations are conducted through our subsidiaries. Our ability to pay dividends to holders of our common shares will depend on the ability of our subsidiaries to pay dividends and make other distributions to us.”

IFRS differs in certain significant respects from SBS GAAP. Consequently, information presented in this Annual Report on Form 20-F in accordance with SBS GAAP or based on information from the SBS or SMV may not be comparable with our financial information prepared in accordance with IFRS. Unless otherwise indicated, all financial information provided in this Annual Report on Form 20-F has been prepared in accordance with IFRS.

Change in Accounting Policies and Estimates

Generally, we have only adopted standards, interpretations or amendments that were effective in each year. Therefore, standards, interpretations or amendments that become effective in 2023 or later have not been early adopted.

On January 1, 2022, we adopted the following standards, interpretations, or amendments: (i) in connection with costs of fulfilling a contract, an amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, (ii) amendments to IFRS 3 “Business Combinations”, (iii) in connection with proceeds before intended use of property, plant and equipment, an amendment to IFRS 16 “Leases”, (iv) in connection with a subsidiary as a first time adopter, an amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards”; and (v) in connection with fees in the “10 per cent” test for derecognition of financial liabilities, an amendment to IFRS 9 “Financial Instruments”. Such standards, interpretations or amendments have not had a significant impact on our consolidated financial statements. See Note 3.2 to our audited annual consolidated financial statements.

On January 1, 2021, we adopted the following standards, interpretations, or amendments: (i) in connection with the interest rate benchmark reform, amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, and IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts”, and IFRS 16 “Leases”,—Phase 2; and (ii) in connection with COVID-19 related rent concessions beyond June 30, 2021, an amendment to IFRS 16 “Leases”. Such standards, interpretations or amendments have not had a significant impact on our consolidated financial statements.

Since January 1, 2020, we have adopted the following standards, interpretations, or amendments: (i) Amendments to IFRS 3 “Business Combinations”, (ii) Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, (iii) Conceptual Framework for Financial Reporting issued on March 29, 2018, and (iv) Amendments to IFRS 16 “Leases”. Such standards, interpretations or amendments did not have a significant impact on our consolidated financial statements.

Currency Translation

The term “sol” and the symbol “S/” refer to the legal currency of Peru, and the term “U.S. dollar” and the symbol “U.S.\$” refer to the legal currency of the United States.

We have translated some of the *soles* amounts contained in this Annual Report on Form 20-F into U.S. dollars for convenience purposes only. Unless otherwise indicated or the context otherwise requires, the rate used to translate *soles* amounts to U.S. dollars as of December 31, 2022 was S/3.814 = U.S.\$1.00, which was the exchange rate reported for December 31, 2022 by the SBS. The Federal Reserve Bank of New York does not report a noon buying rate for *soles*. The U.S. dollar equivalent information presented in this Annual Report on Form 20-F is provided solely for convenience of investors and should not be construed as implying that the *soles* or other currency amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Effect of Rounding

Certain figures included in this Annual Report on Form 20-F and in our consolidated financial statements have been rounded for ease of presentation. Percentage figures included in this Annual Report on Form 20-F have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this Annual Report on Form 20-F may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

Market and Industry Data

In this Annual Report on Form 20-F, unless otherwise indicated, all macroeconomic data relating to Peru is based on information published by the SBS, the Central Reserve Bank of Peru, the Peruvian Ministry of the Economy and Finance (*Ministerio de Economía y Finanzas*, or “MEF”), and the Peruvian National Institute of Statistics and Information Processing (*Instituto Nacional de Estadística e Informática*, or “INEI”). References in this Annual Report on Form 20-F to “GDP” refer to real gross domestic product, except for GDP per capita and penetration ratios of loan products.

References in this Annual Report on Form 20-F to “peer countries” in Latin America refer to Brazil, Chile, Colombia and Mexico. Certain information about peer countries in Latin America have been derived from the Economist Intelligence Unit (“EIU”), the Chilean Superintendency of Banks and Financial Institutions (*Superintendencia de Bancos e Instituciones Financieras*, or “SBIF”), the Central Bank of Brazil (*Banco Central do Brasil*), the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*), and the Mexican Commission for Banking and Securities (*Comisión Nacional Bancaria y de Valores*). References in this Annual Report on Form 20-F to the “four largest banks in Peru” or the “four largest Peruvian banks” refer to *Banco de Crédito del Perú* (“BCP”), BBVA Continental, Interbank and Scotiabank Perú S.A.A.

Unless otherwise indicated, statistical information in this Annual Report on Form 20-F relating to our Peruvian subsidiaries Interbank and Interseguro, regarding market share, ranking, and other measures, as well as information on other Peruvian financial institutions and the Peruvian financial system generally, has been derived from reports and information published by the SBS, the SMV, the Central Reserve Bank of Peru, the Association of Peruvian Banks (*Asociación de Bancos del Perú*, or “ASBANC”) or from other publicly available sources and industry publications.

Socioeconomic levels are determined based on the data collected by INEI in their national annual survey *Encuesta Nacional de Hogares* (“ENAHOG”). INEI assigns a score to each household based on their ranking on the following four factors: (i) characteristics of the household living space, (ii) level of living space overcrowding, (iii) level of education of household head and (iv) ownership of durable goods/properties; and then groups them in five socioeconomic segments (A, B, C, D, E).

Other market share information and other statistical information and quantitative statements in this Annual Report on Form 20-F regarding our market position relative to our competitors, except where otherwise indicated, is not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect management estimates based upon our internal records and surveys, statistics published by providers of industry data, information published by our competitors, and information published by trade and business organizations and associations and other sources within the industry in which we operate. We have not independently verified any data produced by third parties or industry or general publications, although we believe such data and publications are reliable. In addition, while we believe our internal data and surveys to be reliable, such data and surveys have not been verified by any independent sources.

Loan Portfolio Data

Unless otherwise indicated, references in this Annual Report on Form 20-F to performing loans refer to loans in compliance with their original contractual obligations. References to past-due loans refer to overdue loans defined as follows: commercial loans are considered past-due once amortization payments are 15 days overdue; loans to micro-businesses are considered past-due once amortization payments are 30 days overdue; and in the case of consumer, mortgage and leasing loans, the amortization portion of a coupon is considered past-due once 30 days overdue and the total amount of the loan is considered past-due once an amortization payment is 90 days overdue. For IFRS 7 and IFRS 9 disclosure purposes, the entire loan balance is considered past due when debtors have failed to make a payment when contractually due. Past-due loans do not include refinanced and restructured loans. References to total gross loans include total loans outstanding, including past-due loans, refinanced loans and restructured loans, and references to total net loans refer to gross loans plus accrued interest less allowances for loan losses and deferred interest.

In response to the COVID-19 crisis and with the support and permission of the SBS, in 2020, Interbank offered various payment rescheduling options to its clients to help them overcome the major economic shock related to the pandemic and the lockdown measures implemented by the Government. These rescheduling options refer to the following three schemes:

- Unilateral: loans proactively rescheduled by Interbank on a portion of the loan balance, in consideration of the client's debt burden.
- Landing: loans rescheduled at client's request on a portion of the loan balance.
- Structural: loans proactively rescheduled by Interbank or at client's request over the entire loan balance.

The rescheduling of loans can involve modifying payment schedules, granting grace periods, and lowering interest rates, among other measures.

In 2021 and 2022, Interbank has continued to support customers that requested additional relief for their rescheduled loans on a case-by-case basis. Finally, through a series of Resolutions and Multiple Official Letters, within the framework of emergency Decree No. 026-2021, the MEF and the SBS established measures to reschedule the loans guaranteed under the Reactiva Perú program (as defined below). These facilities included grace periods of up to 12 months and also extended the repayment period.

Certain Financial Definitions and Conventions

We present return on assets, or "ROA", return on equity or "ROE", net interest margin or "NIM", risk adjusted net interest margin or "risk adjusted NIM", cost of risk and efficiency ratio in this Annual Report on Form 20-F. We define our ROA as net profit for the period divided by average total assets; our ROE as net profit for the period divided by average total equity; NIM as (x) net interest and similar income divided (y) average interest earning assets; risk adjusted NIM as net interest margin after impairment loss on loans, net of recoveries; Cost of risk is defined as impairment loss on loans, net of recoveries divided by average gross loans. Efficiency ratio as the division of (x) salaries and employee benefits plus administrative expenses plus depreciation and amortization by (y) net interest and similar income plus other income, plus net premiums earned.

We present average balances and nominal average interest rates in this Annual Report on Form 20-F. Except as otherwise indicated, average balances are based on quarterly balances. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities.

Non-GAAP Financial Measures

In this Annual Report on Form 20-F, we present adjusted net profit, adjusted ROE and adjusted ROA, which are non-GAAP financial measures. A non-GAAP financial measure does not have a standardized meaning prescribed by IFRS. A non-GAAP financial measure is generally defined as a numerical measure of an issuer's historical or future financial performance, financial position or cash flows that: (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with IFRS in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

We believe that the presentation of these non-GAAP measures provides additional useful information to investors regarding our performance and trends related to our results of operations. Accordingly, we believe that when non-GAAP financial information is viewed with IFRS financial information, investors are provided with a more meaningful understanding of our ongoing operating performance and financial results.

ROE is calculated by dividing net profit for the year by average total equity. ROA is calculated by dividing net profit for the year by average total assets. Adjusted net profit is defined as net profit excluding non-operating and/or non-recurring gain or losses.

For the years ended December 31, 2020 and 2021, we did not make adjustments to our net profit, ROE or ROA. For the year ended December 31, 2022, we made adjustments to our net profit, to ROE and to ROA, as we defined our adjusted net profit (used for the calculation of adjusted ROE and adjusted ROA) as net profit excluding the gain recognized as a result of the step acquisition of Izipay, which management believes is non-recurring in nature. See note 1(d) to our Audited Annual Consolidated Financial Statements.

We believe that the adjustment to our net profit provided useful metrics because by excluding the fair value adjustment of the 50% ownership interest held by Interbank in Izipay before the acquisition of the remaining 50% equity interest in Izipay in April 2022, it deducted from our net profit pre-acquisition effects that our management believes to be non-operating and/or non-recurring in nature and in so doing, allows us to better assess the performance of our operating activities. Adjusted net income, adjusted ROE and adjusted ROA do not have a standardized meaning and are not recognized measures under IFRS. Adjusted net income, adjusted ROE and adjusted ROA should not each be considered by itself or as a substitute for net income or other measures of operating performance. Our definition of adjusted net income, adjusted ROE and adjusted ROA may differ from those used by other companies.

For a discussion on the non-GAAP financial measures and reconciliation of these measures to IFRS financial measures, see “Item 4. Information on the Company—Business Overview—Non-GAAP Financial Measures” and “Item 5. Operating and Financial Review and Prospects—Operating Results.”

There may be limits in the usefulness of these measures to investors. As a result, we encourage readers to consider the consolidated financial statements and other financial information contained in this Annual Report on Form 20-F in their entirety, and not to rely on any single financial measure.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. [RESERVED]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

An investment in our common shares involves a high degree of risk. In addition to the other information contained in this Annual Report on Form 20-F, holders of our common shares should carefully consider the following risk factors before purchasing our common shares. If any of the possible events described below occurs, our businesses, financial condition, results of operations or prospects could be materially and adversely affected. As a result, the market prices of our common shares could decline and holders of our common shares could lose all or part of their investment. The risks and uncertainties below are those known to us and that we currently believe may materially affect us and our common shares. We may face additional risks and uncertainties not currently known to us or which as of the date of this Annual Report on Form 20-F we might not consider significant, which may also adversely affect our businesses.

Risks Relating to Our Businesses

We are a holding company and all of our operations are conducted through our subsidiaries. Our ability to pay corporate expenses and to pay dividends, if any, to holders of our common shares will depend on the ability of our subsidiaries to pay dividends and make other distributions to us.

As a holding company, all of our operations are conducted through our subsidiaries. Accordingly, our ability to pay corporate expenses and to pay dividends, if any, to holders of our common shares, will depend upon our receipt of dividends and other distributions from our subsidiaries.

There are various regulatory restrictions in Peru and other jurisdictions that may limit our subsidiaries' ability to pay dividends or make other payments to us, such as their obligations to maintain minimum regulatory capital and minimum liquidity. See "—Global and local health concerns, including in relation to the COVID-19 pandemic or other outbreaks of pandemics or contagious diseases, may adversely affect our and our subsidiaries' business, financial condition and results of operations".

In addition, some of our Peruvian subsidiaries pay dividends to us on the basis of the SBS GAAP financial statements, which differ from IFRS. For example, for the year ended December 31, 2022, Interseguro had a net profit of S/248.0 million under IFRS and of S/202.8 million under SBS GAAP, which resulted in a dividend payment to us of S/100.0 million in 2023. Therefore, there is no assurance that the differences in accounting treatment will not render the opposite result, namely that lower or no dividends would be payable to us by any of our Peruvian subsidiaries under SBS GAAP than what it would appear to be able to pay under IFRS, or that dividends will continue to be payable under SBS GAAP in the future.

Furthermore, our subsidiaries may incur indebtedness or enter into other arrangements containing terms that may restrict or prohibit the payment of dividends, the making of other distributions, or the making of loans to us. We cannot assure holders of our common shares that the agreements governing the future indebtedness of our subsidiaries will permit them to provide us with sufficient dividends, distributions or the making of loans to fund dividend payments.

To the extent our subsidiaries do not have funds available or are otherwise restricted from paying dividends to us, our ability to pay dividends to our shareholders will be adversely affected.

As a holding company, our right to receive any distribution of assets of our subsidiaries will be effectively subordinated to the rights of our subsidiaries' creditors, and holders of our common shares may have limited recourse against our subsidiaries' assets in case of our liquidation.

As a holding company, our right to receive any distribution of assets of our subsidiaries upon any subsidiary's liquidation or reorganization or otherwise will be subject to the prior claims of creditors of that subsidiary, except to the extent that any claims by us as a creditor of such subsidiary may be recognized as such. Accordingly, holders of our common shares will have rights that will effectively be subordinated to all existing and future indebtedness of our subsidiaries, and, in the event of any claim against us, our shareholders may have recourse only against our assets, and not those of our subsidiaries, for payments. The only significant assets that we currently hold are our equity interests in our subsidiaries.

Global and local health concerns, including in relation to the COVID-19 pandemic or other outbreaks of pandemics or contagious diseases, may adversely affect our and our subsidiaries' business, financial condition and results of operations.

Global and local health concerns, including the outbreak of pandemics or contagious diseases including the COVID-19 pandemic, may disrupt economic activity. The COVID-19 pandemic significantly increased economic uncertainty throughout the world and resulted in a global economic recession, which may adversely affect us. Though widespread outbreaks have become less common, the business of our subsidiaries is dependent upon the willingness and ability of their customers to conduct banking and other financial transactions.

To contain the spread of COVID-19 in Peru, in 2020, 2021 and during the first semester of 2022, the Peruvian government announced and implemented several measures such as declaring a state of emergency and ordering a mandatory lockdown and the total closure of Peru's borders, while guaranteeing access to essential goods and services, including banking and financial services, pharmacies, food stores and markets, among others. As a result of these measures, the business operations of our subsidiaries were disrupted as a significant portion of their offices and financial stores were closed temporarily. These measures and similar measures have caused significant disruption of regional and global economic activity.

While, for the most part, restrictions have been lifted in connection with the Peruvian government's approach to re-open the economy, we can offer no assurance that they will not be re-imposed, and changes in existing regulations or implementation of future regulations in response to the COVID-19 or other pandemics may further restrict their existing operations, limit the expansion of their business and require extensive system and operating changes that may be difficult or costly for them to implement. Accordingly, as the cycle of the COVID-19 virus evolves throughout the world, the long-term ramifications of the COVID-19 pandemic remain hard to predict in its duration and effects on the global and Peruvian economy and on our business.

The COVID-19 pandemic also caused significant disruption and volatility in the financial markets globally, leading to sharp fluctuations in equity levels as well as increased volatility in economic indicators, such as exchange rates, interest rates, credit spreads and commodity prices, all of which may recur or worsen in the future to the extent a new health emergency occurs. Moreover, COVID-19 generated a simultaneous shock on supply and demand – a supply shock resulting from the abrupt paralysis of production in multiple sectors and a demand shock as a result of reduced consumption – which amplified the negative effects on the economy. Further shocks or unexpected movements in these market factors could result in financial losses. The evolution of the COVID-19 pandemic and its potential long-term impact on the global economy may affect our ability to meet our financial targets.

As a result of the economic impact of the pandemic, in addition to public health measures, the Peruvian government adopted measures to generate monetary and fiscal stimulus and alleviate the financial stress on households and companies, including the allowance for partial withdrawals from compensation for service time accounts ("CTS", by its Spanish acronym), as well as partial withdrawals from the pension fund accounts, loan rescheduling measures and an initial S/30 billion credit guarantee program ("Reactiva Perú"). Given the nature of the adopted Reactiva Perú measures, our most affected subsidiary was Interbank. In this regard, as of December 31, 2022, outstanding loans disbursed by Interbank under the Reactiva Perú program amounted to S/2.3 billion (of which S/2.0 billion were covered by a government guarantee), a reduction of 53.0.% compared to the outstanding loans under the Reactiva Perú program as of December 31, 2021 of S/4.9 billion (of which S/4.4 billion were covered by a government guarantee).

During 2020, and in response to the Covid-19 crisis, Interbank offered its clients several payment rescheduling options. As of December 31, 2020, 2021 and 2022, the balance of total rescheduled loans amounted to S/10.5 billion, S/6.3 billion and S/5.0 billion, respectively. The loans granted under the Reactiva Perú program during the years ended December 31, 2021 2022 amounted to approximately S/133.0 million and S/2.0 billion, respectively. As of December 31, 2021 and 2022, the balance of rescheduled loans under the Reactiva Perú program amounted to approximately S/2.0 billion and S/1.5 billion, respectively.

If such measures fail to achieve their intended results, our customers may be unable to meet existing payment or other obligations to us, as well as result in the filing and granting of insurance claims under insurance policies approved by Interseguro, all of which could materially and adversely affect our business, financial condition and results of operations. We cannot predict whether and to what extent new or changes to laws and regulations that affect our subsidiaries' business will be adopted in response to the COVID-19 pandemic or other new pandemics and what effect such laws and regulations would have on our revenue sources and hence on our financial condition and results of operations.

To the extent the COVID-19 pandemic or other outbreaks of pandemics or contagious diseases adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this "Item 3. Key Information—Risk Factors" section, such as those relating to interest rate changes, economic, social and political developments in Peru, the market volatility generated by distortions in the international financial markets, cybersecurity, etc.

Our subsidiaries are subject to extensive regulation and supervision, and changes in existing regulations or the implementation of future regulations may have a material adverse effect on our financial condition and results of operations.

Interbank and Interseguro are subject to extensive regulation and supervision by the SBS. The SBS also oversees all of Interbank's and Interseguro's subsidiaries and their operations. Interbank is also subject to regulation and oversight by the Central Reserve Bank of Peru, which, together with the SBS, have general administrative responsibilities over banks and other financial institutions, including the authority to set loan loss provisions, limits on interest rates and fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are required to provide the SBS, on a periodic basis, with all information necessary to allow for its evaluation of the bank's financial performance. Similarly, insurance companies are required to periodically provide the SBS, with all information necessary for the SBS to evaluate the company's management, measure systems, solvency, profitability and liquidity.

Similarly, Inteligo's subsidiaries are regulated by governmental entities and other financial services regulators in The Bahamas, Panama and Peru. Inteligo Bank is subject to the regulation and supervision of the Central Bank of The Bahamas. Additionally, Inteligo Bank's asset management activities and securities custody and trading activities are subject to supervision by the Securities Commission of The Bahamas. Inteligo Bank holds licenses from the Securities Commission of The Bahamas for dealing in securities as agent or principal, arranging deals, managing securities and advising on securities. Inteligo Bank is licensed to undertake all securities-related activities ancillary to its banking business. Inteligo Bank and its branch are subject to regulation by the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*). Inteligo Bank is also subject to regulation by the Securities Commission of Panama (*Superintendencia del Mercado de Valores de Panama*) since June 18, 2021, when it obtained its investment advisory license. On January 3, 2022, Inteligo Bank began its operations under such license. Inteligo SAB and Interfondos are subject to the regulation and supervision of the SMV in Peru. Also, Interbank and Interseguro are subject to the regulations of the SMV. Izipay is subject to the regulations of the Central Bank of Peru and SMV. In addition, IFS, Interbank, Interseguro, Inteligo Bank and Inteligo SAB are subject to other regulations, such as the U.S. Foreign Account Tax Compliance Act ("FATCA"), which could increase compliance costs and, in case of non-compliance could result in liability, additional costs or sanctions imposed by the U.S. Internal Revenue Service.

Changes in the regulation and supervision of Interbank, Interseguro, Inteligo and Izipay or the implementation of future regulations could have a material adverse effect on our financial condition and results of operations by restricting our existing operations, limiting the expansion of our business and requiring extensive system and operating changes that may be difficult or costly to implement. For example, the SBS and the Central Reserve Bank of Peru regulate, and have in the past changed, capital structure and deposit reserve requirements, interest paid on deposit reserves, the amount of deposit reserves for which no interest is payable, rules regarding provisions for loan losses and legal lending limits applicable to Peruvian commercial banks. Furthermore, Interbank could be required to increase its level of provisions in response to pro-cyclical provisioning requirements that could be activated by regulators under certain favorable macroeconomic conditions. Additional changes in the regulation and supervision of our subsidiaries have been imposed as a result of the COVID-19 pandemic, which could affect our results of operations. For example, during 2020, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from its November 2019 rate of 2.25% to 0.25% in April 2020, which low rate was maintained until July 2021, and approving a new liquidity instrument to provide funds to financial entities, consisting of repurchase operations using Peruvian government guaranteed loans as collateral. Moreover, changes in consumer protection regulation may also affect our business. For example, in March 2021, the Peruvian Congress approved a bill under which (i) the Central Reserve Bank of Peru will semi-annually establish caps on compensatory and moratorium interest rates that banks can charge to consumers and small businesses, and (ii) capitalized interest, commissions or expenses in cases of default are disallowed. Since its approval, such new regulation limiting the interest that can be charged to clients of banking entities, such as Interbank, has negatively impacted Interbank's financial results. In addition, Interbank could be subject to limits on fees or commissions charged to clients. If legislation or governmental or regulatory action is enacted limiting the amount of ATM fees or surcharges that Interbank may receive or on its ability to charge overdraft or other fees, it could adversely impact our financial results. Furthermore, during 2022, the Peruvian Banking and Insurance Law was amended by Legislative Decree No. 1531 to more closely align the Peruvian regulatory framework and its regulations applicable to the companies of the financial system to the Basel Committee's 2011 agreement regarding the overall design of the

capital and liquidity reform package (now referred to as “Basel III”), including changes related to the composition of the effective equity (which changes to effective equity came into effect as of January 1, 2023). Interbank has already implemented most of these requirements, with no adverse effect to its operations, and it does not anticipate any adverse effect to its financial condition or operations as a result of the implementation of additional requirements imposed by Legislative Decree No. 1531. We cannot make any assurance regarding whether future regulatory changes may increase operational costs or otherwise adversely affect our results of operations and financial condition.

Since 1998, Interseguro has been subjected to strict local regulations that required significant changes in reserve requirements. For example, in March 2018, changes by the SBS to mortality tables used for calculating reserves for new annuities resulted in a higher reserve requirement, which in turn could adversely affect Interseguro’s results of operations or could result in lowered implied interest rates on Interseguro’s annuities. For further information, see Note 3.4(d) to our audited annual consolidated financial statements. New legislation or regulations applicable to the insurance industry may adversely affect Interseguro’s ability to underwrite and price risks accurately as well as affect its revenues and net income. For example, whereas retirees formerly had to choose between remaining with their pension fund or choosing an annuity, since 2016 a law has allowed retirees to withdraw 95.5% of their capital accumulated in cash upon retirement, which has resulted in a significant reduction of annuities sold by Peruvian insurance companies, including Interseguro. In addition, considering that the SBS regulates the types of and limits on eligible investments that insurance companies, such as Interseguro, are allowed to make, in case the SBS enacts new regulations that further restricts such eligible investments, Interseguro could be compelled to liquidate current investments on less favorable terms than if they were held to maturity and restrict Interseguro from making investments that its management deems to be beneficial. Likewise, at the end of 2022, in order to adjust the fair value of real estate investments, the SBS established new requirements for valuation specialists or entities requiring capacitation in specific valuation matters that are not lectured in Peru, which created hurdles to such valuations and increased operating costs. Any failure to comply with these new requirements may increase costs and result in potential sanctions by the SBS. Moreover, in the past and as a response to the COVID-19 pandemic, the Peruvian government permitted companies to suspend employee contracts without pay in certain cases until the end of the COVID-19 pandemic, which caused these companies to stop making the corresponding monthly contribution to the pension funds of their worker, affecting the private pension system. In addition, the Peruvian government eased pension fund regulations, including measures permitting extraordinary withdrawals of funds from the private pension system, which in turn reduced pension funds collected by Interseguro. New legislation or regulations may impact Interseguro’s ability to economically assess risk in a timely manner, which in turn may adversely affect Interseguro’s ability to underwrite and price risks accurately and thus affect our business profitability.

The Bahamas has enacted the Commercial Entities (Substance Requirements) Act, 2018 which requires substantial economic presence in The Bahamas for certain Bahamian entities that conduct relevant activities. A relevant activity includes the business of banking as conducted by Inteligo Bank. Inteligo Bank has made the appropriate registration and it is exempt from the requirements of the Commercial Entities (Substance Requirements) Act, 2018 as it currently fulfills certain disclosure and governance requirements of the applicable legislation. If The Bahamas in the future changes such regulation such that Inteligo Bank is no longer considered to be exempt from registration, it would have to enhance its economic and business presence in The Bahamas in order to comply with the Commercial Entities (Substance Requirements) Act, 2018, which increased presence may result in increased costs—financial, compliance or otherwise, which could impact Inteligo Bank’s profitability and our results of operations.

We cannot predict whether and to what extent new laws and regulations, or changes to existing laws and regulations, affecting our subsidiaries’ business will be adopted in the future, the timing of any such adoption and what effect such events would have on our financial condition and results of operations.

The operations of our subsidiaries require the maintenance of banking, insurance and other licenses and any non-compliance with applicable license and operating obligations could have a material adverse effect on our business, financial condition and results of operations.

All banks and insurance companies established in Peru require certain authorizations issued by the SBS in order to operate in Peru. In addition, all brokerage firms operating in Peru require certain authorizations issued by the SMV in order to operate in Peru. In The Bahamas and Panama, all banks require a license to operate. Governmental authorities, such as the SBS or the Central Reserve Bank of Peru, the Central Bank of The Bahamas, or the Superintendency of Banks of Panama, have general administrative responsibilities over banks and other financial institutions, including authority to set loan loss provisions, limits on fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are generally required to provide the relevant banking supervisory agency, on a periodic basis, with all information that is necessary to allow for its evaluation of a bank’s financial performance. Insurance companies are regulated and supervised by the SBS which has the ability, among other things, to set reserve requirements for insurance companies. Similarly, the SMV and the Securities Commission of The Bahamas have general administrative responsibilities over brokerage firms, including the authority to set minimum capital requirements.

Our subsidiaries currently have the required licenses in order to conduct their operations in their corresponding jurisdictions for all of their operations. Although we believe our subsidiaries are currently in compliance with their respective existing material license and reporting obligations, there is no assurance that our subsidiaries will be able to maintain the necessary licenses in the future. We can offer no assurance that future changes to existing laws and regulations, or stricter interpretation or enforcement of existing laws and regulations, will not impair our ability to comply with such laws and regulations and thus with the terms of our licenses.

The loss of a license, a breach of the terms of a license by any of our subsidiaries or the failure to obtain any further required licenses in the future could have a material adverse effect on our business, financial condition and results of operations. If any of our subsidiaries loses its licenses or is required to seek additional licenses, then such subsidiary will be unable to perform its operations as it is currently authorized and as it is currently doing.

Under certain circumstances, the SBS, the SMV, the Superintendency of Banks of Panama or the Central Bank of The Bahamas, as applicable, may intervene in our subsidiaries' operations in order to prevent, control and reduce the effects of a failure of our operations.

Under the Peruvian Banking and Insurance Law and the regulations thereunder, the SBS may intervene in Interbank's and Interseguro's operations upon the occurrence of any of the following events:

- Interbank or Interseguro suspends payment of its obligations or is unable to pay its obligations as they come due;
- Interbank or Interseguro breaches any of their respective commitments to the SBS under a surveillance regime (*régimen de vigilancia*) imposed by the SBS;
- Interbank's regulatory capital is less than 50% of the minimum regulatory capital required under the Peruvian Banking and Insurance Law;
- Interbank or Interseguro experiences a deficit or reduction of more than 50% of its regulatory capital during the preceding 12-month period; or
- Interseguro experiences a deficit or reduction of the regulatory capital of more than 50% of its solvency equity.

In the event of an intervention, the SBS has the power to institute measures, such as limiting the decisions that could be taken at a shareholders' meeting, suspending our normal activities and segregating certain of Interbank's or Interseguro's assets and liabilities for transfer to third parties, among others. Furthermore, the SBS has the power under the Peruvian Banking and Insurance Law to declare the wind-up or liquidation of any bank or insurance company if an intervention extends for longer than 45 days, which period may be extended one time for another 45 days at the sole discretion of the SBS, and/or upon the occurrence of a wind-up or liquidation pursuant to the Peruvian General Corporations Law (*Ley General de Sociedades*). For further detail, see "Item 4. Information on the Company—Business Overview—Regulation and Supervision—The Peruvian Financial and Insurance Systems — Intervention by the SBS and Liquidation".

Under Peruvian capital markets laws and the regulations thereunder, the SMV may revoke the license of Inteligo SAB and/or Interfondos, among others, upon the occurrence of (i) significant irregularities that put the companies at risk to carry out their operations as permitted by law or (ii) significant violations of the law, statutes and regulations promulgated by the SMV.

Under Bahamian banking regulations, the Central Bank of The Bahamas may intervene in Inteligo Bank's operations upon the occurrence of any of the following events:

- Inteligo Bank carries on its business in a manner detrimental to the public interest or the interests of its depositors or other creditors; or
- Inteligo Bank contravenes the provisions of Bahamian banking law or any other law, order or regulation made thereunder, or any term or condition subject to which its license was issued, either in The Bahamas or elsewhere.

In addition, under Bahamian securities laws and regulations, the Securities Commission of the Bahamas may revoke Inteligo Bank's registration and license to deal in securities, arrange deals, manage securities and/or advise on securities for noncompliance with laws and regulations.

Under Law Decree 9 of 1998, as amended, the Superintendency of Banks of Panama may seize administrative and operating control of the branch of Inteligo Bank in Panama, based on any of the following grounds:

- upon a reasoned request of Inteligo Bank itself;

- if Inteligo Bank cannot continue operations without endangering the interests of the depositors;
- as a consequence of the evaluation of the report submitted by an appointed advisor;
- non-compliance with the corrective measures ordered by the Superintendency of Banks of Panama;
- if Inteligo Bank carries out its operations in an illegal, negligent or fraudulent manner;
- if Inteligo Bank has suspended payment on its obligations; or
- if the Superintendency of Banks of Panama confirms that the capital adequacy, solvency or liquidity of Inteligo Bank has deteriorated so as to require action by the Superintendency of Banks of Panama.

The adoption of new international banking and insurance guidelines may cause our subsidiaries to require additional capital and could cause their cost of funds to increase, which could have a material adverse effect on our financial condition and results of operations.

In December 2009, the Basel Committee announced its intention to issue a new framework related to the regulation, supervision and risk management of the banking industry. This was followed by the Basel III principles, which revises and strengthens the three pillars established by Basel II.

In July 2011, the SBS issued SBS Resolution No. 8425-2011 (as amended from time to time), establishing the final methodologies in the calculation and the implementation schedule of the additional capital requirements to be implemented in Peru, which, although not completely consistent with Basel III, includes requirements to cover concentration, interest rate and systemic risk, as well as certain pro-cyclical capital requirements. These additional requirements were fully implemented in July 2016. In March 2022, the Peruvian government issued Legislative Decree 1531, which revised regulatory capital definition rules in the Peruvian Banking and Insurance Law. This legislative decree became effective on January 1, 2023. Changes were aimed to better comply with the standards established by Basel III.

In February 2016, the SBS issued SBS Resolution No. 975-2016 (as amended from time to time), which aimed to improve the quality of the total regulatory capital (*patrimonio efectivo*) and align Peruvian regulations towards Basel III. This resolution changed the conditions that subordinated debt must meet in order to be considered in the calculation of additional capital and the calculation methodology applicable to risk-weighted assets. In December 2022, as part of the implementation of the Basel III standards, the SBS issued SBS Resolution No. 03950-2022, which updates regulations applicable to subordinated debt related to its computation at the different levels and sublevels of the regulatory capital. This resolution became effective on January 1, 2023 and is applicable to subordinated debt incurred or created from the date of its effectiveness. However, as established in this new regulation, subordinated debt incurred or created prior to its effectiveness will still be considered in the calculation of regulatory capital. Although the main changes became effective January 2023, other relevant regulation were also passed by the SBS by end of 2022 to implement the aforementioned law and provided certain adequacy periods. We cannot assure whether the implementation and further supervision of the above-mentioned new regulations may result in increased costs—financial, compliance or otherwise, which could impact our profitability and our results of operations. For further details, see “Item 4. Information on the Company—Business Overview—Regulation and Supervision—The Peruvian Financial and Insurance Systems”. Interbank expects to continue to be in compliance with these additional capital requirements; however, Interbank’s assumptions with respect to compliance may turn out to be incorrect, and, consequently, have a material adverse effect on its financial condition and results of operations.

With respect to Interseguro, Solvency II, a new regulatory framework for the European insurance industry implemented in early 2016, is under consideration by international regulatory bodies, which could result in the SBS raising solvency ratio requirements for insurance companies in Peru in the future.

With respect to Inteligo Bank, The Central Bank of The Bahamas has adopted a Basel Implementation Program and has effectively implemented Pillar I and Pillar II of the Basel II framework. The Pillar I framework focuses on the capital adequacy ratio requirements and Pillar II focuses on the internal capital adequacy assessment processes (“ICAAP”) (the guidelines in relation to the ICAAP were released in August 2016). In 2016, the Central Bank of The Bahamas rolled out the capital component of the Basel III framework. In November 2020, the Central Bank of The Bahamas released a draft of The Bahamas capital regulations and reforms to the guidelines for the management of capital and the calculation of capital adequacy, which ended its consultation period in January 2021 and was shared with the Bahamian government during the third quarter of 2021 for final endorsement and release. The Central Bank of The Bahamas published its Capital Adequacy Guidelines for the Management of Capital and the Calculation of Capital Adequacy on August 24, 2022, and The Bahamas Capital Regulations 2022 came into effect on July 15, 2022. The Bahamas capital regulations include changes to the methodology for the calculation of risk-weighted assets and Tier 1 capital that could adversely impact Inteligo Bank’s capital adequacy ratio. The regulations and capital adequacy guidelines simplify the Bahamian Basel III framework while remaining consistent with the proportionality principles set out by the Basel Committee. The new regulations set a

new capital ratio limit and introduced changes to the credit and operational risk equivalent assets and deductions of high-risk assets from the capital base. Inteligo Bank's capital ratio as of December 31, 2022, under the new regulations, was 16.49%, while it would amount to 20.41% under the previous regulations. In any case, Inteligo Bank's capital ratio remains well above the regulatory limit of 12%. Additional changes to this framework could require Inteligo Bank to make revisions to its capital structure and investment which could have an adverse effect on the profitability of Inteligo Bank.

Furthermore, in 2018, the Central Bank of The Bahamas published two discussion papers focused on Minimum Disclosures (Pillar III of the Basel II framework), the net stable funding ratio and the liquidity coverage ratio (main components of Basel III). In 2021, the Central Bank of The Bahamas informed through its quarterly letter that its liquidity framework will be implemented after the completion of the capital framework. The latest update on the Basel II and III implementation was given in The Central Bank of The Bahamas' 2022 third quarter report of the Bank Supervision Department, which stated that adoption and implementation of the Basel principles continued to progress along with related amendments to other legislation and guidelines that would be impacted by the new capital regulations. Moreover, in 2022, new credit risk guidelines were published by the Central Bank of The Bahamas. While as of the date of this Annual Report on Form 20-F, we believe such guidelines do not materially impact Inteligo Bank's operations, we cannot make any assurances that the Central Bank of The Bahamas or other government authorities will not make further adjustments to applicable banking regulations which could materially and adversely affect Inteligo Bank's financial condition and results of operations.

We cannot predict whether and to what extent new guidelines, laws and regulations, or changes to existing guidelines, laws and regulations, affecting our subsidiaries' business will be adopted in the future, the timing of any such adoption and what effect such events would have on our financial condition or results of operations.

Our controlling shareholder, Intercorp Peru, is subject to capital requirements imposed by the SBS, and Intercorp Peru's failure to comply with these requirements could have a material adverse effect on our financial condition and results of operations.

The SBS has established minimum capital requirements for financial services holding companies on a fully consolidated basis, which the SBS evaluates on an annual basis. As a result of its direct and indirect equity interest in Interbank and Interseguro, our controlling shareholder, Intercorp Peru, is subject to these minimum capital requirements. Intercorp Peru owns other businesses in addition to ours, and financial information relating to both our business and those other businesses is used to determine compliance with the minimum capital requirements.

According to Peruvian regulations, the subsidiaries directly and indirectly owned by Intercorp Peru qualify as a mixed conglomerate in which three different groups are identified: (i) consolidable group of the financial system; (ii) consolidable group of the insurance system; and (iii) financial group. Pursuant to Peruvian regulations, Intercorp Peru must maintain a higher regulatory capital requirement than the regulatory capital requirements for its groups.

If Intercorp Peru fails to comply with these requirements, the SBS may request Intercorp Peru to take certain corrective actions to ensure compliance. If Intercorp Peru fails to take such actions, the SBS could suspend or revoke Interbank's and Interseguro's licenses to operate in Peru, which would have a material adverse effect on our financial condition and results of operations. For further details, see "—The operations of our subsidiaries require the maintenance of banking, insurance and other licenses and any non-compliance with applicable license and operating obligations could have a material adverse effect on our business, financial condition and results of operations."

Our subsidiaries face intense competition from other banking, insurance and financial institutions, and from other players including providers of emerging financial technologies and failure to compete successfully could have a material adverse effect on our financial condition and results of operations.

The banking market in Peru is highly competitive. Interbank has experienced strong competition from local and foreign banks, including new entrants attracted by Peru's low banking penetration, as well as from department stores that offer credit cards, from emerging financial technology companies that offer digital banking and other services both on a regulated and unregulated basis, and from the local and international capital markets that lend to commercial customers. Competition may reduce the average interest rates that Interbank can charge its customers, increase the average rates Interbank must pay on its deposits, and may negatively affect its loan growth and place pressure on margins. Some of Interbank's competitors may have access to greater resources and be more successful in the development of products and services that compete directly with Interbank's products and services. If Interbank's competitors are successful in developing products and services that are more effective or less expensive than the products and services offered by it, Interbank may be unable to compete successfully. Even if Interbank's products and services prove to be more effective than those developed by other competitors, such other competitors may be more successful in marketing their products and services because of their greater financial resources or marketing strategies, among other factors. Interbank may not be able to grow or maintain its market share if it is not able to match its competitors' pricing or keep pace with their development of new products, services and technological innovation and developments.

The Peruvian insurance market, particularly the annuity and life insurance sectors, is also highly competitive. Interseguro's principal competitors are large insurance companies that may have greater resources and offer a wider range of products. These insurance companies may have better access to independent brokers who sell insurance to customers. In addition, Interseguro may also face competition from private pension funds ("AFPs"), which could in the future be allowed to offer annuities. Moreover, under the private pension system, upon retirement, retirees have the option of choosing to remain with their pension fund, choose an annuity or, since 2016, withdraw 95.5% of their capital accumulated in cash, which potentially reduces demand for Interseguro's annuities. Any adverse impact on Interseguro resulting from increased competition, as well as a reform of the private pension system, could have a material adverse effect on our financial condition and results of operations.

Similarly, if Inteligo Bank's competitors are successful in developing products and services that are more effective or less expensive than the products and services offered by Inteligo Bank, it may be unable to compete successfully. Even if Inteligo Bank's products and services prove to be more effective than those developed by other competitors, such other competitors may be more successful in marketing their products and services because of their greater financial resources or marketing strategies, and other factors. Competitors may also dedicate greater resources to, and be more successful in, the development of products and services that may compete directly with Inteligo Bank's products and services. Inteligo Bank competes in a global market for wealth management services, including wealth management divisions of global banks. Such competition would adversely affect the acceptance of Inteligo Bank's products and/or lead to adverse changes in the investing habits of Inteligo Bank's customer base. Inteligo Bank may not be able to grow or maintain its market share if it is not able to keep pace with its competitors' development of new products and services. Any adverse impact on Inteligo Bank resulting from increased competition could have a material adverse effect on our financial condition and results of operations.

Likewise, if Izipay's competitors are successful in developing market share growth strategies, reduce their customer fees, or gain more customers, then Izipay could be unable to compete successfully and its net income could be threatened. Moreover, if Izipay's competitors develop a low-cost POS technology and gain efficiency, it could negatively affect Izipay's operating results.

Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior could have a material adverse effect on our financial conditions and results of operations.

Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets. Furthermore, the widespread adoption of new technologies, including payment systems, could require substantial expenditures to modify or adapt our existing products and services as we continue to grow our digital capabilities. Our customers may choose to conduct business or offer products on alternative or emerging platforms. Such new technologies could negatively impact our investments in bank premises, equipment and personnel for our branch network, or if we do not properly anticipate trends, render our existing investments in our digital platform moot. If we fail to adapt quickly, or at all, to changes in technologies or changes in customer behavior, it may have an adverse impact on Interbank resulting from increased competition, which could have a material adverse effect on our financial condition and results of operations.

The banking and insurance markets are exposed to macroeconomic shocks that may negatively impact household income and, consequently, could have a material adverse effect on our financial condition and results of operations.

Interbank's strategy is to focus on the retail and commercial banking sectors and to grow and gain market share profitably. As a result, Interbank's loan portfolio will become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of Interbank's customers and result in increased loan losses. In addition, our commercial clients could be negatively affected by global and local macroeconomic trends. As a result, in past years, our provisions for loan losses, in particular related to credit cards granted to certain vulnerable sectors of the Peruvian economy, have significantly increased during slowdowns of the Peruvian economy. Additionally, in part due to the de-dollarization policy sponsored by the Peruvian government there is a mismatch between our dollar denominated deposits and *sol* denominated loans. See "Item 5. Operating and Financial Review and Prospects—Depreciation and Appreciation of the *Sol*".

In the event of a macroeconomic shock, the value of Interseguro's investments may also suffer losses, including in its investment property. In addition, the amount of savings available to potential annuity holders may be negatively impacted by unemployment or a decline in wages. A macroeconomic shock may also negatively impact wealth generation in Peru and, in turn, impact the demand for our wealth management services.

We could sustain losses if Interbank's asset quality declines.

Our earnings are significantly affected by Interbank's ability to properly originate, underwrite and service loans. We could sustain losses if Interbank incorrectly assesses the creditworthiness of its borrowers or fails to detect or respond to deterioration in asset quality in a timely manner. Problems with asset quality could cause our net interest and similar income to decrease and our provisions for loan losses to increase, which could adversely affect our financial condition and results of operations.

Reduced diversification in Interbank's loan portfolio could have a material adverse effect on our financial condition and results of operations.

While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies, Interbank's pursuit of opportunities in which it can charge higher interest rates may reduce diversification of the loan portfolio and expose Interbank to greater credit risk. Reduced diversification could expose Interbank to greater risks in the event of a decline in asset quality. In addition, given the relatively small size of the Peruvian economy, Interbank's lending diversification is by necessity lower than that of banks with operations in larger economies. Moreover, certain concentrations of borrowers' commercial sectors may be unavoidable in Peru—principally the natural resources, fishing, agriculture and mining sectors—and deteriorations in such sectors could have a material adverse effect on Interbank's deposits, loan performance and other businesses.

Furthermore, as of December 31, 2021 and 2022, retail banking loans accounted for approximately 49.1% and 53.6% of Interbank's loan portfolio, respectively. Higher than average exposure to retail banking could be accompanied by greater credit risk due to higher risk profiles compared, particularly, to loans to large corporate customers. Given the significant recent growth of Interbank's loan portfolio, historical loss experience may not be indicative of future doubtful loan experience. As the COVID-19 pandemic evolves or if there are other outbreaks of pandemics or contagious diseases, Interbank's retail and commercial clients may be impacted and our risk profile may deteriorate, which could adversely affect our business, financial condition and results of operations.

The allowances of Interbank for impairment losses may not be adequate to cover the future losses to its loan portfolio or other assets, which could have a material adverse effect on our financial condition and results of operations.

Interbank records allowances for impairment losses on loans and other assets. The amount of allowances recorded is based on Interbank's current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, Interbank's borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Peru's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond Interbank's control. In addition, as these factors evolve, the models Interbank uses to determine the appropriate level of allowance for impairment losses on loans and other assets may require recalibration, which can lead to increased allowances.

Allowances for impairment losses on loans have significantly increased as a result of the risks and uncertainties associated with the impact of the COVID-19 pandemic, which has resulted in increased monitoring of those loans that have been rescheduled. In 2020, Interbank applied several post-model adjustments for these loan exposures, such as proactive migration of certain clients from Stage 1 to Stage 2, and from Stage 2 to Stage 3, with the aim of more accurately predicting expected credit losses. Due to the political and social uncertainties in Peru during 2021 and 2022, as well as to the outbreak of the Omicron variant in 2021, Interbank decided to apply a new expert judgment to update its expected credit losses. If Interbank's assessment of and expectations concerning the above-mentioned factors differ from actual developments, or if the quality of its loan portfolio deteriorates or the future actual losses exceed its estimates, Interbank's allowance for impairment losses may not be adequate to cover actual losses and it may need to make additional allowances for impairment losses, which could have a material adverse effect on our financial condition and results of operations. See "Item 4. Information on the Company—Business Overview—Selected Statistical Information—Classification of Our Loan Portfolio" and "Item 5. Operating and Financial Review and Prospects—Operating Results—Impairment Loss on Loans, Net of Recoveries."

Our financial results may be negatively affected by changes to IFRS accounting standards.

We report our results and financial position in accordance with IFRS as issued by the IASB. Changes to IFRS thereof may cause our future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of new accounting standards on a retrospective basis. We monitor potential accounting changes and, when possible, we determine their potential impact and disclose significant future changes in our financial statements that we expect because of those changes. IFRS 17 "Insurance Contracts", which became effective on January 1, 2023, provides a comprehensive accounting model for all types of insurance contracts that provides a more consistent framework for insurers, covering all relevant aspects as recognition, measurement, presentation and disclosures. As permitted by this new standard, we decided to apply the transition methodology under fair value. On the basis of current preliminary estimates, we expect that the adoption of IFRS 17 may result in a reduction of our net equity that may fluctuate between 8% and 10% as of January 1, 2022. For further information on IFRS 17, see Note 3.5 to our audited annual consolidated financial statements.

Our financial results may be negatively affected by investment losses.

The investment activities of our subsidiaries are subject to factors beyond their control, and losses from their exposures could result in a material adverse effect on our financial condition and results of operations.

As part of its treasury operations, Interbank trades various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives, as both agent and principal, and derives a proportion of its non-financial income from trading profits. Interbank has established position limits for *sol* and foreign currency-denominated securities in accordance with its overall risk management policy and with the SBS requirements. However, Interbank is exposed to numerous factors that are beyond its control, including overall market trading activity, interest rate levels, the credit risk of its counterparties and general market volatility. For example, in 2020 and in particular in March 2020, the COVID-19 pandemic increased the volatility of our investment portfolio, which was also increased in 2022 due to global factors such as the Ukraine-Russia conflict and the interest rate hikes by the Federal Reserve of the United States. In addition, a significant part of Interbank's trading is related to customer transactions, and Interbank could be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions, and the risk that the instruments with which Interbank chooses to hedge certain positions do not track the fair value of those positions. If Interbank incurs any further losses from these exposures, it could reduce Interbank's trading profits or cause it to suffer losses from trading activities, either of which could have a material adverse effect on our financial condition and results of operations.

Inteligo Bank is exposed to similar investment and trading risks as Interbank.

Interseguro is exposed to the risk of a decrease in the value of its investments due to volatility in market conditions, real estate prices, equity values and interest rates, among other factors, many of which are beyond Interseguro's control. In addition, as a holder of a large portfolio of debt investments and fixed income securities, Interseguro is exposed to the risk that the issuers of its fixed income securities may default.

Furthermore, in all of our segments, our investments may be subject to impairment, due to mark-to-market which could cause volatility in our financial condition and results of operations.

Interest rate changes could have a material adverse effect on our financial condition and results of operations.

Interbank's and Inteligo's financial condition and results of operations depend to a large extent on their financial margin, which in turn depends on their ability to charge interest on interest-earning assets, such as loans to customers, that is higher than the interest they pay on interest-bearing liabilities, such as deposits. Changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also adversely affect our ability to originate loans and obtain deposits. We cannot control or predict with certainty changes in interest rates since market interest rates are sensitive to many factors beyond our control, including the interest rate policies of the Central Reserve Bank of Peru and the U.S. Federal Reserve. In the past year, inflation rates throughout the world have significantly increased to levels not seen in the last two decades. In response to concerns about inflation, the United States Federal Reserve has raised, and may again rise, interest rates. Although as a result of the COVID-19 pandemic, during 2020, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from 2.25% to 0.25%, the Central Reserve Bank of Peru began to increase rates in 2021 from 0.25% to 7.50% in December 2022. If Interbank or Inteligo are unable to implement commensurate and timely increases in interest rates on loans they originate, their margins would decline.

Interbank's primary sources of funds are retail deposits with no specific or contractual maturity, and a substantial portion of the loans it originates have a longer term. The difference in maturities between deposits and loans could magnify the effect of any interest rate mismatch, as well as pose a liquidity risk if Interbank were not able to obtain funding as its liabilities mature.

Interseguro faces interest rate risk as a result of the potential variation in interest rates when it reinvests debt instruments to cover its obligations. Interseguro may reinvest when the term of its investments differs from that of its obligations. Interseguro tries to match the cash flows of its obligations with the maturities of its portfolio, but the shortage of instruments with the appropriate maturity profile may result in mismatches with its obligations and, as a result, expose it to interest rate risk.

Furthermore, on July 27, 2017, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that it intended to phase out LIBOR. On March 5, 2021, the FCA announced that all LIBOR settings would either cease to be provided by any administrator or no longer be representative: (a) immediately after December 31, 2021, in the case of the one week and two-month U.S. dollar settings; and (b) immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. The United States Federal Reserve also advised banks to cease entering into new contracts that use USD LIBOR as a reference rate.

Regulators and market participants in various jurisdictions have identified alternative reference rates that are compliant with the standards of the International Organization of Securities Commissions. In the U.S., the Alternative Reference Rates Committee (the "ARRC"), a committee convened by the Federal Reserve that includes market participants, has recommended the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities, as the alternative benchmark rate for U.S. dollar LIBOR. Publication of SOFR began on April 3, 2018 and it therefore has a limited history. In addition, the future performance of SOFR is impossible to predict and therefore no future performance of SOFR may be inferred from any historical simulations or its limited historical performance.

The implementation of alternative benchmark rates is still in progress, although most banks have moved from LIBOR to SOFR in the case agreements indexed to the U.S. dollar LIBOR. The replacement of LIBOR could have an adverse effect on our business, results of operations or financial condition if we are unable to agree on an alternative benchmark, like SOFR, with our customers and financial counterparties in advance. Furthermore, we may face a risk of litigation, disputes or other actions from clients, counterparties, customers, investors or others regarding the interpretation or enforcement of related provisions or if we fail to appropriately communicate the effect that the transition to alternative benchmark rates will have on existing and future products. Although we expect to adapt our valuation processes, IT infrastructure and pricing systems as new information arises, we can neither assure you nor calculate the impact this could have on our business and results of operations, if any.

Commercial loans, financial liabilities and derivative positions are some of the financial instruments based on LIBOR benchmarks that may affect IFS or its subsidiaries as a result of the discontinuation of LIBOR. We have analyzed such instruments to determine their respective applicable interest rates, or to determine the Bank's course of action when fallback provisions are not in place and there is no set replacement rate. We are currently in process of amending certain instruments to replace LIBOR with alternative rates.

Interseguro is exposed to the impact of changes in interest rates on other comprehensive income.

Interseguro estimates its technical reserves under IFRS on the basis of an updated discount risk-free rate calculated using mortality data and a market discount rate, which is affected by volatility in interest rates.

See Note 3.4(d) to our audited annual consolidated financial statements. Such volatility in interest rates is reflected in Interseguro's balance sheet, under other comprehensive income and could have a material adverse effect on our balance sheet. See Note 14(c) to our audited annual consolidated financial statements.

Actual mortality and morbidity rates and other factors may differ from those assumed in the calculation of technical reserves and may have a material adverse effect on Interseguro's financial condition and results of operations.

Actual mortality and morbidity rates may differ from those assumed in the initial calculation of annuity reserves at the time of the issuance of the policy and their periodic adjustments. If Interseguro's assumptions differ materially from actual mortality and morbidity rates, Interseguro could be required to make payments under its annuities for a longer period of time than originally estimated, and existing reserves could fall short of actual payments.

However, in March 2018, the SBS approved Resolution No. 886-2018, which adopted new and updated mortality tables taking into account recent changes in Peruvian life expectancy and longer estimated lives for the calculation of the annuities' reserves. As a result, starting in 2018, Interseguro adopted the new mortality tables approved by the SBS used to this date, which led to a negative impact of S/144.8 million in technical reserves during the second quarter of 2018. Accordingly, future changes in mortality tables could have a material adverse effect on our financial condition and results of operations.

Interbank may not be able to obtain the funding required to support growth and implement its strategy.

Interbank's strategy to grow its loan portfolio will require it to continue to have an active funding strategy. Interbank's access to funding will depend on many factors, including factors beyond our control, such as any credit crunch, public health crises and epidemics/pandemics (such as the COVID-19 pandemic) or other conditions in global capital markets and investors' perceptions of the risks of investing in Peru and emerging markets generally. The 2008 and 2009 global financial and economic crisis, the debt crisis in Europe and general market volatility, for example, had a negative impact on the liquidity of global financial markets. In the case of similar events, any equity or debt financing, if available at all, may be on terms that are not favorable to Interbank. If access to funding is limited, Interbank may not be able to implement its strategy, which could have a material adverse effect on our financial condition and results of operations.

A reduction in our subsidiaries' credit ratings could increase their cost of borrowing funds and make their ability to raise new funds and renew maturing debt more difficult.

Our subsidiaries' credit ratings are an important component of their respective liquidity profile. Among other factors, Interbank's credit ratings are based on its financial strength, the credit quality and concentrations in its loan portfolio, the level and volatility of its earnings, its capital adequacy, the quality of management, the liquidity of its balance sheet, the availability of a significant base of core retail and commercial deposits and its ability to access a broad array of funding sources. In addition, our subsidiaries' lenders may be sensitive to the risk of a ratings downgrade, which could increase the cost of refinancing their existing obligations, raising funds in the capital markets and borrowing funds from private lenders, and could in turn have a material adverse effect on our financial condition and results of operations. Although our subsidiaries' credit ratings have remained relatively stable over time, including throughout the COVID-19 pandemic, our creditors may be sensitive to changes in our credit ratings, and/or outlook. The risk of a future ratings downgrade could increase the cost of refinancing our existing obligations, raising funds in the capital markets and borrowing funds from private lenders, and could in turn have a material adverse effect on our financial condition and results of operations.

Interseguro's failure to underwrite and price insurance premiums accurately for the products it offers would have a material adverse effect on its financial condition and results of operations.

Interseguro's financial condition and results of operations depend on its ability to underwrite insurance policies and set premium rates accurately. Interseguro must generate sufficient premiums to offset claim losses and cover operating and underwriting expenses to make a profit. In order to price insurance policies accurately, Interseguro must collect and analyze a substantial volume of data, develop, test and apply appropriate rating formulae, closely monitor changes in trends in a timely fashion and project both severity and frequency of loss with reasonable accuracy. If Interseguro fails to assess accurately the risks that it assumes or does not reinsure an appropriate level of risk, it may fail to establish adequate premium rates, which could reduce income and have a material adverse effect on its financial condition and results of operations.

Interbank's and Interseguro's reliance on Peruvian sovereign and global bonds in their respective investment portfolios leaves us vulnerable to a default on such debt.

A substantial portion of our investment portfolio consists of Peruvian sovereign and global bonds and Central Reserve Bank of Peru certificates of deposit, which represented 55.1% of our investment portfolio (before accrued interest) as of December 31, 2022. A default on Peruvian sovereign debt could have a material adverse effect on our financial condition and results of operations.

Interseguro may suffer losses in its investment portfolio because of risks associated with its real estate investments.

Interseguro's investment portfolio includes real estate investments located solely in Peru. As of December 31, 2022, Interseguro's investments in real estate projects totaled S/1,287.7 million, which represented 10.6% of Interseguro's total investment portfolio. Real estate investments are relatively illiquid, and Interseguro's ability to vary its portfolio of properties in response to changes in economic and other conditions is limited. If Interseguro wants or needs to sell a property, it may not be able to do so in the desired time period or on favorable terms, which could have a material adverse effect on our financial condition and results of operations.

Furthermore, Interseguro is exposed to risk in respect of its real estate investments that are under development, including delays in receiving zoning permits, construction delays, changes in regulation or lack of demand.

Interseguro's investment properties are carried at fair value, which could result in the value of such investment properties declining if market conditions deteriorate. As a result, we could suffer an adverse impact on our financial condition and results of operations.

Tax exemptions applicable to a substantial portion of Interseguro's investment earnings could be changed in the future.

Interseguro pays no income tax, primarily because its investment earnings in respect of its life insurance technical reserves are entirely exempt from income tax. Future changes in tax laws or regulations limiting or eliminating the current tax exemption could have an adverse effect on our financial condition and results of operations.

We and our subsidiaries are dependent on key personnel.

Our development, operation and growth have depended significantly upon the efforts and experience of our and our subsidiaries' board of directors, senior management and key personnel. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe. Although we currently expect that our and our subsidiaries' board of directors and other senior managers will continue in their positions, the loss of their services, or our inability to attract and retain qualified personnel to replace them, could have a material adverse effect on our financial condition and results of operations.

Interruption, mismanagement or failure in our subsidiaries' information technology systems may adversely affect their operations.

As financial and insurance institutions, our success depends on the efficient and uninterrupted operation of our subsidiaries' computer and communications hardware systems and our applications, including systems and applications that support the operation of Interbank's financial stores, ATMs, Interbank Agente (correspondent agents), mobile applications and website, as well as the infrastructure components that support our operations (communication devices, networking, etc.). Our subsidiaries' computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, sabotage, computer viruses, cyber-attacks, physical or electronic break-ins and similar events or disruptions. Any of these events could cause system interruptions, delays and losses of critical data and could prevent our subsidiaries from operating at optimal levels or at all.

Any failure, interruption or breach in security of our subsidiaries' information systems could result in failures or interruptions in their risk management, general ledger, deposit servicing, loan organization and/or other important operations, as applicable. Although our subsidiaries have developed back-up systems and a disaster recovery center, and may continue some of their operations in case of emergency, if their information systems fail, even for a short period of time, then they may be unable to serve some or all of their customers' needs on a timely basis. Likewise, a temporary shutdown of our subsidiaries' information systems could result in additional costs for information retrieval and verification. In addition, failure to update and develop our subsidiaries' existing information systems as effectively as their competitors may result in a loss of the competitive advantages that each subsidiary believes its information systems provide. Furthermore, our subsidiaries may not have adequate insurance coverage or insurance limits to be compensated for losses from a major interruption.

If our subsidiaries experience a data security breach and confidential customer information is disclosed to or accessed by third parties, their customers could be adversely affected. The collection of data and processing of transactions require our subsidiaries to receive and store a large amount of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions, including Peru. Data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting U.S. state and federal legislative proposals addressing data privacy and security. Our Peruvian subsidiaries are subject to requirements to protect the personally identifiable information that they process in connection with their services. Our Peruvian subsidiaries may become exposed to potential liabilities with respect to the data that they collect, manage and process, and may incur legal costs if their information security policies and procedures are not effective or if they are required to defend their methods of collection, processing and storage of personal data. Security breaches, lawsuits or adverse publicity relating to our subsidiaries' methods of handling personal data could have a material adverse effect on their business, financial condition and results of operations due to the costs and negative market reaction relating to such developments.

In addition, our current strategy involves significant investments to expand and develop our IT, applications and systems in order to unify and simplify them, and increase the volume of transactions and operations performed online by our personnel and clients. We have also contracted with a third-party provider to ensure the stability and security of our systems and IT infrastructure and to also bear the risk of the failure of that third party. However, there can be no assurance that such strategy or its implementation will be successful, or whether it will result in failures, shutdowns or damage to our business and operations.

Moreover, additional regulations or new requirements may emerge related to cybersecurity controls and data quality, as well as contractual commitments in accordance with standards established by the Information Security and Cybersecurity Management regulation (the “*Reglamento para la Gestión de la Seguridad de la Información y la Ciberseguridad*”), approved by SBS Resolution No. 504-2021 (as amended). Any failure or perceived failure by financial and insurance institutions to comply with such obligations may result in governmental enforcement actions and regulatory penalties, which could have an adverse effect on our reputation. Moreover, in February 2021, the SBS approved amendments to the Plan Business Continuity regulation (the “*Reglamento para la Gestión de la Continuidad del Negocio*”), aimed to manage the enterprise and business unit levels, with business units identifying, measuring, monitoring, managing, and reporting these and other operational risks at a more detailed level. Failure to comply with these rules could result in a loss a material effect on results of operations and financial losses.

The occurrence of any failures or interruptions in our subsidiaries’ IT systems, or the failure of our subsidiaries to adequately address them if they do occur, as well as data security breaches incurred by our subsidiaries, could have a material adverse effect on our reputation, financial condition and results of operations, including as a result of facing significant fines, customer notice obligations or costly litigation, maintaining or upgrading their IT systems, or performing other IT services on a timely basis.

Cyber-security events could negatively affect our reputation or results of operations and may result in litigation.

The information security risks have shown an incremental trend in recent years due to the proliferation of new technologies and the increasing sophistication and number of cyberattack activities as well as the growing connectivity of equipment and systems to the internet. Data security breaches suffered by numerous companies and institutions around the world have attracted a considerable amount of media attention and are leading different regulators to strengthen the legislation requirements for addressing data security and privacy issues. We depend on a variety of internet-based data processing applications, communication and information exchange platforms, and networks as part of our operations and digital strategy.

In recent years, cybersecurity risks have increased significantly mainly due to remote working arrangements and the increased use of digital channels by our clients. In this regard, we have implemented additional cybersecurity measures to prevent, detect, and respond to these risks. These measures mainly focus on strengthening the security of devices used by our employees working remotely, improving the connection and authentication methods used in remote connections, managing the risks of third parties that are part of our operation more rigorously, increasing the frequency of our cybersecurity awareness programs, and improving the capability of our cybersecurity threat detection, response, and intelligence procedures.

Although we continuously assess and strive to improve the effectiveness and security of our systems by adopting industry-recognized and suggested security standards, given the current cybersecurity dynamics we cannot guarantee to holders of our common shares that all of our systems are free from vulnerabilities or that the measures adopted will be successful in preventing all cyberattack scenarios. In the event of a cyberattack, we may suffer disruptions to our business operations, experience response costs and losses, and may be subject to litigation and reputational harm. A cyberattack could have a material adverse effect on our business, financial condition, and results of operations. For more information on our cybersecurity protections and details of our information technology units, please refer to “Item 4. Information on the Company—Business Overview—Information Technology Unit” for each of our four business segments.

Our subsidiaries are susceptible to fraud, unauthorized transactions and operational errors.

Our subsidiaries are susceptible to, among other things, fraud or bad faith by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and remedied. In addition, a number of transactions are not fully automated, which may further increase the risk that human error or employee tampering could result in losses that may be difficult to detect quickly or at all.

While our subsidiaries maintain a system of internal controls designed to monitor and control operational risk, losses from the failure of their system of internal controls to discover and rectify such risks could have a material adverse effect on our reputation, our financial condition and results of operations.

Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.

Although we believe that our insurance policies provide adequate coverage for the risks inherent in our businesses, these insurance policies typically exclude certain risks and are subject to certain thresholds and limits. We cannot assure holders of our common shares that our properties, equipment, inventories and other assets will not suffer damage due to unforeseen events or that the proceeds available from our insurance policies will be sufficient to protect us from all possible loss or damage resulting from such events. Our subsidiaries renew our insurance policies on an annual basis. The cost of coverage may increase to an extent that we may choose to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, adverse political developments, security concerns and natural disasters may materially adversely affect available insurance coverage and result in increased premiums for available coverage and additional exclusions from coverage. As a result, our insurance coverage may prove to be inadequate for events that may cause significant disruption to our operations, which could have a material adverse effect on our financial condition and results of operations.

Our employees could join labor unions and we could be subject to organized labor actions, including work stoppages that could have a material adverse effect on our business.

Even though the employees of our subsidiaries are not unionized and have not entered into any collective bargaining agreement, nothing prevents them from doing so in the future. Conflicts with our employees and organized labor actions such as work disruptions or stoppages or requirements to increase employee salaries and/or benefits as a result of future collective bargaining agreements, governmental regulations or policies or otherwise could cause us to suffer a material adverse effect on our financial condition and results of operations.

Our trademarks and trade names may be misappropriated or challenged by others.

We own the material trademark and trade name rights used in connection with our brands and businesses and the marketing and sale of their respective products and services. We believe our brand names and related intellectual property are important to our continued success. We attempt to protect our trademarks and trade names by exercising our rights under applicable trademark and copyright laws. Any infringement of our intellectual property rights would likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could be expensive and time-consuming. If we were to fail to protect our intellectual property rights for any reason, it could have a material adverse effect on our financial condition and results of operations.

Any failure to comply with anti-corruption, anti-bribery, anti-money laundering and anti-terrorist financing and antitrust laws and regulations could damage our reputation or expose us to penalties.

We are subject to anti-corruption, anti-bribery, anti-money laundering, anti-terrorist financing, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of Peru, Panama, Bahamas and certain other jurisdictions. In addition, we are subject to regulatory legal frameworks that restrict our transactions with certain sanctioned countries, individuals and entities. Failure to comply with such laws and regulations may subject us to economic fines, regulatory sanctions or enforcement proceedings.

Our subsidiaries are in compliance with the applicable anti-money laundering (“AML”) and anti-terrorist financing laws and regulations and have implemented policies and procedures, including a “know-your-customer” client identification program, monitoring of the Office of Foreign Assets Control (“OFAC”) and International Sanctions List, monitoring clients’ transactions, enhanced their due diligence procedures for high-risk clients, internal controls, and quality assurance programs. Our compliance program is based upon the applicable Peruvian, Panamanian and Bahamian laws and best international practices, such as the recommendations of the Financial Action Task Force (“FATF”). In addition, we perform due diligence on financial institutions to ensure that they have the same stand on anti-money laundering policies and procedures. Although these measures mitigate money laundering and terrorist financing risks, these risks are not fully eliminated. Therefore, when subsidiaries identify suspicious activities, these are reported to the authorities and placed on an internal “black list” to block future transactions and mitigate reputational risk. However, these measures and procedures may not be completely effective in preventing third parties from using any of our subsidiaries (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks’ and reinsurance institutions’) knowledge. If any of our subsidiaries were to be associated with money laundering or terrorist financing, our reputation as a group could suffer and/or they could become subject to fines, sanctions or legal enforcement, including being added to any “blacklists” that would prohibit certain parties from engaging in transactions with us, which could have a material adverse effect on our business, financial condition and results of operations.

Our subsidiaries are in compliance with applicable anti-bribery and anti-corruption laws, rules and regulations, including policies regarding government officials and other high-risk stakeholders. Although we have not been subject to fines or other penalties, or suffered business or other reputational impact as a result of alleged money laundering, anti-bribery and anti-corruption activities, there can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers. We may in the future discover instances in which we have failed to comply with applicable laws and regulations or internal controls. If any of our affiliates, employees, directors, agents, officers partners, agents and service providers or other persons with whom we conduct business engage in fraudulent, corrupt or other improper or unethical business practices or otherwise violate applicable laws, regulations or our own internal compliance systems, we could become subject to one or more enforcement actions by Peruvian or foreign authorities (including the U.S. Department of Justice) or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

We and our subsidiaries are subject to litigation and other legal, administrative and regulatory proceedings.

We and our subsidiaries are regularly party to litigation and other legal proceedings relating to claims resulting from operations in the normal course of business. The interpretation and enforcement of certain provisions of existing or any additional agreements we may enter into in the future may result in disputes among us and customers or third-parties. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. We cannot assure holders of our common shares that the legal, administrative and regulatory proceedings in which we and our subsidiaries are involved will not materially and adversely affect our ability to conduct our respective business in the manner that we and they expect or otherwise adversely affect our respective results of operations and financial position should an unfavorable ruling occur.

Legal restrictions on our clients may reduce the demand for our services.

We may be materially affected not only by regulations applicable to us, but also by regulations and changes in enforcement practices applicable to our clients. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives, consumer protection laws, data use regulation and other governmental regulation and policies, and changes in the interpretation or enforcement of existing laws and rules, that affect our clients' businesses and the financial markets. For example, a focus on tax compliance and changes in enforcement practices could lead to asset outflows from our private banking businesses, including at our subsidiary Inteligo.

Risks Relating to Peru

Economic, social and political developments in Peru, including political instability, social unrest, persistent inflation and unemployment, could have a material adverse effect on our businesses.

Substantially all of the operations and customers of our subsidiaries are located in Peru. Accordingly, our financial condition and results of operations will be dependent on the level of economic activity in Peru. Our financial condition and results of operations could be affected by changes in economic conditions (both international and domestic), policies of the Peruvian government (which has exercised and continues to exercise substantial influence over many aspects of the private sector) and by other economic and political developments in Peru, including devaluation, currency exchange controls, limits on interest rates, seizure of private property, financial regulation, inflation, economic downturns, corruption scandals, social unrest and terrorism, among others.

Historically, Peru's GDP growth rates and external surplus, reflect, in part, the strength of Peru's economic fundamentals. However, ongoing deterioration of the global economy, rising inflation and fuel prices may adversely affect Peru's economy. In addition, an economic contraction or weak economic growth in Peru's trading partners may have an adverse effect on Peru's economy. Despite Peru's ongoing economic growth and stabilization, social and political tensions and high levels of poverty and unemployment continue. The combination of these factors may be exacerbated by political events, which may lead to intensified economic, social and/or political crises, sparking a wave of protests and social unrest.

Furthermore, Peru has experienced political instability that has included a succession of regimes with differing economic policies and programs, followed by periods of stability. While Peru has been a stable democracy having completed a peaceful transition from the administration of President Ollanta Humala to President Pedro Pablo Kuczynski, who took office in July 2016, starting in 2018, Peru has suffered a series of government institutional crises due to, among other things, several corruption and political scandals involving prominent political figures, which have resulted in resignations and impeachment of various presidents since then, including most recently former President Jose Pedro Castillo in December 2022 following an attempted coup, as well as investigations of certain members of the judicial system and the public ministry who are now facing prosecution.

Peru's most recent general presidential elections took place in April 2021. Following a run-off between the two top contenders, José Pedro Castillo Terrones (*Partido Político Nacional Perú Libre*), a far-left candidate, and Keiko Sofia Fujimori Higuchi (*Fuerza Popular*), a center-right candidate, on June 6, 2021, Pedro Castillo was elected as Peru's president and sworn in as President on July 28, 2021.

On December 7, 2022, Mr. Castillo announced his intention to dissolve the Peruvian Congress and to intervene, among others, the Peruvian judicial branch and Superior Court. Mr. Castillo's actions were deemed to constitute an attempted coup, which led to his impeachment and arrest. According to the Peruvian Constitution, Mr. Castillo was succeeded by his then vice-president, Dina Boluarte. Following Mr. Castillo's impeachment, a wave of protests in support of Mr. Castillo erupted across the country, which led President Boluarte to declare a state of emergency across several regions in Peru on December 12, 2022 and call for congressional approval of a bill to permit early elections in 2024. As of the date of this annual report, the proposal to bring forward the elections in the short-term was rejected by Congress.

Moreover, the mass violent protests in several regions of the country following former President Castillo's impeachment in December 2022, together with the political uncertainty over the past five years have raised concerns about the ability of the government to implement long-term and consistent economic and social policies required to combat social and economic issues in the future, including those designed to promote economic growth and to counteract the impact of the COVID-19 pandemic. The government's failure to do address and alleviate these concerns could result in rating agencies downgrading Peru's sovereign debt rating, which in turn could affect our rating and materially impact our business and operations.

In the past, previous governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. Former President Vizcarra was known for pursuing business-friendly and open-market economic policies, which remained in place during President Sagasti's term, while former President Castillo was known for having proposed certain tax, fiscal, financial and economic restrictions in line with his party's left-leaning agenda. Given President Boluarte's recent appointment and current political conditions in Peru, there is no certainty on what kind of policies she or the next president elected will pursue, or whether those policies will be similar to the ones implemented by former President Castillo or, on the contrary, will be business-friendly and based on open-market economic guidelines that stimulate economic growth and stability. Such political uncertainty, and any future policies that might be implemented by the Peruvian government could impact interest rates and currency volatility, as well as adversely and materially affect the Peruvian economy, which could have a material adverse effect on our financial condition and results of operations. See "—Potential exchange controls implemented by the Peruvian government could adversely affect our ability to pay dividends and have a material adverse effect on our financial condition and results of operations."

There can be no assurance that Peru will not face continued or new economic, political or social problems in the future or that these problems will not adversely affect our business, financial condition and results of operations. Future government policies to pre-empt or respond to social unrest could include, among other things, declarations of state of national emergency, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies.

Public health crises and epidemics/pandemics, such as that being caused by the COVID-19 pandemic, may materially and adversely affect Peru's economy. Additionally, the Peruvian government measures adopted in order to address these health crises and epidemic/pandemics, such as the COVID-19 pandemic, may not be sufficient to address their impact.

The Peruvian government deployed various economic and public health measures to address the COVID-19 pandemic. These measures were part of an economic stimulus plan that included tax incentives among other tools intended to address the immediate impacts of the national state of emergency invoked by the Peruvian government to attempt to contain spread of the virus and lessen the strain on the health care system and the impact on the overall economy. The MEF, the Central Reserve Bank of Peru, the SBS, as well as other government entities also adopted specific measures to provide economic support to segments of the population, such as vulnerable population and small enterprises, which were most at risk in this crisis.

The COVID-19 pandemic has had a material adverse impact on the Peruvian economy resulting in lower prices for primary goods, volatility in the financial markets, reduced international trade and lower activity in certain of the key drivers of the local economy. In addition, in case new sub-variants emerge, the potential return of social distancing and stay-at-home quarantine measures may affect dynamism of various productive sectors of the economy. Reduced activity in these economic sectors may result in reduced employment and less income for families and companies, which may again generate a simultaneous shock on supply and demand—a supply shock resulting from the abrupt paralysis of production in multiple sectors and on the demand side as a result of

reduced consumption, which may amplify the negative effects on the economy. Additionally, Peru has faced in 2022 and onwards a return to a high inflation and higher reference rate environment, which would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment that would increase our operating costs and adversely impacting our operating margins

Although Peru committed significant resources to strengthening the public health system and social support to the neediest families to provide a public safety net to soften the economic impact of COVID-19 on Peru's most vulnerable citizens, there can be no assurance that these measures will be successful or sufficient to address the potential effects of new variants of COVID-19 or its current or future spikes. Over the long-term, we cannot assure you that the measures adopted by the Peruvian government to counteract the effects of the COVID-19 pandemic will be sufficient to restore public confidence in the economy or to restore economic growth. Global economic recession and rising inflation, among other macroeconomic factors, could adversely impact our results of operation in the long term, even despite government-relief measures to mitigate the impacts of the continued COVID-19 pandemic or new public health crises and epidemics/pandemics.

Fluctuations in the value of the sol could have a material adverse effect on our financial condition and results of operations.

As the Peruvian banking system is still partially dollarized, with 7.2% of gross loans and 40.6% of deposits denominated in U.S. dollars as of December 31, 2022, devaluation of the *sol* against the U.S. dollar could have a negative impact on the ability of Interbank's clients to repay loans and make premium payments.

We are exposed to currency mismatch risks. Within our insurance segment, a similar adverse effect could occur on Interseguro's local debt holdings denominated in foreign currency. Despite any devaluation, and absent any change in foreign exchange regulations, Interbank and Interseguro would be required to continue to repay dollar-denominated deposits in U.S. dollars. In addition, while we seek to manage the gap between Interbank's and Interseguro's foreign currency-denominated assets and liabilities, by matching, for example, the volumes and maturities of Interbank's *sol*-denominated loans against Interbank's *sol*-denominated deposits, we may not be successful in doing so. Therefore, any significant devaluation of the *sol* against the U.S. dollar could have a material adverse effect on our financial condition and results of operations. In addition, a devaluation of the *sol* against the U.S. dollar would decrease the dollar value of any dividends paid to us by our subsidiaries, and, as a result, our ability to pay dividends could be materially and adversely affected. An appreciation of the *sol* could also have an adverse impact on our results of operations as reported in *soles*, as Inteligo's operations are denominated in U.S. dollars, but our reporting currency is in *soles*.

Potential exchange controls implemented by the Peruvian government could adversely affect our ability to pay dividends and have a material adverse effect on our financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free market economy. During this period, protectionist and interventionist laws and policies have been dismantled gradually to create a liberal economy dominated by the private sector. Exchange controls and restrictions on remittances of profits, dividends and royalties have ceased. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. Currently, foreign exchange rates are determined by market conditions, with regular open-market operations by the Central Reserve Bank of Peru in the foreign exchange market to reduce volatility in the value of Peru's currency against the U.S. dollar.

Any dividends paid to us by Interbank, Interseguro, Inteligo SAB and Izipay will be paid in *soles*. Peruvian law does not impose any restrictions on the ability of companies having operations in Peru to transfer foreign currencies from Peru to other countries, except for restrictions applicable to companies that have been convicted or have admitted to and/or acknowledged committing crimes against the Peruvian public administration or money laundering or equivalent crimes, as set forth in Urgency Decree No. 003-2017 (Urgency Decree to Ensure Continuity of Public Utility Investment Projects and Safeguard Compensation to the State in Cases of Corruption), which restricts the transfer of both local and foreign currency abroad. Except for the restrictions set forth in such Urgency Decree, companies having operations in Peru may freely transfer foreign currency from Peru to other countries. If the Peruvian government were to implement restrictive exchange rate controls in the future, we might be obligated to seek an authorization from the Peruvian government to make dividend payments. We cannot assure holders of our common shares that such an authorization would be obtained. Any such exchange rate restrictions or the failure to obtain such an authorization could materially and adversely affect our ability to pay our shareholders.

Increased inflation in Peru could have an adverse effect on the Peruvian long-term credit market as well as the Peruvian economy generally and, therefore, on our financial condition and results of operations.

In the past, Peru has suffered through periods of high and hyper-inflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that support economic growth. In response to increased inflation, the Central Reserve Bank of Peru, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect our results of operations, increasing the cost of certain funding. Additionally, a return to a high inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins. As of December 31, 2022, the rate of inflation was 8.46%, compared to 6.43% in the year ended December 31, 2021. In response to this spike in inflation, during 2022, the Central Reserve Bank of Peru increased the reference rate 12 times, from 2.50% to 7.50%.

The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.

Financial institutions, including Interbank and Interseguro, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s.

If depositors withdraw significant holdings from banks generally, including Interbank, there will be a substantial adverse impact on the manner in which financial institutions, including Interbank and Interseguro, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which could have a material adverse effect on our financial condition and results of operations.

The Peruvian economy could be adversely affected by economic developments in regional or global markets.

Financial and securities markets in Peru are influenced by economic and market conditions in regional or global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may adversely affect cash flows and securities from issuers in other countries, including Peru. For example, the Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the fair value of securities issued by companies from markets throughout Latin America. The crisis in the Asian markets beginning in 1997 also negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, Peru's economy continues to be affected by events in the economies of its major regional partners and in developed economies that are trading partners or that affect the global economy.

The 2008 and 2009 global financial and economic crisis, principally driven by the subprime mortgage market in the United States, substantially affected the international financial system, including Peru's securities market and economy. Additionally, the debt crisis in Europe, which began with the financial crises in Greece, Spain, Italy and Portugal, reduced the confidence of foreign investors, which caused volatility in the securities markets and affected the ability of companies to obtain financing globally. Doubts about the pace of global growth, particularly in the United States, contributed to already weak international growth in 2011, 2012 and 2013. Moreover, Brexit and regional developments in China and other Asian countries, as well as the market turmoil generated by the recent bank failures in the United States, and the emergency sale of Credit Suisse have contributed to increased volatility and uncertainty in a number of financial markets. In addition, the announcement of rate increases by the U.S. Federal Reserve, the trade war between the United States and China, and, while our direct exposure to Russia is limited, Russia's large-scale continued military invasion of Ukraine, among other factors, had an impact on the Peruvian economy by adding inflationary pressures, including in respect of high food and energy prices.

Any interruption to the recovery of the developed economies, the continued effects of the global crises, a worsening or resurgence of the debt crisis in Europe, impacts due to Brexit, a new geopolitical tension in Europe resulting in economic and/or financial crisis, or new bank failures in the United States, Peru or other countries, or a combination of the above, could affect the Peruvian economy, and consequently, materially adversely affect our business. Our business is particularly sensitive to economic and market conditions which affect products of various export industries, including textile, fishing, and agriculture. In addition, we are active in the real estate sector, which can also be highly sensitive to macroeconomic developments. Although we have relatively little exposure to the mining sector, a decline in commodity prices could negatively affect the Peruvian economy as a whole. Any increase in the number of delinquencies or defaults would result in higher levels of non-performing assets and provisions for loan losses, which could have a material adverse effect on our financial condition and results of operations.

Additionally, adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our businesses.

Finally, COVID-19 has affected the economy of some of our main trade partners, such as China, the United States and the European Union, which in turn negatively impacted Peru's revenues from trade activity in 2020 despite the related increase in commodity prices which supported growth in trade activity in 2021 and 2022. Furthermore, other adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our businesses. Moreover, the high inflation combined with the interest rate increase by the Federal Reserve of the United States have impacted our liquidity in the capital markets. The dollar volatility may adversely affect the sol.

A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.

In 2022, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 71.9% of Peru's total exports compared to 73.8% in 2021, according to the Central Reserve Bank of Peru figures. A decline in commodity prices in the international markets, especially traditional minerals which represented 57.3% and 62.8% of exports by value in 2022 and 2021, respectively, may have an adverse impact on government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining concerns. By potentially affecting private sector demand and investor confidence, lower commodity prices could also affect the banking and insurance sector, leading to, for example, lower credit demand, deteriorating asset quality and currency devaluation. A decline in commodity prices could also materially affect the finances of some of our clients that rely on revenue from natural resources.

The market volatility generated by distortions in the international financial markets may affect the Peruvian capital markets and the Peruvian banking system.

The global financial and economic crisis of 2008 and 2009 adversely affected and increased the volatility of the performance of the Lima Stock Exchange. In recent years, the Lima Stock Exchange has experienced increased participation from local and international retail investors that react rapidly to the effects from international markets. The general index of the Lima Stock Exchange increased by 1.4% in both 2020 and 2021 and increased by 1.0% in 2022. Volatility in the international markets may adversely affect the Peruvian capital markets and could therefore impact our ability to raise funds from local capital markets at a level necessary to fund our operations.

Although the Peruvian banking system has not experienced any significant liquidity problems in recent years, primarily because the major source of funds for local banks, including Interbank, is represented by the deposit base, future market volatility may affect do so. The occurrence of such volatility could have a material adverse effect on our financial condition and results of operations.

The operations of Interbank, Interseguro, Interfondos, Inteligo SAB and Izipay could be adversely affected by earthquakes, floodings or other natural disasters.

Peru is affected by *El Niño*, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and various other effects in other parts of the world. The effects of *El Niño*, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and it accordingly can have a negative impact on Peru's economy. For example, in early 2017, *El Niño* adversely affected agricultural production, transportation services, tourism and commercial activity, caused widespread damage to infrastructure and displaced people and resulted in a 1.5% drop in GDP growth in 2017 relative to 2016 figures. The Peruvian government estimated that *El Niño* caused U.S.\$2.8 billion in damages in affected regions in the first half of 2017. In particular, *El Niño* has affected and could in the future affect our loan activity and asset quality, as loan agreements typically allow borrowers to extend payments for a certain amount of time due to *El Niño* and it could ultimately affect their payment capacity when the extensions run out. Most recently, on March 15, 2022, heavy rainfall led to floods and landslides in the town of Retamas, La Libertad, which caused the destruction of many homes and caused several deaths.

Peru is also located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima, and on May 26, 2019, an earthquake with a magnitude of 8.0 struck a remote part of the Amazon in Peru, resulting in collapsed buildings, power failures and two reported deaths. Although Interbank's, Interseguro's, Inteligo's and Izipay's headquarters and financial stores in Peru have not been materially affected by an earthquake, a major earthquake could damage the infrastructure necessary to their operations.

Although we have insured against damage caused by an earthquake and other natural disasters, accidents and other similar events (including coverage for losses due to resulting business interruption), the occurrence of an earthquake in particular and any other natural disasters in general could adversely affect our results of operations and financial condition and we may be subject to further requirements from the SBS in order to provide temporary measures for the victims of the natural disasters, such as re-scheduling their credit payments. Further, any natural disaster will increase the probability of Interseguro having to pay the corresponding indemnification to customers under insurance policies that Interseguro sold, which would negatively affect its operating margins.

Corruption and ongoing high profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.

Starting in 2018, Peru has suffered a series of government institutional crises due to, among other things, several corruption scandals involving prominent political figures, which have resulted in resignations and impeachment of various presidents since then, including most recently former President Jose Pedro Castillo in December 2022 following an attempted coup, as well as investigations of certain members of the judicial system and the public ministry who are now facing prosecution. See “—Economic, social and political developments in Peru, including political instability, inflation and unemployment, could have a material adverse effect on our businesses”.

In addition, several corruption scandals regarding authorities at municipal, regional and national government levels are also ongoing, and former and current government officials have been detained. Relatedly, Peruvian authorities are currently conducting several high-profile corruption investigations relating to the activities of certain Brazilian companies and their Peruvian partners in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects, which were otherwise operational and permitted. Due to the cooperation agreement signed between the Peruvian government and Odebrecht S.A. in 2019, additional investigations and/or corruption scandals may arise. In recent years, similar corruption scandals have taken place in the majority of Peruvian public institutions, with the involvement of political authorities. We cannot predict how these or future corruption scandals or investigations may affect the Peruvian economy, hinder the growth of the Peruvian economy and indirectly have a material adverse effect on our business, financial condition and results of operations.

Changes in tax laws may increase our tax liabilities and, as a result, have a material and adverse effect on us.

The Peruvian government regularly implements changes to its tax regulations and interpretations. Potential changes may include modifications in the taxable events, the taxable bases or the tax rates, or the enactment of temporary taxes that, in some cases, could become permanent taxes. The Peruvian government has introduced several changes related, among others, to thin capitalization rules (which prevents companies from deducting interests for tax purposes when certain thresholds are exceeded) and to the general anti-avoidance rule or GAAR (which entitles the tax and customs national superintendency to challenge the taxation of certain transactions with a substance-over-form criteria).

On October 27, 2021, President Castillo introduced a bill (N° 583/2021-PE) to the Peruvian Congress, which proposed to delegate to the executive branch the authority to regulate for a 90-day period, certain tax, fiscal, financial and economic matters. This bill was approved and ratified into law as Law No. 31380 on December 27, 2021. During such 90-day period various subsidies and reforms to certain financial system regulations were passed. However, there is no certainty that the current President Dina Boluarte will continue to pursue similar measures or return to business-friendly and open-market economic policies that stimulate economic growth and stability during her term. The effects of any tax reform that could be proposed in the future and any other changes that could result from the enactment of additional reform or changes in interpretation have not been, and cannot be, quantified. Any changes to the Peruvian tax regime or interpretation thereof may result in an increase of our and our subsidiaries’ tax liabilities and/or overall compliance costs, which could have a material adverse impact on our business, financial condition and results of operations. Furthermore, such political uncertainty, or actual policies implemented by the Peruvian government, could also impact interest rates and currency volatility, as well as adversely and materially affect the Peruvian economy, which could have a material adverse effect on our financial condition and results of operations.

The dollarization of the Peruvian economy hampers monetary policy, which in turn may have an effect on our business.

Dollarization generally refers to the degree to which the U.S. dollar has displaced the *sol* in the economy. Despite the positive effect that it may have on reducing cross-border transaction costs and preserving purchasing power, the dollarization of the Peruvian economy has also hampered monetary policy by undermining the Central Reserve Bank of Peru’s ability to control the money supply. Despite the government’s efforts to “solarize” the economy, the high degree of dollarization of the economy affects the Peruvian financial system by forcing the Central Reserve Bank of Peru to establish high levels of reserve requirements in U.S. dollars while also adding a risk to participating banks’ balance sheets, including Interbank. An appreciation of the U.S. dollar poses a risk to us and a systemic risk to the Peruvian financial system because of the levels of U.S. dollar-denominated assets and liabilities in the Peruvian financial system. This risk comes from the potential imbalance that a bank’s clients may experience when borrowing in U.S. dollars and earning in *soles*. As a result, the SBS has been enacting rules aimed to make banks capable of identifying clients with potential imbalances and establishing reserves if necessary.

Under the Peruvian Banking and Insurance Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Reserve Bank of Peru may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Reserve Bank of Peru, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. We cannot assure you that the Central Reserve Bank of Peru will not increase the base rate or impose additional requirements in the future, or that such changes in the regulatory environment will not have an adverse effect on our business, financial condition or results of operations.

Risks Relating to the Common Shares

There may be a lack of liquidity and market for our common shares.

An active and liquid market for our common shares may not be maintained. Active, liquid trading markets generally result in lower price volatility and respond more efficiently to orders from investors to purchase or sell securities. Liquidity of a securities' market is often a function of the volume of the underlying shares that are publicly-held by unrelated parties. Our common shares are listed on the Lima Stock Exchange, which is generally a less liquid trading market than the New York Stock Exchange ("NYSE"). Moreover, on March 31, 2023, IFS' shareholders have approved the creation of a share repurchase program for an amount of up to US\$100 million of our common shares which, if carried out, would reduce the amount of our common shares available for trading and thus their liquidity.

In addition, investing in securities traded in emerging market countries, such as Peru, frequently involves a greater degree of risk when compared to investments in securities of issuers located in international securities markets with more stable economic conditions and are generally considered being more speculative in nature.

These factors affect the ability of holders of our common to sell common shares at a desirable price and time, which could have a material adverse effect on the price of our common shares. In the event an active and liquid market for our common shares does not develop or is not maintained, the market price of our common shares that could be negatively impacted.

The price of our common shares may be volatile.

The trading price of our common shares may fluctuate substantially and may be higher or lower than the price holders of our common shares pay, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause holders of our common shares to lose part or all of their investment in our common shares. The factors that could cause fluctuations include, but are not limited to, the following:

- overall price and volume fluctuations affecting the stock exchanges on which our common shares are listed, including financial market volatility as a result of Russia's continued large-scale military invasion of Ukraine;
- financial market volatility and market turmoil associated with the failure of two U.S. banks and the emergency sale of Credit Suisse or similar developments in the financial industry;
- significant volatility in the market price and trading volume of banking or insurance company securities generally, which are not necessarily related to the operating performance of these companies;
- actual or anticipated changes in our earnings, fluctuations in our operating results or the failure to meet the expectations of financial market analysts and investors;
- risks relating to the global economy and the economies of the United States, Peru and the other countries in which we operate;
- investors' perceptions of the banking and insurance industries in general and our company in particular;
- potential differences between our actual financial condition and results of operations and those expected by investors;
- additions or departures of key management personnel;
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- increase in interest rates in Peru and the United States;
- reputational issues;

- the operating and stock performance of comparable companies;
- general economic conditions and trends;
- catastrophic events;
- changes in accounting standards, policies, guidance, interpretation or principles;
- regulatory changes;
- loss of external funding sources; or
- sales of large blocks of our stock or sales by insiders.

We may raise additional capital in the future through the issuance of equity securities, which may result in dilution of the interests of our shareholders.

We may need to raise additional capital and may opt for obtaining such capital through the public or private placement of common shares or securities convertible into our common shares. Our articles of incorporation do not provide for preemptive rights for our shareholders in the event of a public or private equity raise, or financing through the issuance of securities convertible into our common shares, such additional funds may dilute the percentage interests of investors in our common shares.

The significant share ownership of our controlling shareholder may conflict with the interests of the holders of our common shares and may have an adverse effect on the future market price of our shares.

As of December 31, 2022, our controlling shareholder (Intercorp Peru) owned, directly and indirectly, 70.64% of our outstanding capital stock. Actions by Intercorp Peru with respect to the disposition of any of our common shares that it beneficially owns or the perception that such actions will occur, may negatively affect the trading price of our common shares.

In addition, Intercorp Peru has and will continue to have the ability to elect a majority of the members of our board of directors and thus determine our business strategies, as well as determine the outcome of actions that require shareholder approval, including the approval of mergers and other extraordinary transactions and the payment of dividends. The controlling shareholder of Intercorp Peru may have interests that differ from those of the holders of our common shares and may take actions that may be adverse to their interests. The concentration of ownership may also delay, prevent or deter a change in control of our company, could deprive our shareholders of an opportunity to receive a premium for their common shares as part of a sale of our company and might ultimately affect the market price of our common shares.

In addition, we and our subsidiaries engage in numerous related party transactions with companies controlled by Intercorp Peru as well as other affiliated companies. Although Peruvian, Panamanian and Bahamian law regulate the amount of credit exposure our subsidiaries are permitted to have with our related parties, conflicts of interest may arise in the future. See “Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions.”

Holders of our common shares may have fewer and less well-defined rights than shareholders of a company organized in other jurisdictions, such as the United States.

We are a *sociedad anónima* (corporation) organized under the laws of Panama. Our corporate affairs are governed by our organizational documents and the laws of Panama. Under such documents and laws, our shareholders, and therefore holders of our common shares, may have fewer or less well-defined rights than they might have as shareholders of a corporation incorporated in other jurisdictions, such as in the United States.

Holders of our common shares may have difficulty enforcing judgments against us, our officers and directors.

Substantially all of our directors, officers and certain of the experts named herein reside outside the United States, and all or substantial portions of our assets are located outside the United States. As a result, it may not be possible for holders of our securities to effect service of process within the United States upon such persons or upon us, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by our Peruvian counsel that any final and conclusive judgment for a fixed and final sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any obligations assumed under our outstanding securities or this Annual Report on Form 20-F would, upon request, will be deemed valid and enforceable in Peru through an *exequatur* judiciary proceeding (which does not involve the reopening of the case),

provided that (a) there is a treaty in effect between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or, (b) in the absence of such a treaty, the original judgment is recognized by Peruvian Courts (*Cortes de la República del Perú*) under such *exequatur* proceeding, subject to the provisions of the Peruvian Civil Code and the Peruvian Civil Procedure Code, *provided further*, that the following conditions and requirements are met: (i) the foreign judgment does not resolve matters under the exclusive jurisdiction of Peruvian Courts, (ii) such foreign court had jurisdiction under its own conflicts of law rules and under general principles of international law on jurisdiction, (iii) the defendant was adequately served and was guaranteed due process under the laws of the jurisdiction of the issuing court, (iv) the foreign judgment has the status of *res judicata* in the jurisdiction of the court rendering such judgment, (v) there is no pending litigation in Peru between the same parties for the same dispute, which shall have been initiated before the commencement of the proceeding that concluded with such foreign judgment, (vi) the foreign judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first, (vii) the foreign judgment is not contrary to public order (*orden público*) or good morals (*buenas costumbres*), (viii) it has not been proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof, (ix) the judgment has been (a) duly apostilled by the competent authority of the jurisdiction of the issuing court, in case of jurisdictions that are parties to the Hague Apostille Convention and has not opposed Peru's accession thereto, or (b) certified by Peruvian consular authorities, in case of jurisdictions that are not parties to the Hague Apostille Convention, or then being a signatory country, opposed Peru's accession thereto and is accompanied by a certified and officially translated copy of such judgment into Spanish, and (x) the applicable court taxes and filing fees have been paid.

We have been advised by our Panamanian counsel that there is uncertainty as to the enforceability in original actions in Panamanian courts of liabilities predicated solely on the U.S. federal securities laws and as to the enforceability in Panamanian courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the federal securities laws of the United States. There is no existing treaty between the United States and Panama for the reciprocal enforcement of foreign judgments of courts outside Panama, including without limitation, judgments of U.S. courts. Panamanian courts, however, have enforced judgments rendered in the United States based on legal principles of reciprocity and comity. We have been advised by our Panamanian counsel that judgments rendered by foreign courts may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates such judgment by the issuance of a writ of *exequatur*. Subject to a writ of *exequatur*, any final judgment rendered by any U.S. court will be recognized, conclusive and enforceable in the courts of Panama without reconsideration of the merits, provided that: (i) such foreign court grants reciprocity to the enforcement of judgments of the courts of Panama; (ii) the party against which the judgment was rendered was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction; (iii) the judgment arises out of a personal action against the defendant; (iv) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama; (v) the judgment is properly authenticated by diplomatic or consular officers of Panama or pursuant to the 1961 Hague Convention on the Legalization of Documents; and (vi) a copy of the final judgment is translated into Spanish by a licensed translator in Panama. We have no reason to believe that any of our obligations relating to the shares would be contrary to Panamanian law.

The laws of Peru and Panama may not be as favorable to the interests of holders of our common shares as the laws of jurisdictions with which they are familiar. The application of these laws, or any conflict among them, could call into question what and how the laws of each jurisdiction should apply.

In addition, our articles of incorporation contain a general indemnification provision for our officers and directors for any loss, change or payment arising out of any claim or right of action, both individually and on our behalf, against any of them. Directors and officers and their successors and their property will be compensated for and kept safe, during the time devoted to the Company in relation to any of the affairs thereof, from any action, costs, charges, losses, damages and expenses which any of them may incur or sustain by reason of any act or omission done in the performance of their duties, and none of them will be liable for the acts, neglect or omissions of others, even if his signature or action has been provided as internal or external requirement. The indemnity provision does not cover any damage or loss resulting from malice or inexcusable negligence on the part of any of our officers or directors.

Judgments of Peruvian courts with respect to our common shares will be payable only in soles.

If proceedings are brought in the courts of Peru seeking to enforce our obligations in respect of our common shares, we will not be required to discharge our obligations in a currency other than *soles*. Under Peruvian exchange control limitations, an obligation in Peru to pay amounts denominated in a currency other than *soles* may be satisfied in Peruvian currency only at the exchange rate, as determined by the Central Reserve Bank of Peru, in effect on the date the judgment is obtained, and such amounts are then adjusted to reflect exchange rate variations through the effective payment date. The then prevailing exchange rate may not afford non-Peruvian investors with full compensation for any claim arising out of or related to our obligations under our common shares.

We are subject to different corporate disclosure and accounting standards than those holders of our common shares may be familiar with in the United States.

As a corporation organized under the laws of Panama, our corporate affairs are governed by the laws of Panama. In addition, as our common shares are listed on the Lima Stock Exchange and the majority of our subsidiaries' operations are in Peru, we follow Panamanian and most Peruvian practices concerning corporate governance and intend to continue to do so. Financial reporting and securities disclosure requirements in Panama and Peru differ in certain significant respects from those required in the United States. There are also material differences among IFRS, SBS GAAP and U.S. GAAP. Accordingly, the information about us available to holders of our common shares will not be the same as the information available to holders of shares issued by a U.S. company.

In addition, the Peruvian Securities Market Law, which governs open or publicly listed companies, such as us, imposes disclosure requirements that are more limited than those in the U.S. in certain important respects. Although Peruvian law imposes restrictions on insider trading and price manipulation, applicable Peruvian laws are different from those in the United States, and the Peruvian securities markets are not as highly regulated and supervised as the U.S. securities markets.

We could be considered a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. tax consequences for U.S. investors.

Based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, relevant market and shareholder data and our current business plans, we believe that we will not be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes with respect to our 2022 and current taxable years, and we do not anticipate becoming a PFIC in the future. Characterization as a PFIC could result in adverse U.S. tax consequences to holders of our common shares if they are U.S. investors. Certain elections may be available to mitigate the consequences if we are treated as a PFIC for U.S. federal income tax purposes. See "Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Companies" included elsewhere in this Annual Report on Form 20-F.

One or more of our subsidiaries could be classified as a PFIC for U.S. federal income tax purposes.

As discussed in more detail in "Taxation—United States Federal Income Tax Considerations," U.S. investors face unique U.S. tax issues from indirectly owning interests in a PFIC that may result in adverse U.S. tax consequences to them. See "Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Companies" included elsewhere in this Annual Report on Form 20-F.

If we are unable to maintain effective internal control over financial reporting in the future, our results of operations and the price of our common shares could be adversely affected.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our management is required to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting.

The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. We can provide no assurance that from time to time we will not identify concerns that could require remediation. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations in the future. If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide us with an unqualified opinion regarding the effectiveness of our internal control over financial reporting in subsequent years as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common shares.

Failure to comply with Section 404 could also potentially subject us to sanctions or investigations by the SEC, the NYSE or other regulatory authorities.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members or executive officers.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements, such as those to comply with the Sarbanes-Oxley Act of 2002, as amended, and related rules implemented by the SEC. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing and we expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time consuming and costly. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we

may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common shares, fines, sanctions and other regulatory action and potentially civil litigation which may adversely affect us.

Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.

We are a "foreign private issuer" within the meaning of the NYSE corporate governance standards. Under NYSE rules, a foreign private issuer may elect to comply with the practices of its home country and not comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Panamanian and most Peruvian practices concerning corporate governance and intend to continue to do so. Accordingly, holders of our common shares will not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

For example, the NYSE listing standards provide that the board of directors of a U.S. listed company must have a majority of independent directors at the time the company ceases to be a "controlled company". The listing standards for the NYSE also require that U.S. listed companies, at the time they cease to be "controlled companies," have a nominating/corporate governance committee and a compensation committee (in addition to an audit committee). Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. Under both Panamanian and Peruvian law, companies may, but are not required to, form special governance committees, which may be composed partially or entirely of non-independent directors. In addition, NYSE rules require the independent non-executive directors of U.S. listed companies to meet on a regular basis without management being present. There is no similar requirement under Peruvian and Panamanian law.

The NYSE's listing standards also require U.S. listed companies to adopt and disclose corporate governance guidelines. In December 2013, the SMV published the new Code of Good Governance for Peruvian Companies. Although we have implemented most of these measures, those principles are not mandatory and therefore we are not legally required to comply with the corporate governance guidelines but are required to disclose whether or not we are in compliance. We are fully compliant with Panamanian corporate law and are part of the Index of Good Corporate Governance (*Índice de Buen Gobierno Corporativo*) maintained by the Lima Stock Exchange.

If securities or industry analysts do not actively follow our business, or if they publish unfavorable research about our business, the price and trading volume of our common shares could decline.

The trading market for our common shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our common shares or publishes unfavorable research about our business, the price of our common shares would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our common shares could decrease, which could cause the price and trading volume of our common shares to decline.

Future offerings of debt or preferred securities may limit our operating and financial flexibility and may materially adversely affect the market price of, and dilute the value of, the common shares.

If we decide to issue debt or preferred securities in the future or otherwise incur indebtedness, it is possible that these debt or preferred securities or indebtedness will be governed by an indenture or credit agreement or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to holders of the common shares. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of the common shares and may result in dilution to holders of the common shares. Because our decision to issue securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could materially reduce the market price of the common shares and dilute the value of the common shares.

Peruvian corporations, including our subsidiaries, may be jointly and severally liable for any unpaid Peruvian capital gains tax related to the transfer of the common shares.

Peruvian corporations, including our subsidiaries, may be jointly and severally liable for any unpaid Peruvian capital gains tax related to the transfer of shares issued by their foreign holding company.

In accordance with Peruvian income tax laws and regulations, in the case of the direct or indirect transfer by a non-Peruvian resident of shares issued by a Peruvian corporation, the Peruvian corporation whose shares were directly or indirectly transacted will be jointly liable with the non-Peruvian transferor for any unpaid capital gain tax obligations (plus accrued interest and penalties) arising from such sale/purchase, if during any of the 12 months preceding the transaction, *inter alia*, (i) the non-Peruvian transferor held an indirect or direct interest of more than 10% in the equity of the Peruvian corporation that issued the shares being directly or indirectly transferred, or (ii) the non-Peruvian transferor and the Peruvian corporation that issued the shares being transferred consolidate financial statements, or (iii) the non-Peruvian transferor and Peruvian corporation have had common directors / managers / or administrators that have power of decision in the financial, operational or commercial agreements, or (iv) the non-Peruvian transferor has dominant influence on the decisions of the administrative bodies of the Peruvian corporation, or vice versa. If such a transfer were to occur and the resulting Peruvian capital gains tax were not paid by the transferor, it could have a material adverse effect on our business, financial condition or results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal name is Intercorp Financial Services Inc. and we are organized as a corporation (*sociedad anónima*) under the laws of Panama since 2006. Our principal executive offices are located at Av. Carlos Villarán 140, 5th Floor, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. Our telephone number is +(511) 615-9011. Our website is www.ifs.com.pe.

We are the majority owner and controlling shareholder of our subsidiaries, Interbank, Interseguro, Inteligo and Izipay, which comprise our banking, insurance, wealth management and payments segments, respectively. We are responsible for coordinating, supervising and establishing their strategy and management policies. In 2007, we conducted an initial public offering of our common shares publicly in Peru and privately outside of Peru. Our parent company is Intercorp Peru, a holding company for a group of companies operating mainly in Peru under the name “Intercorp”. Intercorp Peru’s main subsidiaries include our company and Intercorp Retail. Intercorp Retail acts as a holding company for the retail and real estate operations of Intercorp Peru in Peru. As of December 31, 2022, Intercorp Peru owns, directly and indirectly, 70.65% of IFS’ capital stock.

Interbank is an open-stock corporation (*sociedad anónima abierta*). Interbank was incorporated in Lima, Peru in 1897 and formerly conducted business under the names “Banco Internacional del Perú S.A.” and “Interbank”. In August 1994, as part of the government’s privatization efforts, 91% of Interbank’s share capital was acquired by Corporación Interbank, which subsequently transferred its holdings in Interbank to the Rodríguez-Pastor family through Intercorp Peru, a limited liability company organized under the laws of the Commonwealth of The Bahamas that is listed on the Lima Stock Exchange. After Interbank’s acquisition by Intercorp Peru in 1994, Interbank began conducting business under the name “Interbank” as part of a rebranding and modernization effort, and has become a leading universal bank in Peru. As of December 31, 2022, IFS holds 99.30% of the capital stock of Interbank.

Interseguro is a corporation (*sociedad anónima*) that was incorporated in 1998 by Intercorp Peru, pursuant to an agreement between Intercorp Peru and The Bankers Trust Company (“Bankers Trust”) (at the time the controlling shareholder of Consorcio Nacional de Seguros S.A., the largest insurer in Chile) to benefit from the expansion of the insurance business in Peru. In connection with the sale of Bankers Trust to Deutsche Bank AG in 1999, Bankers Trust’s interest in Interseguro was sold to a group of Chilean investors, and in 2000 Intercorp Peru acquired the portion of Interseguro that it did not own.

On May 31, 2017, we entered into a share purchase agreement with Sura Asset Management Company (“SUAM”) and “Grupo Wiese” to acquire 100% of the capital stock of Seguros Sura S.A. (“Seguros Sura”) and Hipotecaria Sura Empresa Administradora Hipotecaria S.A. (“Hipotecaria Sura”) (the “Sura Acquisition”) for an initial base price of U.S.\$268 million. The transaction became effective on November 2, 2017 and the approval by SBS was granted on September 28, 2017. This merger consolidated Interseguro’s leadership in the annuities market, as well as strengthened its position in credit life insurance.

Inteligo was incorporated under the laws of the Republic of Panama in 2006. Inteligo Bank is a corporation that was incorporated in 1995 in The Bahamas and formerly conducted business under the names of Interbank Overseas Ltd. and Blubank Ltd. Inteligo SAB is a corporation (*sociedad anónima*) that started operations in 1993. On July 18, 2014, the board of directors of IFS approved the acquisition of Inteligo, effective on August 1, 2014. This reorganization entailed the acquisition of 100% of Intercorp Peru’s shares in Inteligo by IFS in exchange for 19.5 million IFS common shares. Inteligo SAB is organized under the laws of Peru, and is licensed by the SMV to operate in Peru and conduct brokerage, custody, portfolio management and advisory services.

Interfondos S.A., Sociedad Administradora de Fondos (“Interfondos”) is a corporation (*sociedad anónima*) that started operations in 1994. It is organized under the laws of Peru and is licensed by the SMV to operate in Peru and conduct mutual funds and investment funds management services.

In January 2019, we announced the consolidation of our wealth management activities at Inteligo by transferring Interbank's mutual funds subsidiary, Interfondos, to Inteligo, where asset management is the core business.

In July 2019 we, together with Interbank, Intercorp Peru and a non-related shareholder conducted a SEC-registered initial public offering as a result of which IFS sold 1,150,000 newly-issued common shares and 2,418,754 treasury common shares (including shares sold by Interbank), Intercorp Peru sold 2,531,246 common shares and the non-related shareholder sold 3,000,000 common shares. In addition, the underwriters partially exercised their option to purchase 1,350,000 additional shares, which resulted in the purchase of 1,186,841 newly-issued common shares.

While Interbank has owned 50% of PMP and its subsidiary Izipay for more than a decade, in April 2022, we acquired the remaining 50% ownership interest of PMP and its subsidiary Izipay, consolidating such subsidiaries into our corporate group and creating our payments segment.

Since 2008, we have delivered returns for our shareholders supported by a strong bottom-line generation. In 2022, we paid U.S.\$202.0 million in dividends based on 2021 results. In 2021, we paid U.S.\$88.9 million in dividends based on 2020 results. Furthermore, in November 2021, IFS agreed to distribute U.S.\$75.0 million in extraordinary dividends, which were paid in December 2021 and based on retained earnings. In 2023, we will pay U.S.\$136.2 million in dividends based on 2022 results. In addition, our market capitalization has increased from U.S.\$1.2 billion in 2007 to U.S.\$2.7 billion as of December 31, 2022, based on a price of U.S.\$23.50 per share, as reported by the NYSE on the same date.

On March 31, 2023, IFS' shareholders have approved the creation of a share repurchase program for an amount of up to US\$100 million of our common shares.

We also continue to make significant digital and physical infrastructure capital expenditure investments in our different segments. For a description of our capital expenditures, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures Program".

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The materials included in this Annual Report on Form 20-F may be downloaded at the SEC's website: <http://www.sec.gov>. Any filings we make are also available to the public over the Internet at the SEC's website and at our website at <https://www.ifs.com.pe>. (This URL and other URLs in this Annual Report on Form 20-F are intended to be inactive textual references only. None are intended to be active hyperlinks to websites. Any information which might be accessible through a hyperlink referenced from any URL referenced in this report, is not and shall not be deemed to be incorporated into this Annual Report on Form 20-F.

B. Business Overview

Overview

IFS is a leading provider of banking, insurance, wealth management services and payments for retail customers and commercial clients in Peru. Our purpose is to empower all Peruvians to achieve financial well-being, and as such, we have built an integrated financial services platform in the fast-growing, underpenetrated and profitable Peruvian financial system. We have invested in building a leading and scalable digital platform (mobile and online), which is rapidly being adopted by existing and new customers. Our digital platform is complemented by one of the largest distribution networks in the country which includes financial stores, ATMs, correspondent agents, dedicated sales forces, financial advisors, call centers and POS network.

We manage our business in four segments, banking, insurance, wealth management, and payments, which complement each other and represent diversified sources of revenue. Our banking segment operates through our subsidiary Interbank, which is the second largest provider of consumer loans in Peru, according to the SBS. Interbank provides a full range of retail banking and commercial banking products, and services to individuals, large companies, and small and medium enterprises. Our insurance segment operates through our subsidiary Interseguro, which is the leading provider of annuities in Peru by premiums and one of the leading life insurance companies in the country according to the SBS. Interseguro provides a wide range of retirement, savings, life, unemployment and other insurance products mainly to retail customers. Our wealth management segment operates mainly through our subsidiaries Inteligo Bank, Inteligo SAB and Interfondos, which together provide wealth management, private banking, financing, brokerage, advisory and other investment services mainly to high-net-worth individuals. Finally, with our acquisition of the remaining 50% ownership interest of PMP and its subsidiary Izipay in April 2022, we have created our payments segment, through which we provide an end-to-end digital ecosystem of financial services and technology solutions to enable consumers, individual entrepreneurs, micro-merchants, small and medium-sized enterprises (SME), in Peru, make and process payments in a safe, seamless, digital, mobile first and affordable manner.

Our key strategic priority is to achieve digital excellence for our customers by providing them with a world-class, flexible and secure digital platform. We believe our digital transformation is vital to our continued growth and profitability, and for this reason we have been investing in developing the capabilities necessary to offer digital products and services to our customers. In December 2022, more than 5,306,100 retail customers used our digital platform compared to more than 600,000 retail customers in December 2017. More than 2,175,500 retail customers no longer utilize physical channels other than ATMs or POSs as of December 2022. We are aiming to allow our customers to have a 100% digital relationship with us in an efficient and secure manner. We have also streamlined our physical presence and reduced the number of branches by approximately 43.4% since its peak in 2016, focusing on educating our customers in the use of our digital platform. To accompany this transformation, we are in the process of redesigning our physical presence in order to better serve the evolving needs of our customers. We have substantially increased migration of low-value-added transactions to more efficient digital channels, and we have increased sales of products to existing customers, as well as increased new customer acquisition of which a growing number are being acquired digitally or “born-digital.”

We aim to be the company that best knows the needs of Peruvians. Our advanced analytics and technology capabilities continue to be enriched with new sources of data and new tools that technology offers, such as cloud, real-time decision, machine learning and artificial intelligence. We believe that a deep knowledge of our current and potential customers allows us to offer them the best solutions for their financial needs across our banking, insurance, wealth management and payments segments. Through this deep knowledge we have also been able to enhance our risk models, helping us to propel growth and continue to improve our profitability.

The following table shows the evolution of our reported net profit, dividends, ROE and ROA and our adjusted net profit, adjusted ROE and adjusted ROA (if any), from 2020 through 2022:

	For the years ended December 31,			
	2022	2022	2021	2020
	(U.S. \$ in millions) ⁽³⁾	(S/ in millions)		
Net profit	438.0	1,670.7	1,800.2	383.5
Adjusted net profit ⁽¹⁾	379.7	1,448.1	—	—
Dividends declared for the year ⁽²⁾	136.2	511.8	751.5	332.1
ROE	—	17.7%	19.3%	4.5%
Adjusted ROE ⁽¹⁾	—	15.4%	—	—
ROA	—	1.9%	2.0%	0.5%
Adjusted ROA ⁽¹⁾	—	1.7%	—	—

- (1) Adjusted net profit, adjusted ROA and adjusted ROE for the year ended December 31, 2022 exclude other income of S/222.5 million from the fair value adjustment of the 50% ownership interest held by Interbank in Izipay before the acquisition of the remaining 50% equity interest in Izipay in April 2022 (See Note 1(d) to our Audited Annual Consolidated Financial Statements). Adjusted net profit, adjusted ROA and adjusted ROE are non-GAAP financial measures and should not be considered in isolation or as a substitute for net profit, ROA or ROE, or other performance measures. See “Presentation of Financial Information—Non-GAAP financial measures” and “Item 4. Information on the Company—Business Overview—Non-GAAP Financial Measures.” We did not adjust net profit, ROA or ROE for the years ended December 31, 2021 and 2020, respectively.
- (2) Dividends are declared and paid in U.S. dollars. Except for declaration and payment of extraordinary dividends, dividends declared for fiscal year 2022 will be paid in 2023, dividends declared in 2021 and 2020 were paid in 2022 and 2021 and amounted to U.S.\$ 202.0 million and U.S.\$89 million, respectively. See “Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividends and dividends policy”.
- (3) Amounts stated in U.S. dollars as of and for the year ended December 31, 2022 have been translated from *soles* at the exchange rate of S/3.814 = U.S.\$1.00.

As of December 31, 2022, we had total assets of S/87.5 billion (approximately U.S.\$22.9 billion), total gross loans of S/47.0 billion (approximately U.S.\$12.3 billion), total deposits and obligations of S/48.5 billion (approximately U.S.\$12.7 billion) and shareholders’ equity of S/10.0 billion (approximately U.S.\$2.6 billion).

For the year ended December 31, 2022, our consolidated net profit was S/1,670.7 million as compared to S/1,800.2 million in 2021. Net profit deteriorated in 2022 mainly due to (i) higher provisions at Interbank, and (ii) lower revenues across all subsidiaries. We operate the following four business segments:

- **Banking:** Interbank is the second largest provider of consumer loans in Peru with a 21.8% market share in terms of total gross consumer loans outstanding as of December 31, 2022, according to the SBS. Interbank is the largest provider (among non-government owned banks) of payroll deduction loans to public sector employees with a 22.3% market share as of December 31, 2022, according to the SBS. Additionally, it is the fourth largest bank in Peru in terms of outstanding retail mortgages and the fourth largest bank in Peru in terms of commercial lending, third in total deposits and fourth in total assets. Interbank has built one of the most convenient and extensive retail banking distribution platforms in Peru including, online banking, mobile applications, a total of 164 financial stores, 1,554 ATMs and 5,672 correspondent agents (includes external network), as of December 31, 2022.

As of and for the year ended December 31, 2022, Interbank represented 76.6% of our total assets.

For the 2022 fiscal year, Interbank declared a dividend of S/585.8 million (or, approximately U.S.\$153.6 million) of which S/581.7 million (or, approximately U.S.\$152.5 million) will be paid to IFS, which represents 85.3% of total dividends to be received by IFS.

With a significant focus on the emerging middle class, Interbank has a higher percentage of retail loans, which account for 53.6% of its total loan portfolio, compared to the banking system of 36.2% as of December 31, 2022.

Interbank's CAGR in gross loans, and deposits and obligations between 2018 and 2022 was 8.5 % and 9.3%, respectively. For the year ended December 31, 2022, Interbank reported a profit of S/1,374.1 million attributed to an increase in impairment loss on loans and increases in other income and in net fee income from financial services.

- *Insurance: Interseguro is the leading provider of annuities (excluding private annuities) in Peru, with a 30.0% market share as measured by total premiums collected during 2022, according to the SBS, and is one of the leading life insurance companies in Peru. In addition, Interseguro offers private annuities, individual life insurance, disability and survivorship insurance, as well as low premium retail insurance products, including credit life, mandatory traffic accident insurance ("SOAT"), car insurance and credit card protection insurance, through a comprehensive multi-channel distribution platform which includes Interseguro's sales force, which is a key component of Interseguro's sales. Interseguro also distributes through Interbank, retailers and its own digital channels. Due to the COVID-19 pandemic, Interseguro retooled its sales force to provide customers with a 100% remote assistance and digital operation. Prior to the pandemic, sales in annuities and life insurance products were only conducted in-person, but digitalization of these sales was accelerated.*

According to the SBS, in 2022, Interseguro was the largest insurance company measured by reserves, driven both by organic growth and the acquisition of Seguros Sura in November 2017, which both improved its ROE and doubled its asset size.

As of and for the year ended December 31, 2022, Interseguro represented 16.2% of our total assets.

For the 2022 fiscal year, Interseguro declared a dividend of S/100 million (or, approximately U.S.\$26.2 million), which represents 14.7% of total dividends to be received by IFS. For the year ended December 31, 2022, Interseguro's net profit was S/248.0 million and its ROE was 26.6%.

- *Wealth management: Inteligo is a provider of wealth management services, which includes banking, financing, brokerage and investing activities for high-net-worth individuals through three operating subsidiaries: Inteligo Bank, Inteligo SAB (brokerage) and Interfondos (mutual funds).*

As of and for the year ended December 31, 2022, Inteligo represented 5.8% of our total assets.

For the 2022 fiscal year, Inteligo did not declared a dividend.

Inteligo's CAGR in assets under management was 3.9% between 2018 and 2022. In addition, for the year ended December 31, 2022, Inteligo's net loss was S/141.4 million and ROE was 13.6%.

- *Payments: Izipay is a payments company and provider of products and services related to payments acquirer, a correspondent bank and a credit cards processor. Moreover, it provides financial services and technology solutions that enable consumers, individual entrepreneurs, micro-merchants, SMEs, in Peru, to make and/or process payments in a safe, seamless, digital, mobile first and affordable manner. Izipay's technology solutions allow it to (i) be full acquirer company, with a complete set of payment solutions through Point-of-Sale ("POS") devices and e-commerce, (ii) provide a digital platform with proprietary solutions for business management such as self check-out, split payments, product and inventory management, business reports, anti-fraud system and CRM, among others.*

As of December 31, 2022, Izipay represented 1.0% of our total assets. Since April 2022, when Izipay became a consolidated subsidiary, Izipay had consolidated revenues of S/595.4 million and consolidated net profit of S/41.1 million. As a reference, for the year ended December 31, 2022, including the period prior to its acquisition, Izipay had consolidated revenues of S/754.3 million and consolidated net profit of S/51.2 million. For the year ended December 31, 2022, Izipay's ROE was 26.1%. For the fiscal year 2022, Izipay did not declare a dividend.

The following tables provide certain financial and other information about our four business segments for the period indicated.

	As of and for the year ended December 31, 2022							
	Assets		Equity		Net Profit/(Loss)		Adjusted Net Profit/(Loss) ⁽³⁾	
	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%
Banking	66,977.3	76.6%	7,478.8	74.4%	1,374.1	82.3%	1,374.1	94.9%
Insurance	14,134.2	16.2%	984.2	9.8%	248.0	14.8%	248.0	17.1%
Wealth management	5,102.6	5.8%	894.2	8.9%	(141.4)	(8.5%)	(141.4)	(9.8%)
Payments ⁽¹⁾	902.6	1.0%	216.3	2.2%	41.1	2.5%	41.1	2.8%
Holding and eliminations ⁽²⁾	365.9	0.4%	472.4	4.7%	148.8	8.9%	(73.7)	(5.1%)
Total	87,482.6	100.0%	10,046.0	100.0%	1,670.7	100.0%	1,448.1	100%

- (1) Reflects information for Izipay since the acquisition of the remaining 50% equity interest in Izipay in April 2022.
- (2) Holding and eliminations corresponds to expenses of IFS and elimination of intercompany transactions.
- (3) Adjusted net profit of the holding and eliminations segment, for the year ended December 31, 2022, is calculated excluding other income of S/222.5 million from the fair value adjustment of the 50% ownership interest held by Interbank in Izipay before the acquisition of the remaining 50% equity interest in Izipay in April 2022 (See Note 1(d) to our Audited Annual Consolidated Financial Statements). Adjusted net profit is a non-GAAP financial measure and should not be considered in isolation or as a substitute for net profit or other performance measures. See “Presentation of Financial Information—Non-GAAP financial measures” and “Item 4. Information on the Company—Business Overview—Non-GAAP Financial Measures.” See Note 1(d) to our audited annual consolidated financial statements

The following table provides relevant information about dividends declared by each of our subsidiaries:

	SBS GAAP						IFRS					
	Interbank		Interseguro				Izipay ⁽¹⁾			Inteligo Bank		
			For the years ended December 31,				For the years ended December 31,					
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
	(S/ in millions)						(S/ in millions)			(U.S.\$ in millions)		
Net profit for the period ⁽²⁾	1,171.7	1,200.5	264.9	202.8	303.6	256.6	41.1	—	—	(35.4)	71.5	71.6
Dividends declared ⁽³⁾	585.8	600.2	—	100.0	201.9	200.0	—	—	—	—	52.5	38.0
Payout ratio	50%	50%	—	49.3%	66.5%	77.9%	—	—	—	—	73.4	53.1%

- (1) Reflects information for Izipay since the acquisition of the remaining 50% equity interest in Izipay in April 2022. Izipay did not pay dividends in 2022.
- (2) For Interbank, Interseguro and Izipay this information is calculated using SBS GAAP. This table is presented in this manner because our Peruvian subsidiaries pay dividends to us based on SBS GAAP and Inteligo pays dividends to us on the basis of IFRS. In all cases, the information is derived from stand-alone information from each entity.
- (3) Represents dividends for the fiscal year which are declared and paid in the following year.

The following tables provide certain financial and other information about our consolidated business:

Balance Sheet and Income Statement Items	As of and for the year ended December 31,			
	2022	2022	2021	2020
	(U.S.\$ in millions) ^{(1) (2)}	(S/ in millions) ⁽²⁾		
Total assets	22,937.2	87,482.6	89,953.9	88,236.0
Total gross loans	12,329.7	47,025.4	44,688.2	43,081.9
Total deposits and obligations	12,724.4	48,530.7	48,897.9	47,149.3
Total equity, net	2,634.0	10,046.0	9,555.4	8,953.9

	As of and for the year ended December 31,			
	2022	2022	2021	2020
	(U.S. \$ in millions) ^{(1) (2)}	(S/ in millions) ⁽²⁾		
Net profit (attributable to IFS' shareholders)	435.4	1,660.6	1,790.2	383.3
Other Information				
Adjusted net profit (attributable to IFS' shareholders) ⁽³⁾	379.7	1,448.1	—	—

	As of and for the year ended December 31,		
	2022	2021	2020
Profitability Ratios			
Net interest margin ⁽⁴⁾	5.0%	4.1%	4.5%
Risk adjusted NIM ⁽⁵⁾	4.0%	3.7%	1.4%
Efficiency ratio ⁽⁶⁾	36.1%	34.7%	32.2%
ROA	1.9%	2.0%	0.5%
Adjusted ROA ⁽³⁾	1.7%	—	—
ROE	17.7%	19.3%	4.5%
Adjusted ROE ⁽³⁾	15.4%	—	—

	2022	2021	2020
Asset Quality and Capitalization			
Past-due-loans as a % of total gross loans ⁽⁷⁾	3.0%	3.5%	3.3%
Cost of risk ⁽⁸⁾	1.8%	0.9%	5.8%
Core equity Tier 1 ratio of Interbank ⁽⁹⁾	12.0%	12.5%	11.5%

	As of and for the year ended December 31,		
	2022	2021	2020
Distribution Network and Customers			
Financial stores	164.0	189	215
ATMs	1,554.0	1,581	1,640
Correspondent agents (includes external network)	5,672.0	5,825	5,529
Number of digital customers ⁽¹⁰⁾	2,175,532.0	1,717,394.0	1,718,005
Percentage of digital users ⁽¹⁰⁾⁽¹¹⁾	70.9%	65.1%	75%

- (1) Amounts stated in U.S. dollars as of and for the year ended December 31, 2022 have been translated from *soles* at the exchange rate of S/3.814 = U.S.\$1.00.
- (2) Except for percentages and ratios and distribution and customer data.
- (3) Adjusted net profit, adjusted ROA and adjusted ROE for the year ended December 31, 2022 exclude other income of S/222.5 million from the fair value adjustment of the 50% ownership interest held by Interbank in Izipay before the acquisition of the remaining 50% equity interest in Izipay in April 2022 (See Note 1(d) to our Audited Annual Consolidated Financial Statements). Adjusted net profit, adjusted ROE and adjusted ROA are non-GAAP financial measures and should not be considered in isolation or as a substitute for net profit, ROE or ROA, or other performance measures. See "Presentation of Financial Information—Non-GAAP financial measures" and "Item 4. Information on the Company—Business Overview—Non-GAAP Financial Measures." We did not adjust net profit, ROA or ROE for the years ended December 31, 2021 and 2020, respectively. See Note 1(d) to our audited annual consolidated financial statements.
- (4) Net interest margin is defined as (x) net interest and similar income divided by (y) average interest-earning assets. See "Item 4. Information on the Company—Selected Statistical Information."
- (5) Risk adjusted net interest margin is defined as net interest margin after impairment loss on loans, net of recoveries.
- (6) Efficiency ratio is calculated by dividing (x) salaries and employee benefits plus administrative expenses plus depreciation and amortization by (y) net interest and similar income plus net fee income from financial services plus other income plus net premiums earned.
- (7) At end of period. See "Presentation of Financial Information—Loan Portfolio Data".
- (8) Cost of risk is defined as impairment loss on loans, net of recoveries divided by average gross loans.
- (9) Calculated for Interbank only pursuant to SBS regulations.
- (10) In the month of December for each full year.
- (11) Percentage of digital users over total clients that interact with Interbank.

Non-GAAP Financial Measures

In this Annual Report on Form 20-F, we use adjusted net profit, adjusted ROE and adjusted ROA. These measures are not calculated in accordance with IFRS and we collectively refer to these as non-GAAP financial measures. For more information, see “Presentation of Financial Information—Non-GAAP Financial Measures”.

The table below presents adjusted net profit, adjusted ROE and adjusted ROA on a consolidated basis and for each of our four business segments, if any, as of and for the year ended December 31, 2022. We did not adjust net profit, ROA or ROE for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2022										
	Net profit	Adjustment ⁽¹⁾	Adjusted Net Profit	Average total assets	ROA	Adjusted ROA	Average total equity	ROE	Adjusted average total equity	Adjusted ROE
Banking	1,374.1	—	1,374.1	67,172.4	2.0%	2.0%	6,937.6	19.8%	6,937.6	19.8%
Insurance	248.0	—	248.0	14,215.6	1.7%	1.7%	933.9	26.6%	933.9	26.6%
Wealth Management	(141.4)	—	(141.4)	5,275.1	(2.7%)	(2.7%)	1,037.5	(13.6%)	1,037.5	(13.6%)
Payments	41.1	—	41.1	465.6	8.8%	8.8%	157.3	26.1%	157.3	26.1%
Holding and eliminations	148.8	(222.5)	(73.7)	317.4	—	—	364.1	—	319.6	—
Total	<u>1,670.7</u>	<u>(222.5)</u>	<u>1,448.1</u>	<u>87,446.0</u>	<u>1.9%</u>	<u>1.7%</u>	<u>9,430.3</u>	<u>17.7%</u>	<u>9,385.8</u>	<u>15.4%</u>

- (1) Adjusted net profit of the holding and elimination segment, for the year ended December 31, 2022, is calculated excluding other income of S/222.5 million from the fair value adjustment of the 50% ownership interest held by Interbank in Izipay before the acquisition of the remaining 50% equity interest in Izipay in April 2022 (See Note 1(d) to our Audited Annual Consolidated Financial Statements). Adjusted net profit is a non-GAAP financial measure and should not be considered in isolation or as a substitute for net profit, or other performance measures. See “Presentation of Financial Information — Non-GAAP financial measures.” See Note 1(d) to our audited annual consolidated financial statements.

The following table reflects the reconciliation, if any, of adjusted net profit, adjusted ROE and adjusted ROA on a consolidated basis as of and for the year ended December 31, 2022, 2021 and 2020.

	For the year ended December 31,		
	2022	2021	2020
	(S/ in millions)		
Net profit (A)	1,670.7	1,800.2	383.5
Gain on the fair value adjustment on the previously held ownership by Interbank in Izipay prior to acquiring control ⁽¹⁾ (B)	(222.5)	—	—
Adjusted net profit (D) = (A) + (B)	1,448.1	—	—
Average total equity (E)	9,430.3	9,309.5	8,515.1
ROE (A) / (E)	17.7%	19.3%	4.5%
Adjusted average total equity (F)	9,385.8	—	—
Adjusted ROE (D) / (F)	15.4%	—	—
Average total assets (G)	87,446.0	90,231.7	79,880.4
ROA (A) / (G)	1.9%	2.0%	0.5%
Adjusted ROA (D) / (G)	1.7%	—	—

- (1) Management believes to be non-operating and/or non-recurring in nature.

Market Opportunity

We believe that the ongoing growth of the Peruvian economy, the expanding middle class, the growth of private wealth creation in Peru, the low penetration of financial services and the well-capitalized and profitable Peruvian financial system offer significant opportunities for our continued growth despite the increased political uncertainty. Moreover, the economic impact caused by the COVID-19 pandemic and the response measures implemented by the Peruvian government opened up new opportunities to accelerate our digital transformation and growth in deposits and loans, enabling us to efficiently acquire and serve more clients, while providing distinctive and convenient customer service and greater access and inclusion to financial services to previously underserved Peruvians.

Growing economy with solid macroeconomic fundamentals

Although the effects of the COVID-19 pandemic led to a GDP contraction of 11.0% in 2020 in Peru (compared to contractions of 6.8% in Colombia, 6.0% in Chile, 8.2% in Mexico and 4.1% in Brazil), Peru's GDP increased to 13.3% in 2021 (compared to growth rates of 10.6% in Colombia, 12.0% in Chile, 4.8% in Mexico, and 4.6% in Brazil). In 2022, Peru's GDP increased to 2.7% (compared to growth rates of 7.5% in Colombia, 2.4% in Chile, 3.1% in Mexico, and 2.9% in Brazil). Moreover, prior to the pandemic, Peru's average GDP growth rate was 3.2% between 2015 and 2019, according to the World Bank, a higher rate than those of Peru's peer countries in Latin America during the same period (Colombia at 2.4%, Chile at 2.0%, Mexico at 2.0%, and Brazil at negative 0.6%).

The Peruvian government's prudent management of the economy, conservative fiscal policy, coupled with the Central Reserve Bank of Peru's cautious management of inflation and international reserves have contributed to economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, low fiscal deficit and high levels of international reserves. However, 2022 continued to be characterized by global inflationary pressures that have resulted in an inflation rate above the Central Reserve Bank of Peru's target and higher inflation expectations for 2023 and beyond. Peru's strong track record of macroeconomic policy credibility, consistency and ability to adapt to changes has helped it to achieve investment grade ratings of Baal by Moody's Investor Service ("Moody's"), BBB+ by Standard & Poor's Rating Services ("S&P") and BBB by Fitch Ratings Ltd. ("Fitch") as of December 31, 2022. However, in December 2022 and January 2023, S&P, Fitch and Moody's have changed Peru's credit outlook to negative from stable due to higher political risk. In its most recent forecast, as of March 2023, the Central Reserve Bank of Peru has estimated real GDP growth for Peru of 2.6% for 2023 and 3.0% for 2024, as compared to the 2.7% increase registered in 2022 due to higher inflation and political uncertainty.

Evolution of the middle class and affluent population

The core of our customer base is Peru's middle class and affluent population. According to INEI, the poverty rate in Peru increased to 30% in 2022, attributed to higher inflation and low economic growth, after reaching a historical low of 20.2% in 2019, reaching levels similar to 2010 (30.8%). According to the World Bank, GDP per capita in U.S. dollars has grown from U.S.\$5,082 in 2010 to U.S.\$7,028 in 2019 but retreated to U.S.\$6,127 in 2020 due to the impact of the COVID-19 pandemic. GDP per capita in U.S. dollars was U.S.\$6,622 in 2021 and U.S.\$4,454 in 2022. For 2022, Peru had a total population of 33.5 million, and according to the *Asociación Peruana de Empresas de Investigación de Mercados* (APEIM), Peru's middle and upper socioeconomic segments (segments A, B and C) have significantly expanded and, as of 2022, represented 51% of the population compared to 42% in 2010. We believe that a growing middle class and affluent population creates a greater need for financial services, particularly for increasingly sophisticated banking, insurance, wealth management and payments products. These growing socioeconomic segments support growth and profitability across our business. Additionally, based on macroeconomic trends, we expect the number of high net worth individuals in Peru and the size of their investable assets to continue to grow and further increase the market for wealth management services.

Low financial services penetration

We believe that growth potential in Peru's financial services sector continues to be significant. Despite sustained recent growth of 7.1% CAGR in total gross loans between 2018 and 2022, banking penetration in Peru, measured as the ratio of loans-to-GDP, was 38.0% as of December 31, 2022, according to the SBS and the Central Reserve Bank of Peru. This represents a decline over the 39.9% registered as of December 31, 2021 and is mainly explained by the base effect resulting from (i) lower balances of Reactiva Perú loans in 2022 as compared to 2021, and (ii) the recovery in GDP growth in 2022. However, this also represents an improvement compared to the 45.4% registered as of December 31, 2020. We believe this general increase demonstrates that it is feasible to rapidly increase financial penetration in Peru through these types of programs. Moreover, within the retail banking segment, we believe that penetration potential is even more significant in mortgages given that as of December 31, 2022, there were approximately 60.3 million mortgages outstanding in Peru for a population of approximately 33.5 million, compared to approximately 1,567.5 million mortgages outstanding in Chile for a population of approximately 19.8 million. Similarly, according to industry sources, insurance penetration in Peru, measured as the ratio of premiums-to-GDP as of December 31, 2021, is estimated to be 2.0%, which is lower than the average ratio of 3.0% for the group of peer countries in Latin America, and less than the ratio of 3.4% for Chile.

Well-capitalized financial system

As a result of sound regulation and prudent management, the Peruvian financial system is well-capitalized, according to figures published by the SBS. Gross loans in Peru (measured in *soles*) have grown at a CAGR of 7.1% between December 31, 2018 and December 31, 2022, while the banking system's asset quality has remained strong with a ratio of past-due loans as a percentage of total gross loans of 4.0% and a ratio of impairment allowance for loans as a percentage of past-due loans of 148.5% as of December 31, 2022, according to the SBS. Capitalization of the Peruvian banking system has consistently been well above regulatory requirements with a total capital ratio of the banking system of 14.5% as of December 31, 2022, according to the SBS. Interbank's capitalization ratio was 15.1% and Interseguro's regulatory solvency ratio was 138.7%, according to the SBS as of December 31, 2022.

Development of new technologies and distribution channels

There are many technological trends currently impacting the financial services industry worldwide. For example, the penetration of cell phones, Internet and the 5G mobile network, the ability to process large quantities of data through big data, cloud and machine learning, and the opportunity to utilize robotics and artificial intelligence. As a result, many large banks have started digital transformations with large increases in their level of technological investments and are working on developing their product offerings.

Due to improved technology, banks are now able to offer a better value proposition to their customers that include better solutions with features tailored to the customer's needs, contextual banking (whereby the customer is offered a connected banking experience, including tailored product offerings), enhanced 24-hour customer support and access and faster approval and response times, all at a lower per capita cost. Additionally, banks are now able to reach a broader base of customers both in terms of income levels and geographic locations and will be able to gradually offer them more products and services and make them a part of the banked segment of the Peruvian population, which constitutes a very important growth opportunity in the country.

Competitive Strengths

We have established a premier financial group with leading market positions in each of our primary business segments. We believe that our market share, focus on targeted and profitable segments, scale and highly recognized and trusted brands, combined with adoption of innovative technologies, a well-structured digital platform and increasing integration across our business segments, strongly position us to capitalize on the future expansion of the Peruvian economy.

Leading financial services provider focused on retail customers and highly attractive businesses

We target retail customers and growing and profitable businesses in Peru. We have highly recognized and trusted brands in each of our segments, such as Interbank in banking, Interseguro in insurance, Inteligo in wealth management and Izipay in payments. Within our banking segment, Interbank focuses primarily on retail banking, where we believe we are able to obtain higher profitability, with 53.6% of its loan portfolio constituting retail loans, compared to 36.2% for the Peruvian banking system, as of December 31, 2022, according to the SBS. Interbank is the second largest provider of consumer loans among banks in Peru, with a 21.8% market share as measured by gross consumer loans as of December 31, 2022, compared with 26.0% for BCP, 15.0% for Scotiabank and 14.8% for BBVA. Interbank is also the largest privately-owned bank provider of payroll deduction loans to public sector employees, with a 22.3% market share by payroll deduction loans, in each case as of December 31, 2022.

We believe that our focus on the retail market has allowed Interbank to obtain a higher ROE than the banking system on average. This higher ROE is driven by a balanced consumer loan portfolio where two of our most profitable products are credit cards and payroll deduction loans. Interbank has the highest net interest margins when compared to the three largest banks in Peru, due to its higher weighting in retail banking and consumer loans when compared to its peers. Low delinquency rates on our payroll deduction loans reduce the overall credit risk exposure of our consumer loans portfolio.

Our commercial banking business serves a range of clients spanning large corporates, mid-corporates and small-sized and medium-sized companies (“SMEs”). We continue to focus on increasing our market share in mid-corporates and SMEs while maintaining our large corporate business with a profit-oriented approach. We believe that these segments will continue to provide additional growth opportunities in the coming years. Moreover, our overall commercial loan portfolio provides us with a lower risk component that balances our total loan portfolio.

We believe that Interseguro provides us with a fast-growing and profitable business. In our insurance segment, Interseguro is the leading provider of annuities in Peru, despite the effect of the COVID-19 pandemic and the economic and political uncertainty in Peru during 2021 and 2022, with a market share of total annuities (excluding private annuities) of 30.0% as measured by premiums collected for the year ended December 31, 2022, according to the SBS. We focus on the middle class and affluent population in Peru, a segment we believe is substantially underpenetrated in insurance services. During April 2016, the Peruvian Congress enacted a law that allowed retirees to withdraw up to 95.5% of their accumulated capital in cash in their mandatory pension account upon retirement, resulting in a significant reduction of retirement annuities sold by Peruvian insurance companies, including Interseguro. In this context, in order to keep its position as a leading provider in annuities, in 2016, Interseguro launched its private annuities product which allows retirees to receive a fixed income either for life or a fixed period. As of the date of this Annual Report on Form 20-F, most of the customers of private annuities and their funds originate from retirees who choose to buy a product from an insurance company rather than from a private pension fund. Interseguro is also a leading provider of life insurance and we believe this market provides an additional opportunity for growth. Finally, the company’s digital channels are taking a leading role inside the company’s structure.

Within our wealth management segment, we believe Inteligo is well positioned to capture an increasing share of the number of high-net-worth clients. Inteligo’s CAGR in assets under management was 4.9% between December 31, 2018 and December 31, 2022. We believe that both Inteligo’s position as a provider of tailored wealth management services and its ability to provide its customers with both local and international investment products will help increase its share of wallet among high-net-worth individuals, while delivering high levels of growth and profitability.

Within our payments segment, we believe Izipay is built on a strong foundation designed to drive growth and differentiate us from our competitors. We believe that our competitive strengths include (i) our payments platform connecting merchants and consumers enables Izipay to offer unique end-to-end product experiences while gaining valuable insights into how customers use our platform as well as providing for digital and POS transactions while being both technology and platform agnostic; (ii) our national scale which helps us to drive organic growth, as shown by the increase of merchant active accounts (merchant codes) in Peru from 0.7 million in April 2022, when Izipay became our consolidated subsidiary, to 1 million as of December 31, 2022. Since April 2022, Izipay processed S/50.8 billion in monetary transactions; and (iii) the building and strengthening of the brand Izipay.

Track record of sustained growth supported by our strong and growing market share and high profitability

Our strong track record of growth is supported by our increased market share, improvements in efficiency, and high profitability across our business segments. At Interbank, we have gained significant market share over the years. Our market share in total gross loans has increased from 9.4% in 2007, 11.1% in 2015, to 12.7% in 2022, while our market share in total deposits has grown from 9.3% in 2007, 12.1% in 2015, to 13.5% in 2022. We are focused primarily on retail banking because we believe that it presents significant growth opportunities and higher profitability. In retail banking, Interbank’s outstanding retail loans, including

consumer and mortgage loans, increased 15.0% between December 2021 and December 2022, as compared to the 15.4% increase registered for the Peruvian banking system, according to the SBS. Our market share was 21.8% in consumer loans in December 2022, the second largest in the market. In the same period, Interbank has held a strong position across retail products, with market shares of 17.3% and 18.8% of total retail loans in 2016 and December 2022, respectively, according to the SBS. With respect to mortgage loans, Interbank's market share increased from 13.1% in 2016 to 15.4% in December 2022, according to the SBS. Interbank's increasing market shares have been accompanied by stable profitability, with ROE averaging 16.9% compared to 14.3% for the Peruvian banking system, from 2018 to 2022. The commercial banking division at Interbank has also grown faster than the Peruvian banking system, and was recently boosted by our participation in the Reactiva Perú program. However, Interbank's outstanding commercial loans declined 4.3% between December 2022 and December 2021, as compared to the 4.5% decrease registered for the system, according to the SBS.

Interseguro's positioning in the industry increased, with market shares in annuities by premiums (excluding private annuities) of 22.7% in 2007, 24.5% in 2015 and 30.0% in December 2022. Interseguro's assets increased at a CAGR of 6.2% compared to 10.1% for the Peruvian insurance industry between 2018 and 2022. Between 2018 and 2022, Interseguro's ROE averaged 23.8% compared to 13.8% for the Peruvian insurance industry, both according to the SBS. Interseguro's ROE was 17.5% for the year ended December 31, 2022, according to the SBS.

Inteligo's assets under management grew at a CAGR of 4.9% between 2018 and 2022. Similarly, net profit declined between December 31, 2018 and December 31, 2022, due to negative mark-to-market valuation of the proprietary portfolio. Inteligo's ROAE averaged 12.5% for the three-year period ended December 31, 2022. Inteligo's ROAE was negative 13.6% for the year ended December 31, 2022.

Izipay's total monetary transactions reached S/39.9 billion from April 2022, when Izipay became a consolidated subsidiary, to December 31, 2022. Izipay is one of the leaders in the physical card payment business in Peru.

Digital financial services platform with rapidly increasing levels of adoption

IFS is striving to reshape the banking space in Peru, creating a new digital experience driven by convenience and simplicity. Although we believe physical channels are still necessary in an underpenetrated financial system like Peru's, our digital platform has substantially increased our customers' interactions with Interbank and provided us with new business opportunities to build on consumer loyalty and cross-sell services, as well as accelerate new customer acquisition and inclusion of previously underserved segments of the population, including individuals, entrepreneurs and micro-businesses. The changes in consumer behavior and the accelerated adoption of digital solutions brought in 2020 by COVID-19 continued throughout 2021 and 2022 and our agile digital solutions framework has allowed us to more effectively capture the opportunities brought by increased digitalization. We have a broad and evolving offering of digital products and services for existing and new clients, enabling them to get what they want, when they want it, and how they want it. In 2021, we launched digital payments and credit solutions such as the capability to pay with QR Codes and access credit card information for online purchases, as well as the ability to apply and obtain personal loans and credit cards directly through our app.

We believe our digital platform is one of our competitive advantages and it has driven an increase in our market share. The migration of customer interaction from physical channels like financial stores and contact centers to digital channels, continued to grow in 2022. As of December 2022, 81.9% of Interbank's retail customers interacted digitally with the bank, up from 78.5% in December 2021, and 100% digital customers reached 70.9% in December 2022, up from 65.1% in December 2021. Our digital transformation allows our customers to interact more frequently with us and customers' monthly interactions through our digital platform increased substantially, from 24.8 times per month in December 2021 to 30.5 times per month in December 2022, while interactions in branches decreased from 2.22 times to 2.10 times in the same period. Our penetration of digital sales increased to 64.0% from 57.4% in December 2021, while self-service transactions decreased slightly to 69.0% from 69.3% in the same period.

In January 2020, Interbank, in collaboration with BBVA and Scotiabank, launched Plin which consists of a shared directory to enable person to person ("P2P") and person to microbusiness ("P2MB") payments among enrolled customers of any of the participant institutions using the customers' cellphone numbers, or individual QR codes as identifiers. These payments are offered 24/7 and commission free to all enrolled customers who can conveniently access this feature from the Interbank app. From December 2020 to December 2021, total enrolled users in Plin grew from 2.6 million to 5.7 million and participating financial institutions grew from four (Interbank, BBVA, Scotiabank and Banbif) to seven, incorporating Caja Arequipa, Caja Ica and Caja Sullana. From December 2021 to December 2022, total enrolled users in Plin grew from 5.7 million to 9.8 million which includes 1.2 million micro-businesses. As of December 2022, Interbank's share of Plin enrolled users was of 43%, up from 41% in December 2021.

Furthermore, digital customer acquisition, or clients that were ‘born digital’, reached approximately 61,842 in December 2022, or 57% of new individual clients, compared to approximately 29,300 in December 2021, or 38% of new individual clients. In commercial banking, we developed our digital capabilities for SME and corporate clients by (a) enhancing our value-added proposition functionalities and (b) improving the performance and cybersecurity of our systems. We also believe that the upgrading of some core platforms for business banking during 2023 should enhance our performance and hence allow us to create and launch new products and features faster.

Supported by our digital platform, we have also increased the number of products held by a digital customer. The number of products held by our digital customers has increased 11% from December 2021 to December 2022. As a result of the decline digital sales, the cross-selling ratio for such clients decreased from 3.0 products per digital customer in December 2021 to 2.9 products per digital customer in December 2022. The cross-selling ratio is calculated as the sum of the number of products held by any given group of customers divided by the number of customers in such group. Similarly, the number of products held by our total customers decreased by 19%; however, the cross-selling ratio for total customers increased from 1.70 products per customer in December 2021 to 1.71 products per customer in December 2022. As part of our digital transformation, we have introduced new technologies and processes which enable us to improve time-to-market of new solutions. We have also made significant changes in the way we work. We are currently working with 73 teams using an agile framework on a number of projects, ranging from applications, digital products, new functionalities, and we are currently exploring different solutions targeting new customer segments and piloting new initiatives. For example, we have an innovation lab called “LaBentana”, which focuses on continuous innovation and development of new ideas and pilot initiatives, using design thinking methodologies developed together with the consulting firm IDEO.

In 2021, Interbank accelerated the growth of Tunki, our mobile application targeting unbanked and underbanked consumers and micro-merchants focused on P2P and P2MB transactions. Tunki is a free application that allows users to create a 100% digital mobile wallet to send and receive payments (P2P and P2MB) and that does not require them to previously have an account with Interbank. In 2021, Tunki’s functionality was expanded to enable users to send and receive payments to and/or from the Plin network which enhanced its offering, giving it access to a user base of approximately 9.8 million Plin users across seven financial institutions.

In 2022, we focused on two key aspects of the business: (i) increasing the number of clients and the onboarding of existing clients, and (ii) increasing the balance of funds in clients’ checking accounts thus building a strong financial sources and improving our revenue sources.

Pursuing its first main goal, Interbank focused on simple, faster and secure onboarding of existing clients, as well as on the growth and acquisition of new clients either through digital acquisition or through physical channels, assisting stores, service providers or other customers to accept digital payments. During 2022, Interbank has significantly reduced the cost of acquisition of new digital clients and increased the conversion rate optimization of online customers through the diversification of our digital channels. For instance, in 2021, Interbank received 95.0% of its digital leads from Google, as compared to 2022, when around 40.0% of its leads originated from Google while the remaining 60.0% was originated from other channels like Meta or TikTok. Interbank also implemented artificial intelligence-based models in order to predict the kind of merchants more likely to use its payment solutions. This assisted Interbank on approximately doubling the number of active merchants as of December 31, 2022 as compared to December 31, 2021, achieving activity ratios closer to 43% during the year ended December 31, 2022, compared to 21% during the year ended December 31, 2021. As a result of these efforts, Interbank had, in the year 2022, approximately 200 thousand new SME clients, and over 350 thousand new digital merchant clients.

Pursuing its second goal, Interbank focused on streamlining its tools and systems, aiming at the simple use of money by its clients. In 2022, Interbank trimmed certain functionalities of its app, emphasizing its most relevant functionalities, particularly those related to digital wallets. As a result, we noted that our merchant clients increasingly applied their money towards digital payments (Plin), instead of withdrawing it. These actions boosted the balance in our digital wallets and commercial accounts, and, as of December 31, 2022, the balance of our commercial accounts was S/60 million. Additionally, as of December 31, 2022, the number of Tunki users was 2.5 million compared to 1.6 million as of December 31, 2021.

With the acquisition of the remaining 50% equity interest in Izipay in April 2022, we expanded our growth and influence in the payments segment. Izipay is a fast-growing payments company with three business lines (acquiring, correspondent banking and credit cards processing). We believe that with the increased adoption of mobile devices by merchants and consumers as a form of payment, Izipay offers a safe, seamless, digital, mobile first and affordable solution so that individual entrepreneurs, micro-merchants and SMEs can be self-sufficient at all times and offer payment options to consumers using mobile devices. As of December 31, 2022, the number of Izipay merchant active accounts (merchant codes) in Peru was 1 million compared to 0.7 million as of April 2022.

Convenient and innovative nationwide omni-channel distribution network with a distinctive customer-oriented approach

We believe that our convenient and innovative nationwide retail distribution network together with a dedicated sales force and financial advisors, allow us to better reach our customers, and this combination has differentiated us from our competitors. Interbank has one of the most convenient and extensive retail banking distribution networks in Peru and is currently present in almost

all of Peru's regions. Our focus on digital transformation allows us to help our customers to interact with us in an easier and more efficient way and allows customers to migrate from the use of physical infrastructure to digital platforms. For instance, we have shifted monetary transactions operated through our branches to digital channels. Total monetary transactions have been increasing at a CAGR of 23.6% from 2018 to 2022 driven by monetary transactions through our mobile and internet banking which have increased at a 71.2% CAGR for the corresponding period, even though monetary transactions through our financial stores have been decreasing at a CAGR of 21.1% from 2018 to 2022. We believe this optimization of our distribution footprint has enabled us to reach our clients more efficiently, allowing them to perform transactions when and how they want to, at lower marginal costs for Interbank.

Interbank has built a convenient omni-channel distribution network in Peru, serving over 5.5 million customers. As of December 31, 2022, Interbank had 164 financial stores and operated the third-largest ATM network in Peru with 1,554 ATMs, which includes one of the largest out-of-branch ATM network (under our Global Net brand). Interbank has the largest number of financial stores inside supermarkets in Peru. Moreover, with the intention of providing underserved customers with more convenient services, Interbank operates a network of correspondent agents, called Interbank Agentes. The correspondent agent concept consists of providing third-party commercial establishments with low-cost electronic terminals which allow Interbank's customers to perform basic cash-based operations such as cash withdrawals, credit card and bill payments, and deposits at a lower marginal cost to Interbank relative to transactions performed in our financial stores. As of December 31, 2022, Interbank had 5,672 correspondent agents (including its external network).

Since 2013 and in line with our strategy, we have implemented a profitability model for financial stores and ATMs which ranks them according to certain profitability metrics relevant to each distribution channel. This has allowed us to identify the less profitable units in order to close them and to prioritize new openings in more strategic locations with higher demand for value-added financial services. As a result, the number of financial stores, which peaked at 290 in 2016, has decreased by 43.4% to 164 as of December 31, 2022, while productivity of financial stores, measured as the volume of retail deposits sold per branch, has decreased. This drove retail deposits per branch to grow from approximately S/12,709.2 million per branch as of December 2017 to approximately S/23,670.0 million per branch as of December 2022. Likewise, Interbank's market share in retail deposits under SBS GAAP grew from 12.6% as of December 31, 2017 to 14.9% as of December 31, 2022. Additionally, the number of ATMs has decreased to 1,554 in December 2022 from 2,052 in 2017. Furthermore, the number of Interbank and Interseguro sales agents has increased from 961 in 2017 to 1,077 in 2022, while call center agents increased from 321 to 466 in the same period. The COVID-19 related lockdowns accelerated customer adoption of the call center, which has become a more relevant channel to interact with our customers as well as to answer questions regarding assistance to help address the crisis. Likewise attending to queries via Whatsapp also became a common and efficient point of contact with our customers.

Interseguro offers and sells its annuities and individual life insurance products through its own dedicated sales force to ensure the delivery of high-quality service and advice to customers. Interseguro's specialized sales force is trained to provide a differentiated service for various customer types. As of December 31, 2022, Interseguro employed 94 agents exclusively dedicated to selling annuities and 436 agents to selling life insurance products. Due to the COVID-19 pandemic, Interseguro retooled its sales force to provide customers with a 100% remote assistance and digital operation. Prior to the pandemic, sales in annuities and life insurance products were only conducted in-person, but digitalization of these sales was accelerated.

In addition to its own sales force, Interseguro leverages on the retail distribution capabilities of Interbank and those of Intercorp and of Intercorp Retail to offer simple low-cost premium insurance products, such as credit life insurance, SOAT, card protection, loan protection, extended warranty and accident insurance.

Inteligo has developed a proprietary financial advisory model that has been a key pillar in sustaining its growth. The model considers the financial objectives of its customers and emphasizes risk analysis and continuous monitoring with portfolio rebalancing. Along with this, Inteligo has been able to successfully serve its customer base in order to deliver tailored products and advice.

Izipay has built and developed a well-recognized trusted brand. Izipay's communication and marketing efforts play an important role in building brand visibility, usage and overall preference among customers. Also, Interbank's and Intercorp Retail existing clients represent a sizable opportunity to cross-sell products and services with relatively low incremental marketing and advertising expenses for us. We believe that Izipay's range of services, many of which can be used for both business and personal needs, represents an opportunity to further increase engagement with our existing clients. We plan to continually invest in product development to maintain and increase the attractiveness of our products and services.

Prudent risk management resulting in high asset quality, strong liquidity and high investment returns

Risk management has been and will continue to be a primary focus of our operations and at the center of our culture. Our experienced risk management teams focus on monitoring and managing risks across all business areas, including credit, market, liquidity and operational risks, among others. We believe our risk management expertise has allowed us to achieve strong asset quality and high investment returns. Our prudent management has allowed us to build up sufficient capital to allow us to grow strategically, invest in opportunities and pay dividends to our shareholders.

Interbank's underwriting procedures are based on strong analytics and proprietary models. Additionally, Interbank's investments in technology and improvements in its ability to process and apply data have enriched our risk models and enhanced their accuracy and predictiveness. Interbank's credit risk policies are approved by its risk committee and board of directors. Despite Interbank's concentration in retail loans, which tend to have higher levels of delinquency, Interbank's past-due loans as a percentage of total gross loans ratio as of December 31, 2022 was 3.0%, lower than the 4.1% average of the three largest banks in Peru. As of December 31, 2022, Interbank's past-due loans coverage ratio was 163.9%, as compared to the average for the Peruvian banking system of 148.5%, according to the SBS. In general, coverage ratios for Peruvian banks decreased during 2022 due to the reversal of provisions as improved payment behavior was observed across retail loans.

In June 2021, the SBS issued Official Document No. 27358-2021 which revised Emergency Decree No. 037-2021, and reduced the minimum regulatory capital ratio requirement from 10% to 8% from April 2021 to March 2022. As such, the minimum capitalization ratio required by Peruvian banking regulations is 8.5% as of December 31, 2022, plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.3% as of December 31, 2022. Interbank's core equity Tier 1 ratio was 12.0% as of December 31, 2022. Interbank's capitalization ratio, which is calculated as Interbank's regulatory capital divided by its risk-weighted assets, was the highest compared to the other three largest banks. Additionally, as of December 31, 2022, Interbank's capitalization ratio stood at 15.1% as compared to 14.5% for the Peruvian banking system, according to the SBS.

Interseguro's investment team and its investment management approach have achieved a 7.5% investment return for the year ended December 31, 2022, compared to the Peruvian insurance industry's 5.8%, according to the SBS, while maintaining prudent levels of risk and following the SBS risk guidelines. The COVID-19 pandemic and rising global inflation have led to a general decline in the global economy and financial markets. Accordingly, Interseguro's investment strategy was focused on identifying and reducing potential risks in the portfolio and looking for assets of solid companies with strong credit metrics.

Inteligo's lending services are offered through Inteligo Bank to complement its wealth management business. The decision to make loans to wealth management customers only results in Inteligo's loan portfolio being fully collateralized by its customers' assets. Regarding the management of capital, Inteligo Bank's capitalization ratio, which is calculated as Inteligo Bank's regulatory capital divided by its risk-weighted assets, was 20.4% as of December 31, 2022, above the minimum capitalization ratio required by the Central Bank of Bahamas of 8.0%.

Izipay demands a letter of guarantee from payment facilitators, so as to partially cover payment defaults. By doing so, Izipay prevents merchants that are listed by OFAC in its Specially Designated Nationals and Blocked Persons List, as well as any merchants that have breached competition, fraud or brand recognition rules enforced by the Peruvian Antitrust Authority (*Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual* – "Indecopi") from signing up to its services.

Diversified funding base with strength in retail deposits

IFS has a competitive funding structure. We have access to diverse sources of funding, including deposits and debt securities placed in local and international capital markets. The majority of our funding comes from low-cost customer deposits, which demonstrate our customers' trust in our franchise and enables us to achieve attractive lending spreads. At Interbank, as of December 31, 2022, 75.6% of its total funding base was comprised of deposits. Interbank's deposit base is broad and fragmented, such that it is not dependent on a certain type of customer, which provided Interbank with an average cost of funding of 2.4% for the year ended December 31, 2022 and 1.3% for the year ended December 31, 2021.

Interbank has been a significant player in the Peruvian banking industry with a market share of demand, savings, and term deposits of 10.7%, 17.5%, and 11.7%, respectively, as of December 31, 2022, according to SBS. Moreover, our strategic focus on retail has allowed Interbank to gain market share in retail deposits over the years reaching 14.9% as of December 31, 2022 as compared to 12.8% as of December 31, 2016, providing us with a healthy funding base.

Given our competitive advantage in the retail segment, over the last two years, increased growth in deposits was attributable to an increase in our clients' liquidity as the result of (i) partial cash withdrawals from CTS accounts systemwide and the private pension system, (ii) commercial deposits related to unused funds from the Reactiva Perú program, and (iii) the widespread adoption of a "savings" mindset, all as a result of the effects of the COVID-19 pandemic.

Interbank's strong asset quality and capital and liquidity position have resulted in two of the highest local ratings levels possible, which have allowed it to secure local funding through local short-term and long-term debt market issuances.

Experienced management team with proven ability to foster a merit-based culture and a highly motivated work force

We believe that the strength of our senior and middle management team has enhanced and will continue to be a key driver of our successful business model. We benefit from an experienced, diverse and talented management team. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe.

We are focused on attracting, developing and retaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables us to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 20 consecutive years and one of the top 20 places to work in Latin America in the past nine years. In the most recently available rankings, Interbank was selected number one best company to work for in Peru in the large size category (2022), number one in Latin America (2021), number eleven for women in Peru (2021), number one for work from home in Peru (2021), number seven for diversity and inclusion in Peru in 2021, and number two for millennials in Peru (2021). Similarly, Interseguro was selected as the third best company to work for Peru in the medium-size category (2022) and is the only Peruvian insurance company that has been chosen as one of the top 10 best places to work in Peru (medium-size category) by the Peruvian Great Place to Work Institute. In 2022, Inteligo's three subsidiaries located in Peru (Inteligo SAB, Inteligo Peru Holdings and Interfondos) participated together under the name "Inteligo Group Peru" and Inteligo Group Peru was selected as the third best company to work for in Peru in the medium-size category. Inteligo Bank's branch in Panama began participating in the Great Place to Work Institute survey in 2014 and since 2015 has been ranked among the top 10 companies in its category (companies with 30 to 250 employees) in Panama. Similarly, Izipay, as a financial services and payments technology platform that enables digital payments and simplifies commerce experiences, competes for top talent in Peru and the region. We believe that a strong culture focused on employee experiences that enables advancement, learning, and individual career insights is essential to the successful acquisition, development, and retention of diverse talent. To that end, since its acquisition, we have implemented programs at Izipay focused on inclusive hiring practices, enriched virtual new hire experiences, individual coaching and mentorship programs, and ongoing learning opportunities.

Developing strategic alliances to challenge us continuously to offer high quality digital services to our customers

In September 2020, Interbank announced a strategic alliance with Rappi, a leading super app in Peru and in Latin America, to deliver 100% digital products in Peru under the RappiBank brand, exclusively available through the Rappi App. Under this alliance, we leverage Rappi's exponential growth, high level of customer engagement and digital and analytical capabilities, together with Interbank's solid risk management and financial services proven expertise to allow Peruvians to access financial products and services in an agile, contextual and 100% digital manner, while at the same time enabling us to interact with customers wherever they are and expand the scope of our business.

The alliance's product offerings include a savings account with payments capabilities (bills, mobile top-ups, cardless ATM withdrawal, interbank in/out transfers, among others), and the first-to-market (and only) PAN-less and name-less debit and credit cards that are delivered as fast as within the hour in locations under Rappi coverage. As of December 2022, RappiBank had 240,191 customers.

Increasingly integrated business platform with synergy potential supported by a strong parent group

Since the introduction of our insurance, wealth management and payments operations alongside our banking operations, we have strived to share and leverage key resources and capabilities across all four segments, which has resulted in enhanced revenues.

Our banking operations remain our core competency that binds together all our operations, while our insurance and wealth management operations are expected to continue supporting our growth. We believe that our continuous efforts to better integrate our four segments, combined with our focus on digital transformation, our existing distribution channels, experience and knowledge of our customer base and the Peruvian market, is a significant competitive advantage.

Furthermore, our parent company, Intercorp Peru, is one of Peru's largest economic conglomerates, with activities spanning financial services, retail, education and real estate, among others. In 2022 and 2021, Intercorp Peru's businesses represented approximately 4.0% and 3.5% of Peru's GDP, respectively, while generating U.S.\$9,846 million and U.S.\$7,625 million in revenue, respectively. We believe that being part of this group gives us a competitive edge, because of the group's deep knowledge of the Peruvian consumer, extensive focus and know-how in the Peruvian retail market, highly visible in-country presence and rapid decision-making capabilities. Intercorp provides significant synergy and cross-selling opportunities for IFS. For example, starting in 2018, we, jointly with Intercorp Peru, launched an effort to strengthen our presence and commercial efforts in seven of Peru's main regions: Arequipa, Cusco, Trujillo, Chiclayo, Ica, Huancaayo and Piura, by leveraging on Intercorp's already established network.

Also, with the acquisition of the remaining 50% equity interest in Izipay in April 2022, we expanded our capacity to cross-sell products and services and benefit from synergies across all our segments, providing a unique value proposition to our customers.

Analytical excellence as a tool to become the company with the deepest knowledge of Peruvians

Our advanced analytics capabilities are being enriched with new data sources and technology tools, such as cloud, real-time decision, machine learning, artificial intelligence and big data. We aim to have the deepest understanding of Peruvians, both individuals and companies, as we believe that a deep knowledge of our current and potential customers' characteristics and adapting to their behavior is important to better serve them, and to offer them the best solutions according to their needs and risk profile.

Investments in technology represent the pillar of this strategic initiative, and we are working in a variety of areas to achieve this goal, including data and infrastructure, advanced marketing analytics, and risk profiling and pricing models, as well as improving our customer management system ("CRM") capabilities, including contextual marketing. With the support of our team of data scientists, we centrally design and distribute most of our sales campaigns, have substantially improved our campaign effectiveness and are currently employing real-time decision making on certain campaigns. This combination of investments has helped make us more dynamic and able to approach customers in real time, by offering easy-to-understand information and agile and transparent processes that generate trust in us. Additionally, we have bolstered our investments in cybersecurity as we believe it is fundamental to provide a secure platform to be able to continue with our digital transformation.

These efforts also include different actions undertaken to have a better understanding of the self-employed segment of the population, which constitute a significant opportunity for financial services given the current low penetration levels. We are working on alternative risk profile models for new customer acquisition using new sources and non-traditional sources of data.

Our analytics vision is to have a fully deployed online CRM which relies on real-time data, cloud processing, automated and reusable variables, real-time decision and actions, and an integrated infrastructure to support these new processes.

Retain top talent with a unique culture, fostering a strong sense of achievement

We believe that a motivated workforce leads to high-quality customer service, which leads to satisfied customers and better results. To foster a motivated workforce and performance-based culture, we have developed multiple drivers aligned to what matters most to our people. This is demonstrated by our first place ranking among Peruvian and Latin American companies in all our core segments by the Great Place to Work Institute and recently also in the specific rankings for women, millennials and remote work arrangements.

In past years, we had focused on changing the way we work to agile methodologies. During 2022, certain teams have defined their objectives and key results and we are focusing on deploying the methodology to the whole organization. Moreover, we believe we are extremely focused on developing digital, analytical and technological capabilities and changing the mindset of our people to align with these objectives. Furthermore, we continue to attract and retain some of the best talent in the region, as well as continuing to focus on diversity, inclusion, innovation and our values.

Therefore, we have introduced a series of initiatives such as LearnIn Day, Expo Analytics and SALTO. We have also created tailor-made training programs including the Law, Risk and Finance Academies, Learning Plus, *Interbank Aprende* and Tech University. We have also partnered with top institutions such as Udemy to strengthen a continuous learning culture in our organization.

Additionally, as we strongly believe that career opportunities are one of the best ways to develop our people, we have designed Career Paths for our digital, analytical and technological talent and we continue to rotate our employees throughout the organization. We also maintain our programs focused on young talent. In 2022, we launched the sixth class of our Digital Trainee Program (Tribk) and the twenty-seventh class of our Commercial Trainee Program.

Interbank, Interseguro, Inteligo and Izipay will continue their efforts to attract, develop and retain highly qualified personnel and to maintain a performance-based culture that emphasizes teamwork to keep employees motivated and deliver high-quality service and strong results. In this context, the COVID-19 pandemic has given us the opportunity to attract talented people from all around the world as we do not require them to be physically located in Peru and through our flexible work policy called "*Interbank Eres*" which allows our employees to work from wherever they prefer.

Strategy

Our purpose is to empower all Peruvians to achieve financial well-being. By doing so in our four business segments, we believe that we can help our clients to access the same opportunities to build and assure their futures. We strive to (i) increase our customer base by leveraging data and analytics with sound risk management skills, (ii) provide the best digital experience based on operational excellence and (iii) become the leading digital financial platform to provide profitable solutions with a clear strategic focus on key businesses such as payments, consumer financing, wealth management and life insurance.

To achieve these goals, we continue working on four main pillars:

- Developing a simple, resilient and scalable technology platform for current and future growth;
- Becoming a data driven organization with deep understanding of Peruvians and consumer preferences;
- Attracting and developing the best talent within our remote-first framework;
- Becoming a leader in sustainable operations within our segments in Peru.

Growth with strategic focus on key businesses

We have built a financial platform that is very focused on areas in which we believe we can find a unique combination of our own key capabilities, coupled with potential for growth and profitability: Interbank is a universal bank with strategic focus on retail banking; Interseguro is an insurance company focused on life and annuities; Inteligo is an advisory firm for the emerging wealthy; and Izipay is the pillar for building our payments ecosystem.

Interbank is a universal bank with strong market share in retail and a strong focus in consumer finance, which represents 61% of our loans portfolio, compared to 54% of the total loans outstanding within the Peruvian Banking system as of December 2022, according to data from SBS. We are continuously improving our value proposition for different customer segments including improvements to products such as accounts, payments and financing. We have developed several digital features and products to serve different customer needs, such as: the loyalty program Interbank Benefit, the digital wallet Tunki, the budget tool Mis Finanzas, the digital savings account Piggybank. In order to ensure we deliver customer-oriented products, these solutions have been designed together with our innovation lab LaBentana. We have a goal to grow our retail deposits at a faster rate than that of the Peruvian banking system while optimizing our physical distribution channels. As part of this optimization, we have reduced the number of Interbank financial stores by over 40% as of December 31, 2022 from its peak in 2016. Moreover, our expertise and digital strategy in retail banking has allowed to improve our relationship with our customer, while increasing profitability, growing customer, raising cross-selling and boosting operating leverage.

Within commercial banking, our priority is to be the preferred bank for Peruvian businesses with a strong focus on profitability. More than half of our commercial loan portfolio outstanding as of December 31, 2022 was allocated in what we consider to be very low risk corporate clients while the remaining of the portfolio was placed to SMEs, a segment that is riskier but more profitable due to our special knowledge and expertise on key products and industries. In this context, our value proposition for commercial clients is based on (i) delivering customer oriented digital solutions, (ii) building long lasting relationships, (iii) developing strong expertise in relevant sectors, and (iv) having a fast decision-making process. We want to create value for our customers by becoming their transactional bank, connecting and collaborating with their suppliers, customers, employees and communities, co-creating products and services, all focused on their own ecosystem. We aim to provide the best self-service and automated credit experience for commercial clients by offering them with a 100% digital journey focused on cash management solutions such as *Cuenta Negocios*, sales financing such as *CIMA*, sustainable loans, and easy and transparent ways of managing payments, such as *Cobro Simple*, *Cuenta Sueldo* and through Izipay.

In our insurance segment, Interseguro is strategically focused on life insurance and its life insurance portfolio has had a fast growth rate in recent years. During the year ended December 31, 2022, the premiums earned from life insurance customers represented 89% of Interseguro's total premiums earned, compared to the average of 52% of life insurance premiums earned over total premiums earned in the industry as of December 2022, according to data from SBS. Within our life insurance practice, we focus on annuities, individual life and retail insurance, directing our efforts towards an end-to-end experience in our customers' journey, from the issuance of an insurance policy to the after-sale services we offer to clients. In this context, our digital offering is gaining relevance. As an example, digital mandatory auto insurance (*Seguro Obligatorio de Accidentes de Tránsito*, or "SOAT") policies accounted for 78% of total SOAT sales in the month of December 2022. Additionally, our after-sale offerings are expected to become a virtual self-service experience, with the aim of ensuring customers have a simple and positive interaction with us and positive development in digital indicators.

In our wealth management segment, Inteligo's primary focus is to preserve and enhance the wealth created through people's careers and lifetime. The approach is focused on its value proposition, offering digital onboarding and products and services by segment, with a 360-degree view of its customers. To acquire depth knowledge of the needs of its customers, Inteligo cultivates a culture of closeness with them, while also leveraging the wide array of financial products that can be offered through its subsidiaries, as well as through IFS' platform. In this context, we have been able to achieve good financial results through a low-intensity capital business model uniting cost efficiencies and diversified sources of revenues over the years, as we complement our products and services across all IFS' business segments.

Finally, in our payments section, Izipay is a key player to our goal of creating the largest payments ecosystem in Peru. Izipay is a payments company and provider of products and services related to payments acquirer, a correspondent bank and a credit cards processor. Izipay is one of the leaders in the physical card payment business in Peru. At Izipay, we are growing our core business by increasing adoption of our digital payment methods, while increasing synergies with our other segments.

We believe Izipay will strengthen our strategic and competitive positioning in the payments landscape in Peru and will allow us to explore new sources of growth and monetization opportunities. Moreover, it represents additional potential for merchant financing and additional services for merchants, complementing its value proposition with Interbank's product suite, together with some existing synergies with our banking business. We are currently building and testing the use of Izipay solutions to Interbank's merchant clients and their micro-loans, providing significant cross-selling opportunities and enhancing customer loyalty.

We aim to become the preferred option for our individual and commercial customers and to help them achieve financial well-being and growth by understanding and anticipating their needs, as well as by offering financial solutions that can be deployed at every contact point with the clients in real time, including in-person and digitally, and in real time. We believe that maintaining a trustworthy and transparent relationship with our customers, together with the superior, simple, mobile, agile and personalized experience that we offer, brings us closer to this goal. Our highly recognized and trusted brands in each of our segments (Interbank in banking, Interseguro in insurance, Inteligo in wealth management and Izipay in payments) are a testament to our focus on this objective. Our subsidiaries are leaders in their respective industries and, by focusing on our strengths, values and solid relationships, we plan to continue evolving and growing.

Create the largest payments ecosystem in Peru

We strive to provide solutions to address the payment needs of people and companies by creating a payment ecosystem that seeks to build a strong bond with our customers, focusing on five pillars: (i) growing number of customers and transactional volumes by extending merchant coverage, improving customer experience and banking the unbanked, (ii) replacing cash by banking unbanked accounts, through pre-paid cards and through our open APIs that allow partners to access our account opening and basic financial-transaction services, (iii) scaling up e-commerce initiatives such as those related to marketplace and our Buy Now Pay Later solution, (iv) creating new consumer finance product offerings based on the information provided by people using our payment initiatives, and (v) offering financing and aggregated services to merchants.

Moreover, our payments ecosystem benefits from having strong solutions on both ends of the market. On the retail customer side, Izipay has a strong market share, as well as knowledge of the traditional and digital card payments. On the merchant side, Izipay complements the role of Interbank's digital wallet Tunki of interacting with Peru's unbanked population. It also complements Interbank's sales financing tool CIMA, while our shared directory Plin allows us to interact with customers from other banks and serves as a bridge between retail customers and micro-merchants. This wholesome ecosystem also allows us to scale up our other initiatives such as our e-commerce solutions, our marketplace Shopstar and the Buy Now, Pay Later solution *Dividelo*.

Tunki is our digital wallet and is mainly focused on the unbanked population and was built based on a 100% digital experience from onboarding to the customer care experience. It is a free application that allows users to create a digital mobile wallet to send and receive payments, P2P and P2MB, without previously having an account with Interbank. As of December 31, 2022, the number of Tunki users was 2.5 million compared to 1.6 million as of December 31, 2021. While the user base is constantly growing, in numbers and in activity, we plan to strengthen our value proposition with new financial products to become an "entry-level" bank to unbanked people.

Plin is a P2P and QR code payment solution which interacts with multiple financial institutions and serves as a bridge between the banked and the unbanked through cell phones, as services may be conveniently accessed through the Interbank app. These payments are offered around-the-clock and are commission-free to all enrolled customers. Interbank is currently one of seven financial institutions that are Plin's partners. As of December 31, 2022, Plin reached 9.8 million users.

CIMA is a 100% digital financing solution with immediate disbursement that allow small merchants to access working capital loans they need to grow their businesses quickly and easily.

Dividelo is the name of our Buy Now, Pay Later solution which is already connected to over 40 e-commerce businesses in Peru and growing.

Shopstar is an online marketplace aiming to become the preferred e-commerce option for IFS customers and a sandbox to evaluate some of our initiatives such as *Dividelo*. It was created from the insight that many of our customers were not comfortable buying on e-commerce but would be willing to try it in a platform that was supported by Interbank. As of December 31, 2022, Shopstar had approximately 130 thousand users.

Interbank is continuously searching for alliances and opportunities in the digital market as well as in the payment ecosystem.

The best digital experience based on operational excellence

We want to deliver a seamless and superior experience to our customers, while becoming more relevant to them. We believe that acting on these goals will allow us to more effectively serve our customers, enabling them to get what they want, when they want it, and how they want it. We believe that the key to ensure that our customers will have the best experience when interacting with us is to create unique experiences throughout their customer journey, including during new client acquisition, on-boarding, customer development to earn loyalty, and during retention stages. We have been implementing various initiatives to improve the customer relationship cycle.

We seek to build entirely digital solutions for the customer journey and accelerate the growth of our customer base by creating innovative and distinctive tools that deliver financial solutions to people, micro-merchants and all types of business in an accessible and efficient way, throughout all our business segments.

With the Izipay acquisition, we have further expanded our digital ecosystem by becoming a provider of financial services and technology solutions that enable consumers, individual entrepreneurs, micro-merchants, SMEs, in Peru, to make and/or process payments in a safe, seamless, digital, mobile first and affordable manner. Izipay operates a national, two-sided network at scale that helps merchants and consumers connect, transact, and complete payments, whether they are online or in-person. As of December 31, 2022, the number of Izipay merchant active accounts (merchant codes) in Peru was 1 million compared to 0.7 million as of April 2022.

Izipay is one of our accelerated growth initiatives focused on creating the largest payments ecosystem in Peru and is being integrated with Interbank to create a seamless digital journey for customers. Izipay's approach is focused on providing a best in-class customer experience and expanding our value proposition for merchants and consumers by partnering with merchants to grow and expand their business online and in-store, and providing consumers with simple, secure, and flexible ways to manage and move money across different markets, merchants, and platforms and simplifying their shopping experiences. Our aim is to anticipate user's needs and make relevant suggestions to support business management and growth.

At Interbank, we have built a seamless digital customer journey with teams dedicated to improving each step of the customer experience. We believe that a strong on-boarding leads to higher engagement from customers while an increase in engagement will create a tangible higher NPS and lower churn. In digital, we are focusing our efforts on expanding the products and self-service interactions, continuing to foster the adoption of digital channels by our customers, adding new features according to their needs, and ensuring that interactions with our customers are safe and secure.

Within commercial banking, we are working on a radical simplification of our products and processes together with digitalizing each point of contact with us. Moreover, one of the most important points of contact for our clients is the post sales division, where we solve inquiries, claims and any operational issues that our customers have, using channels like the WhatsApp for businesses or the virtual chatbot.

Regarding our cash management platform, it has three types of client groups based on sales volume, which allows us to employ different strategies accordingly. For large corporations, we focus our efforts on generation of fees from cash management and corporate finance; for medium-sized companies we focus on growth, productivity and cash management; and for small companies we focus on sustainable growth and productivity with strong support from analytics and collection. For small businesses, since its introduction in August 2018, our *Cuenta Negocios*, an account that can be opened 100% digitally, has grown to 186,000 accounts as of December 31, 2022.

Within retail banking, we have developed several high impact digital solutions based on customer preferences and needs. These solutions have been designed together with our innovation lab LaBentana based on deep understanding and research, as well as through certain co-creation with our customers. We have decided to make all our solutions available in our Interbank App, which we strongly believe to be our most valuable channel going forward in our relationship with our customers, considering the decrease of in-person interaction. Over the year 2022, the percentage of financial transactions performed on Interbank's branches over the number of total transactions has continued to decrease, declining 11% compared with the percentage of transactions performed in-person during the year 2021. In contrast, digital sales have increased during the year ended December 31, 2022, reaching 64% of Interbank's total sales from 57.8% during the year ended December 31, 2021.

Through our physical channels, we continue to focus on providing a superior customer experience and are improving productivity and efficiency through digital processes, tools and more advanced analytics. Additionally, we continue to invest in educating our customers to encourage the use of digital and other channels. Deposits, withdrawals, bills and credit cards payments are being redirected to other more convenient and cost-efficient channels.

At Interseguro, we want to be the preferred and most convenient digital insurance company, using active listening mechanisms to improve customer experience and be characterized as a data driven organization to gain a competitive advantage against our peers. In this sense, the digital journey started with the launch of the online sale of SOAT in 2016 and continued with the sale of new digital products such as travel insurance, car insurance and individual life insurance. In addition, Interseguro accelerated the digitalization of its sales of annuities and life insurance products. For example, Vida cash, a 100% digital life insurance, has been gaining relevance in the life insurance business from being inexistent years ago to represent more than 39% of premiums of the individual life policies outstanding in Peru as of December 31, 2022.

At Inteligo, we focus on offshore wealth management services and have launched a digital platform that allows on-boarding, financial planning, and advisory and execution services to be part of our digital customer journey. Moreover, our value proposition is centered on giving what we consider to be the best investment advice possible and to be able to do so, we maintain relationships with our customers to acquire in depth knowledge of their needs. Apart from being knowledgeable about our customers' needs, we believe we can be more responsive as a result of a horizontal organizational structure and entrepreneurial mindset. Additionally, our competitive edge is adapting to the changing needs of our customers to give them agile solutions. As an example, since 2021, Inteligo Bank has been developing new digital products and services for its clients, complementing the previously existing services provided by their relationship officer under a "phygital" model.

We will continue to focus on our digital transformation to enhance efficiency through the automation of internal processes and use of technology. Our goal is to be more efficient while utilizing fewer resources in our customer interaction.

Resilient, simple and scalable technology

To achieve all of the above, we believe that building a scalable, flexible, trustworthy, stable and secure technological platform is essential. We believe that we have deployed the key initial investments necessary to scale our platform and are committed to continue to improve it by maintaining and updating our current levels of investment in technology.

Our IT strategy is focused on working in collaboration with open technological platforms to transform our operations supporting the digital-only approach. Our focus is based on three main areas of work: (i) resilience, (ii) journey to cloud, and (iii) world-class security. What we refer to 'resilience' is maintaining up-to-date critical core applications and high performance and stability of our technological platforms. Our 'journey to cloud' refers to the modernization of the main applications towards cloud native versions and the evolution of the cloud operation governance model. Finally, our 'world-class security' goal is to have the adequate equipment, processes and tools that allow us to operate in a safe environment on a daily basis.

In this context, Interbank continuously invests in the update of core applications while additional effort and resources are invested in the digitalization and transformation of processes and channels in order to provide an entirely digital experience to all customers.

Moreover, we have moved from working with 17 teams within our agile digital solutions framework in 2017 to more than 110 teams in such framework as of December 31, 2022, allowing us to substantially decrease time-to-market and to develop more innovative ideas.

Additionally, during the year 2022, we have bolstered our investments in cybersecurity as we believe security is essential for our platform to continue to enable our digital transformation. General-purpose technologies have also been implemented to our operations to mitigate cybersecurity risks and these controls are constantly evolving and being aligned with industry trends.

We strongly believe that our IT strategy will allow us to deliver high standards of cybersecurity and compete with high performing players in the region, including financial incumbents and digital disruptors.

Strengthen a data driven organization

Our advanced analytics capabilities are being enriched with new sources of data and new tools that technology offers, such as cloud, real-time decision, machine learning, deep learning, artificial and continuous intelligence and big data. We aim to have a deep understanding of the habits of Peruvians, both individuals and companies, as we believe that a deep knowledge of our current and potential customers' characteristics and adapting to their behavior is important to better serve them, and to offer them the best solutions according to their needs and risk profile.

In this context, at Interbank, our goal of deepening our understanding of Peruvians focuses on three strategic areas: (i) marketing analytics, (ii) risk, and (iii) collections.

In marketing analytics, we aim to anticipate the needs of our customers with personalized and timely solutions. We are evolving from advanced analytics to artificial intelligence to deliver personalized, real-time experiences to all our customers. At the end of 2022 we had over 300 retail and risk models that use over 2,500 variables, most of which are in the cloud. We are focused on improving time-to-market, as well as increase the number of personalized offers. In this way, we connect with our customers with higher impact in engagement at a more efficient cost.

Secondly, our ability to assess our customers risk profile in the correct manner, together with our balanced portfolio approach, has allowed us to grow in healthy manner. We focus on improving our assessment, through more and better models and using as much information as possible. Furthermore, we have been able to deliver contextual credit offers digitally in real and near real time which allows us to maximize the relationship with strong credit customers, while generating a sense of togetherness and loyalty.

Finally, we also apply advanced analytics to improve our debt collection process, creating an efficient, digital and empathetic experience. As for example, machine learning models have allowed us to improve contestability and response, as well as the contact with customers. This has been important to develop a self-service environment that gives our customers flexibility in an easy and empathetic manner.

Investments in technology represent the pillar of this strategic initiative, and we are working in a variety of areas to achieve this goal, including data and infrastructure, advanced marketing analytics, and risk profiling and pricing models, as well as improving our CRM capabilities, including contextual marketing. With the support of our team of data scientists, we centrally design and distribute most of our sales campaigns, have substantially improved our campaign effectiveness and are currently employing real-time decision making on certain campaigns. This combination of investments has helped make us more dynamic and able to approach customers in real time, by offering easy-to-understand information and agile and transparent processes that generate trust in us.

These efforts also include different actions undertaken to have a better understanding of the self-employed segment of the population, which constitute a significant opportunity for financial services given the current low penetration levels. We are working on alternative risk profile models for new customer acquisition using new sources and non-traditional sources of data.

Our analytics vision is to have a fully deployed online customer management system which relies on real-time data, cloud processing, automated and reusable variables, real-time decision and actions, and an integrated infrastructure to support these new processes.

Through analytics, we are working to become the digital ally in hearts and minds of Peruvians.

Unique working environment to capture and retain the best talent worldwide

We believe that a motivated workforce leads to high-quality customer service, which leads to satisfied customers and better results. Our commitment to fostering a motivated workforce and performance-based culture is demonstrated by being ranked among the top Peruvian and Latin American companies in all our core segments by the Great Place to Work Institute and recently also in the specific rankings for women and millennials.

We also believe that diversity makes us stronger and enhances our innovation. For this purpose, we have introduced a series of initiatives such as Expo Analytics, Interbank Hackathon, Innovaton, Interbank Datathon, as well as Innovation Day at the InterCorp Peru level. We have also created training programs including the Agile Academy, Tribk, and the Interbank Tek program.

As talent is considered by us as one of our main pillars, we seek to capture and retain the best talent worldwide. This is possible because our flexible remote work framework ERES, launched as a response of the pandemic, is a competitive advantage in the context of digital financial services and allows us to stay connected while achieving our goals wherever we are. Our ERES framework has allowed us to attract regional talent on key positions.

We continue building on the pillars of our corporate culture: leadership, horizontality and growth. They help us promote an environment of transparency, openness, and personal and professional development, especially in such areas as data, digital and soft skills. Additionally, we are searching the balance between organizational agility and culture to generate more value in the business and engagement in our teams.

Interbank, Interseguro, Inteligo and Izipay will continue their efforts to attract, develop and retain highly qualified personnel and to maintain a performance-based culture that emphasizes teamwork to keep a motivated workforce that delivers high-quality service and strong results.

An ESG framework embedded in our management

At IFS, we are positively impacting our stakeholders and building an organization focused on sustainability. In this context, our culture is centered on respect for the environment; responsible social practices; encouraging inclusion, equality and diversity; and having world class corporate governance standards.

Moreover, we are adopting stronger and more widespread ESG practices to drive value creation not only for shareholders, but for all stakeholders over the long term. Our ESG initiatives include actions in three areas:

- Environment:
 - Measuring our carbon footprint, developing sustainable office infrastructure, and implementing recycling, and energy efficiency strategies;
 - Following the guidelines of the Science Based Targets initiative, we are currently defining science-based targets to contribute to Net-Zero by 2030;
 - Following the guidelines of the Science Based Targets initiative, we are currently defining science-based targets to contribute to Net-Zero by 2050;
 - Identification of financial risks on infrastructure derived from climate change.
- Social:
 - Focus on creating an environment of a great place to work in order to attract, select, retain and develop the best talent;
 - Focus on our zero tolerance policy on sexual harassment, women in leadership and workplace inclusive practices;
 - The creation of a Diversity, Equity and Inclusion Policy approved by the Board;
 - The creation of a Diversity, Equity and Inclusion Committee;
 - Corporate volunteer community program;
 - Digital payments, digital savings accounts, micro-credit, micro lines of credit, financial protection and wellbeing, contributing to financial and sustainable inclusion;
 - Initiatives that support financial education and digital literacy;
- Governance:
 - Best corporate governance practices in terms of board composition, diversity and transparency of social and environmental indicators;
 - International standards, alignment with PCI DSS/NIST CSF and SBS compliance;
 - Reinforced security protocols for enabling remote work and strong CyberSOC capabilities to prevent, detect, react timely for cyber threats.

Through ESG Finance, IFS offers new financial instruments that will facilitate the transition to a low carbon economy and stimulate sustainable development. As of December 2022, we have disbursed 167 million dollars in sustainability-linked transactions. Moreover, we are currently working with IDB Invest to set in place a scalable ESG Finance Framework.

In 2022, IFS has participated in the S&P Global Corporate Sustainability Assessment and reached a score of 62 points, 9 points above the registered for the first time in 2021 and 16 points above the 2022 industry's average.

Banking Segment

Overview

Interbank provides retail and commercial banking services to more than 5.5 million total customers as of December 31, 2022, which includes more than 5.3 million retail customers and approximately 152,232 commercial clients. It is the fourth largest bank in Peru in terms of total assets and total loans, and third largest in terms of total deposits, with market shares of 13.3%, 12.7% and 13.5%, respectively, as of December 31, 2022 according to the SBS. Interbank is focused on fast-growing and highly profitable retail banking businesses, such as credit card financing, payroll deduction loans to public employees and mortgages, as well as Peruvian corporates and medium-size companies within commercial banking.

Given this focus, 53.6% of Interbank's gross loans as of December 31, 2022 correspond to retail banking, compared to 36.2% for the Peruvian banking system, according to the SBS. Interbank is the second largest provider of consumer loans, the leading player among private banks in payroll deduction loans to public sector employees and the third largest bank in retail deposits in Peru. As part of its strategy to serve retail banking customers, Interbank has one of the most convenient and extensive retail banking distribution networks in Peru and is currently present in 23 of Peru's 25 regions. Interbank serves its customers through 164 financial stores, 1,554 ATMs throughout Peru, which is the third-largest ATM network nationwide and one of the largest out of branch ATM networks, and 5,672 correspondent agents (includes external network), and a digital platform including a mobile app with 70.9% of 100%-digital customers as of December 31, 2022.

In the commercial banking line of business, which represents 46.4% of Interbank's gross loans as of December 31, 2022 according to the SBS, Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business. These products and services are attractive not only for the financial margins they offer, but also for the fee income they generate. In addition, these products and services enhance customer loyalty and provide significant cross-selling opportunities.

For the years ended December 31, 2022, 2021 and 2020, Interbank's net results were a net profit of S/1,374.1 million (U.S.\$360.3 million), net profit of S/1,360 million (U.S.\$341.2 million), and net loss of S/5.7 million (U.S.\$1.6 million), respectively. As of December 31, 2022, 2021 and 2020, Interbank had shareholders' equity of S/7,478.8 million (U.S.\$1,960.9 million), S/7,002.0 million (U.S.\$1,756.2 million) and S/6,224.5 million (U.S.\$1,719.0 million), respectively. Interbank's ROE and ROA for the year ended December 31, 2022 were 19.8% and 2.0%, respectively. Interbank's ROE for the years ended December 31, 2021 and 2020 was 21.0% and negative 0.1%, respectively, and ROA for the years ended December 31, 2021 and 2020 was 2.0% and 0.0%, respectively. See "Item 4. Information on the Company—Business Overview—Non-GAAP Financial Measures" for an explanation of the adjustments made in 2020.

COVID-19 Measures

During 2020 and 2021, the Peruvian government implemented extraordinary measures to secure the continuity of the economy's payment chain. The main measures implemented in the financial system were related to facilities for loans rescheduling (payment deferrals), suspension of counting of past due days, partial or total withdrawal of deposits for CTS, Repo operations with the BCRP and the launch of credit programs guaranteed by the Peruvian Government, such as Reactiva Perú.

Business Lines

Interbank has three business lines: (1) retail banking, (2) commercial banking and (3) treasury and institutional.

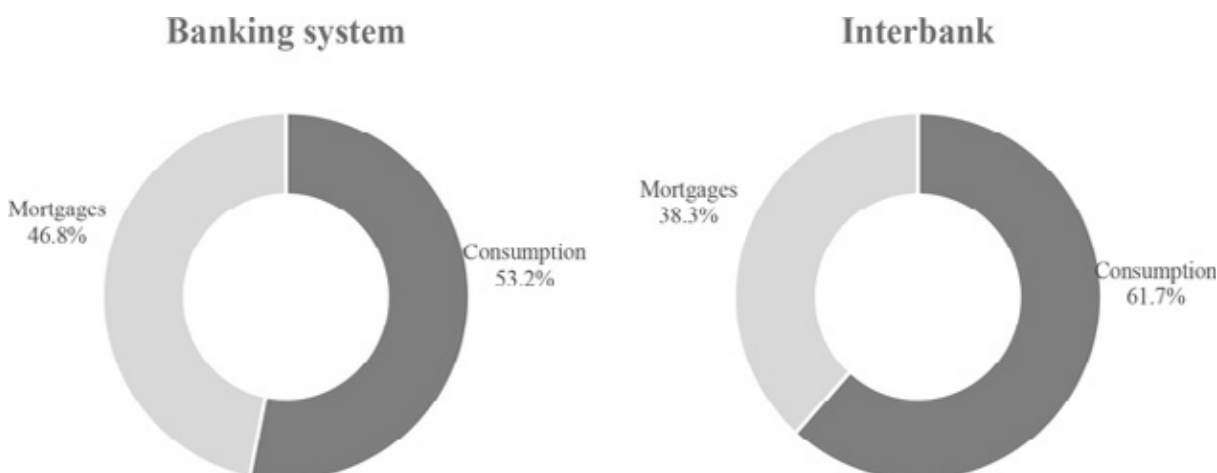


Retail Banking

Interbank's retail banking business line provides a variety of financial products and services to individuals including retail loans and retail deposits. Interbank's retail banking strategy consists of providing the best customer experience through convenient, agile and friendly service. Interbank's key objectives include increasing its market share in its core products through

acquiring new clients, increasing its share of wallet and cross-selling products to its existing customers. Interbank seeks to meet the financial service needs of Peru's growing middle class. Interbank believes the retail banking sector presents significant opportunities to continue to grow and sustain high margins, while taking on reasonable risk.

As of December 31, 2022, retail loans represented 53.6% of Interbank's total loan portfolio outstanding as compared to 36.2% for the Peruvian banking system under SBS GAAP. Furthermore, Interbank's strategy also seeks to continue capturing low-cost funding through a stable and diversified deposit base. The following charts show Interbank's and the Peruvian banking system's retail gross loans breakdown according to the SBS as of December 31, 2022.



Source: SBS.

Retail Loans

Retail loans consist of consumer and mortgage loans. Interbank classifies its consumer loans into three categories: (1) credit cards and (2) payroll deduction and (3) personal loans.

Consumer Loans

(1) *Credit cards*. Credit cards represent the largest portion of Interbank's consumer loan portfolio in terms of outstanding loans. Interbank offers its retail customers two major credit cards: VISA and American Express. Interbank has an exclusivity agreement with American Express for its Centurion line of credit cards in Peru. Interbank also offers credit cards with different value propositions catering to each customer segment.

In November 2019, the SBS issued Resolution No. 5570-2019 which became effective in January 2021. This resolution establishes that the non-revolving financing portion of credit card loans must be presented for regulatory considerations as loans instead of credit card loans. Under SBS GAAP figures, this resulted in a significant reduction to Interbank's credit card loan balances, market share and a change in its retail loans portfolio mix.

(2) *Payroll deduction loans*. Payroll deduction loans to public sector employees such as police officers, teachers and army employees, Interbank ranks first among private banks in Peru in terms of payroll deduction loans to public sector employees, with a market share of 22.3% as of December 31, 2022 as compared to 25.2% as of December 31, 2021.

The risk of default under payroll deduction loans is low, because the employer deducts the loan payments from the employee's salary and makes payments directly to Interbank. Additionally, these payroll deduction loans are legally required to be insured by an insurance company against the death and disability of the borrower. Interseguro provides substantially all of the insurance policies for these loans although customers are free to purchase insurance from other providers.

(3) *Personal loans.* Personal loans include cash loans, student loans, and collateralized cash loans. Cash loans have a term of up to 60 months and a grace period of up to two months. In addition, collateralized cash loans allow customers to include savings accounts or real estate as collateral, have a term of up to 60 months and a grace period of up to two months.

Mortgage Loans

Interbank offers fixed rate mortgage loans with a typical term of 20 years and a typical down payment of 20% denominated in either U.S. dollars or *soles*.

Interbank's mortgage loans outstanding grew at a CAGR of 9.7% between December 31, 2018 and December 31, 2022 compared to a CAGR of 7.4% for the Peruvian banking system in the same period. Between December 31, 2021 and December 31, 2022, Interbank's growth in mortgage loans outstanding was 8.6%, compared to 7.6% for the Peruvian banking system over the same period. For 2021, Interbank's growth in mortgage loans outstanding was 10.5% with respect to 2020, as compared to 8.9% for the Peruvian banking system over the same period. For 2022, Interbank's mortgage loan balances amounted to S/9,306.2 million, of which 93.1% were denominated in *soles* and the remaining 6.9% in U.S. dollars. For the year ended December 31, 2021, Interbank's mortgage loan balances amounted to S/8,572.8 million, of which 90.9% were denominated in *soles* and the remaining 9.1% in U.S. dollars.

Interbank also provides residential construction loans to real estate developers. Although these loans are reported within the commercial banking portfolio, they are managed together with retail banking mortgages because of the synergies between the businesses. Financing real estate projects provides Interbank with an opportunity to market mortgage loans to home buyers.

In 2001, the Peruvian government launched the *Nuevo Crédito Mivivienda* program, a social initiative to promote the construction of low-income housing, of which Interbank is an active participant. As of November 2022, the Mivivienda program had successfully disbursed 12,353 loans, mainly to develop multi-family buildings. The *Nuevo Crédito Mivivienda* program provides direct funding to match each loan underwritten by banks, as well as credit risk coverage for up to two-thirds of any realized loss. Furthermore, the program subsidizes interest rates by rewarding the end customer with direct financial incentives if payments are kept current.

Retail Deposits

Interbank offers a wide range of *sol* and U.S. dollar denominated transactional, savings and investment accounts through one of the largest distribution networks, as measured by total financial stores, ATMs and correspondent agents. These products satisfy key consumer needs and position Interbank as an attractive financial institution for retail customers.

Transactional accounts

Within retail deposits, Interbank offers transactional accounts with different interest rates, maintenance fees and options for accessing funds.

Cuenta Sueldo is a payroll account into which an employer may deposit an accountholder's salary on a regular basis. These payroll accounts provide debit cards for employees and discounts at restaurants and retailers, among other benefits. Interbank offers these payroll account services to employers in conjunction with other commercial banking products, and also markets directly to employees.

Cuenta Simple is used by customers for their everyday banking needs and does not have a maintenance fee. Transactions are free of charge for up to a certain number of monthly transactions through physical channels. In addition, all transactions and transfers performed through online banking and other electronic devices are free of charge. This transactional account is of low cost for Interbank as most of the transactions are conducted through electronic channels. Customers are also able to receive incoming wire transfers in this account. This account type was used to make available the funds that were permitted to be withdrawn from the private pension funds as a result of the Government's COVID-19 relief measure to provide liquidity to individuals.

Savings accounts

Interbank offers savings accounts with a variety of interest rates, maintenance charges and options for alternative access channels, such as ATM cards, and free Internet access and mobile access.

Cuenta Millonaria is Interbank's fastest growing savings account, which may be denominated in *soles* or U.S. dollars. The *Cuenta Millonaria* account allows accountholders to participate in sweepstakes to win prizes such as apartments, cars, courses of studies, among other prizes.

Cuenta Super Tasa offers special interest rates based on clients' account balances and free unlimited transactions through electronic channels.

Alcancia Virtual is a digitally-enabled feature of a transactional or payroll account in either *soles* or U.S. Dollars, which encourages our customers to save. This virtual piggy bank allows customers to easily transfer or "swipe" certain amounts from other accounts to their piggy bank. The funds allocated to the piggy bank are not subject to maintenance fees and benefit from higher rates than those applied to the associated transactional account. Amounts in customers' piggy bank do not show as funds available for ATM withdrawals or for debit card purchases. As such, money deposited in piggy bank accounts improve Interbank's funding base. Customers retain full flexibility to transfer any funds in their piggy bank account to their transactional accounts through mobile banking or online banking and can also personalize the piggy bank account according to their goals or saving purpose.

Investment accounts

Interbank offers time deposits, certificates of deposit ("CDs") and CTS accounts denominated in *soles*, U.S. dollars, and Euros (only for time deposits), to customers who may or may not have a checking or savings account with Interbank.

Interbank offers time deposits and CDs, with maturities ranging from 31 days to one year. Time deposits with maturities of 31 days or more may be opened with a minimum initial balance of S/2,000, U.S.\$1,000, or EUR 1,000. Time deposits with maturities ranging from five years to 10 years are only offered in *soles* and can be opened with a minimum initial balance of S/50,000.

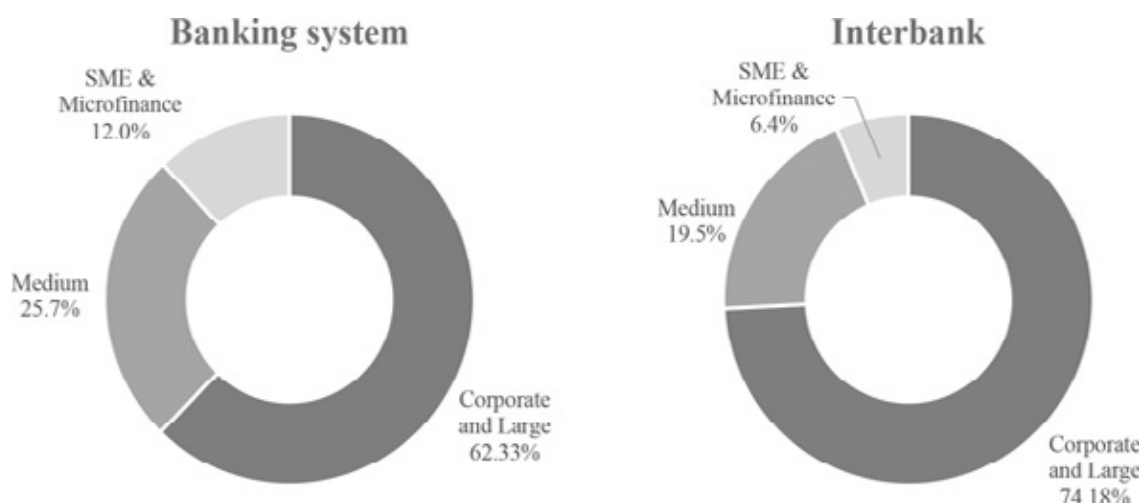
CTS accounts are severance accounts that employers must open for the benefit of their employees pursuant to Peruvian law. Employers must deposit into these accounts twice a year (in May and November) an amount equal to one half of an employee's month salary. Employees may withdraw from their CTS account any amount exceeding the sum of such employee's four months' salary calculated based on the most recent monthly salary.

Commercial Banking

Interbank's commercial banking is organized in three business units: (1) corporate; (2) medium-size businesses and (3) small businesses.

As of December 31, 2022, Interbank was the fourth largest bank in terms of commercial loans outstanding, with a total commercial loan portfolio amounting to S/20.9 billion, representing a 9.2% market share, while its past-due loan ratio stood at 3.1%, the second lowest among the largest four banks in Peru.

The following charts show Interbank's and the Peruvian banking system's commercial gross loans breakdown according to the SBS as of December 31, 2022:



Source: SBS.

According to the SBS, in general terms, corporate loans are loans offered to companies with annual sales exceeding S/200.0 million in the previous two years; large loans are offered to companies with annual sales between S/20.0 million and S/200.0 million in the previous two years, medium loans are offered to companies with a total debt in the Peruvian financial system above S/300,000 in the last six months that cannot be classified as corporate or large companies; small size loans are offered to companies with a total debt in the Peruvian financial system between S/20,000 and S/300,000 in the last six months; micro-company loans are offered to companies with total debt in the Peruvian financial system no higher than S/20,000 in the last six months.

Corporate Banking

Interbank's corporate banking unit is primarily responsible for providing services to companies with annual sales exceeding S/100.0 million or are part of a large economic group. Interbank's corporate banking unit provides investment banking, structured finance and other sophisticated banking products to meet the needs of its target clients. Furthermore, Interbank focuses on developing a relationship with each client and promoting fee-related and low-risk products, such as supply chain financing, collections, transfers and foreign exchange services, all tailored to meet the particular requirements of each client.

Medium-Size Business Banking

Interbank's medium-size business banking unit offers many of the same products as those of the corporate banking unit mainly to medium-size enterprises with annual sales between S/3.0 million and S/100.0 million. The unit primarily provides Interbank's clients with working capital loans secured by accounts receivable and other products, including financing for medium and long-term investment programs. Medium-size businesses also constitute an important source of deposits.

Medium-size enterprises in Peru generally do not have access to financing through local or international capital markets or to term loans from foreign banks. Interbank expects to capitalize on the significant growth opportunities in this sector and to profit from the margins that it offers when taking into account the reasonable degree of risk involved. We believe that this sector will continue to grow along with the Peruvian economy.

Small Business Banking

Interbank's small business banking unit serves companies with annual sales between S/500,000 and S/3.0 million. Interbank offers working capital loans, fixed asset financing, revolving lines of credit and transactional accounts to small businesses. Interbank has invested in building an experienced team and developing a strong IT platform, with online and automated processes to better serve these customers.

Main Commercial Banking Products

Medium-Term Loans. Interbank offers Term Loans, which are loans with tenors over 1 year and with average duration of 3.2 years. These loans are usually collateralized with mortgages and/or other assets in order to secure the credit facility. Furthermore, Interbank earns structuring fees from these transactions.

Leasing. Interbank provides financial leasing including commercial real estate, vehicles, machinery and other goods. At the end of the term of a leasing agreement, the customer has the option to purchase the leased assets.

In recent years, the growth in Interbank's leasing business has been driven by economic growth and related private sector investments. We expect this trend to continue in the future. Furthermore, Interbank is actively pursuing leasing and financing opportunities for machinery and equipment to grow its leasing business.

Cuenta Negocios. The only 100% digital current-account for businesses in the Peruvian market. This account can be opened by customers following a very simple process, with no physical documentation required. *Cuenta Negocios* is the principal client acquisition tool in our commercial banking business. It also supports many other of our products, such as factoring.

Cash management. Interbank offers products and services that strengthen its relationship with clients, build loyalty and reduce costs by using electronic channels and by increasing fee income. Services managed by this unit include collection services (automated trade bill collection), automated payments (payroll and payments to suppliers) and digital banking and cash management. Interbank earns fees from cash management services by charging its clients a fixed fee and a variable fee based on the volume and frequency of the transactions.

Trade finance. Interbank provides short-term loans for trade, funded with internal resources or with credit lines from foreign banks. In addition, the trade finance unit offers medium-term credit lines using funds granted by international commercial banks and foreign governmental institutions. The trade finance unit also earns fees by providing customers with letters of credit, international collection and foreign exchange services.

Interbank intends to take advantage of the growing importance of China in Peru's foreign trade by facilitating trade and investment with both countries. In 2007, Interbank established a Commercial Representative Office in China in order to provide financial services to Peruvian and Chinese companies wishing to trade in either market.

Supply Chain Financing. Interbank's electronic factoring products enable our clients to pay in advance and at a discount to their suppliers. We have a 100% digital-platform for the onboarding of new providers. New customers can also open a *Cuenta Negocios* during that same process.

Treasury and Institutional

The main activities of Interbank's treasury and institutional business line include treasury and institutional banking, as well as securitization services through Internacional de Titulos Sociedad Titulizadora S.A. ("Intertitulos").

Treasury

Interbank is an active participant in the money and foreign exchange trading markets in Peru. Its money market desk plays an active role in the *sol* and foreign currency short-term money markets. In addition, the money market desk participates in the auction of certificates of deposit issued by the Central Reserve Bank of Peru. Interbank's proprietary trading activities focus on foreign exchange trading and short-term investments in securities, which primarily include certificates of deposit of the Central Reserve Bank of Peru, Peruvian global bonds and sovereign debt instruments.

Institutional Banking

Interbank's institutional banking unit serves primarily non-profit public and private organizations, international entities, educational institutions and nongovernmental organizations. As of December 31, 2022, the institutional banking unit had more than 760 clients and S/7.3 billion in current account deposits and S/4.4 billion in time deposits, accounting for 26.2% of Interbank's total deposits.

The institutional banking unit is strategically important to Interbank as it provides Interbank with a stable and low-cost deposit base, as well as opportunities for fee income generation. The clients for the institutional banking unit require mainly transactional products, such as remote office banking, collection services, automated payroll payment services and investment management. Interbank's strategy is focused on building customer loyalty with these clients by offering customized services at competitive rates and by providing high-quality customer service.

Securitization Services

In addition, Interbank provides securitization services through its wholly-owned subsidiary, Intertitulos, which is regulated by the SMV. Intertitulos, acting as a trustee, enables its clients to issue securities in order to obtain funds directly from financial markets.

Distribution Channels

Interbank has built and developed one of the best omni-channel platforms that combine physical and digital presence, serving over 5.3 million customers as well as non-customers across Peru.

In terms of physical presence, Interbank has developed a highly convenient network. As of December 31, 2022, Interbank had 164 financial stores and operated 1,554 ATMs, the third-largest ATM network in Peru and the largest out-of-branch ATM network. Interbank has the largest number of financial stores within retail locations in Peru. We have 58 financial stores in the aggregate across Plaza Veá, Vivanda and shopping malls. Moreover, with the intention of offering greater convenience as well as providing underserved customers with greater access to financial services, Interbank operates a network of over 5,672 correspondent agents (includes external network) as of December 31, 2022, known as *Interbank Agente*.

In terms of online channels, Interbank provides any customer or non-customer with the option to have a completely digital experience with the bank, from acquisition and onboarding to the use of its financial products. Its website has a strong commercial focus and manages the bank's digital acquisition of new customers. Its online banking and mobile application give customers immediate access to its day-to-day transactions and after-sales services and uses those interactions to capture cross-sell opportunities. Furthermore, Interbank has developed other channels that serve specific segments or customer needs. For example, a separate website that serves customers under the Interbank Benefit loyalty program, and "*Cuenta Sueldo*" is a mobile application for payroll account customers that gives access to discounts and benefits.

The following table shows the number of monetary transactions of each distribution channel:

Number of transactions in December, in millions of soles	2018	2019	2020	2021	2022	CAGR 2018-2022
Financial stores	2.6	2.7	1.5	1.2	1.0	(21.1)%
Off-branch	11.3	14.4	18.4	25.3	31.4	29.1%
ATMs	6.7	6.5	5.5	5.9	6.9	0.7%
Correspondent agents	2.0	2.8	3.4	4.0	3.6	15.7%
Mobile banking	2.4	4.9	9.4	15.3	20.8	71.2%
Other	0.1	0.1	0.1	0.1	0.1	(6.3)%
Total	13.9	17.0	19.9	26.5	32.4	23.6%

The following table shows the percentage of use of each distribution channel, reflecting a transition from the use of traditional channels (branches, ATMs and correspondent agents) to mobile banking:

As of December, Percentage of total	2018	2019	2020	2021	2022
Financial stores	18.7%	15.7%	7.5%	4.5%	3.1%
Off-branch	81.3%	84.3%	92.5%	95.5%	96.9%
ATMs	48.4%	38.4%	27.6%	22.3%	21.3%
Correspondent agents	14.5%	16.5%	17.0%	14.9%	11.1%
Mobile banking	17.4%	28.6%	47.4%	57.8%	64.1%
Other	1.0%	0.8%	0.5%	0.4%	0.3%
Total general	100%	100%	100%	100%	100%

Financial Stores

As of December 31, 2022, Interbank had 164 financial stores in Peru. After peaking at 290 financial stores in 2016, the number of financial stores decreased mainly due to the success in transferring basic transactions from the stores to more efficient channels, the use of online banking and mobile applications, and process improvements. However, Interbank maintains the fifth largest network of financial stores among Peruvian banks, covering 23 of Peru's 25 regions. A large number of the financial stores are located in convenient, high traffic areas, such as supermarkets and shopping malls, to maximize client coverage.

In May 2013, Interbank introduced "Imagine" financial stores, a concept jointly developed with IDEO, a design and innovation consulting firm. "Imagine" fosters a more pleasant and inviting environment to Interbank's customers and is designed to educate customers on the use of electronic channels in order to migrate low value transactions to more efficient channels, while continuing to capture new customers and exploit cross-selling opportunities. Imagine has set new service standards in the industry and many of its elements have been adopted by Interbank's main competitors.

In July 2020, Interbank introduced an evolution of the "Imagine" concept, "Xperience". "Xperience" enables customer to perform digital transaction in stores and also reinforces the role of digital education. This concept was developed into two store models, "Express" and "Universal". "Express" stores are located inside retailers and they are the first cashless stores, focused on education and new customer acquisition. "Universal" stores transform Interbank financial stores by creating a physical-digital area at the entrance of the store that is specifically dedicated to offer digital solutions to our customers and non-customer. These new stores have offered new and existing customers an assisted onboarding process onto its digital channels. In 2022, 36.9% of new digital users utilized the onboarding process offered at Interbank's financial stores, which resulted in increased customer satisfaction level by 3pp compared to the traditional model and increased assisted digital sales to represent to 29% of sales per store.

The following chart illustrates Interbank's financial stores evolution according to the SBS.

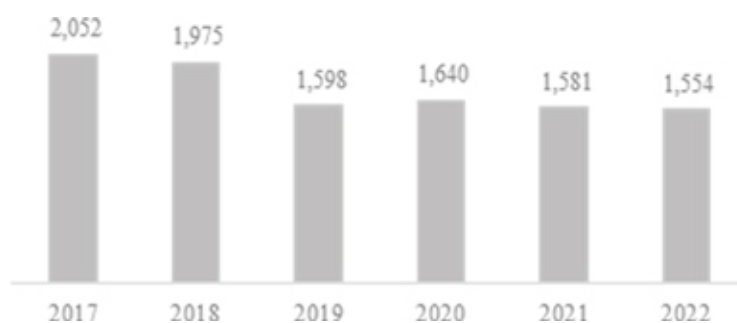


ATMs

Interbank's strategy is to offer its customers increased convenience and as of December 31, 2022, had the third-largest ATM network in Peru with more than 1,554 ATMs located across Peru. Although this number represents a reduction from the 2,159 ATMs in 2016, the streamlining of the network has allowed Interbank to relocate ATMs to higher convenience locations as well as invest in renewing and upgrading its equipment, while monetary transactions kept growing year-over-year in this channel. The reduction of the network in 2019, responds to Interbank's decision to discontinue the operation of 359 coin-dispensing ATMs, migrating those transactions to more efficient channels like regular ATMs or correspondent agents.

As of December 31, 2022, approximately 67.4% of Interbank's ATMs are located out-of-branch in high foot traffic areas like shopping malls, supermarket and airports. These 1,048 ATMs make up one of the largest out-of-branch networks in Peru, as reported by ASBANC. The ATM channel is one of the largest channels in Peru in terms of monetary transactions, with a 21% share and has advanced features, including cardless withdrawals, and the ability to receive cash deposits, bill and credit card payments in cash or via debit card, as well as disburse payroll advances. To offer this increased convenience in an efficient way, Interbank operates under the *Global Net* brand which is also a business line that provides ATM services to other financial institutions in Peru and acquires ATM transactions for all major global brands, including Visa, MasterCard, American Express, JCB, Union Pay, Diners and Discovery.

The following chart illustrates the evolution in number of Interbank's ATMs according to ASBANC.



Correspondent Agents

This channel operates under the Interbank Agente brand and consists of providing traditional merchants, for example, warehouses, pharmacies, low-cost electronic terminals that allow customers to carry out basic cash transactions, such as withdrawals, deposits and utility bill payments. In order to accelerate and broaden geographic coverage, Interbank incorporated external Correspondent Agents, which currently represent 46% of the total Correspondent Agents, expanding its network from more than 5,713 as of December 31, 2020 to 5,672 as of December 31 2022. We believe that Interbank's focus on migrating low-value cash transactions from stores to more efficient channels contributed to an increase in transactions in this channel, from 3.4 million to 3.6 million.

The following chart illustrates the evolution of Interbank's Correspondent Agents according to Interbank's information.



Mobile Banking

Interbank has developed a robust digital ecosystem that allows its customers to fulfil their financial needs and goals with a 100% digital experience. Its objective is to provide a journey which does not require physical contact so that its clients do not need to physically visit a branch or contact the call center, unless the customer chooses to do so. Interbank offers digital banking to its new and existing customers through its website and its mobile application. In December 2022, Interbank had more than 3.1 million monthly active users and registered over 20.8 million monetary transactions as well as 220.9 million non-monetary transactions. Its mobile application was the highest rated in the Google Play Store among the four largest banks in Peru. In addition to its website and mobile banking channels, Interbank has also developed other digital solutions that address specific customer segments or needs such as Interbank Benefit, a loyalty program, and *Cuenta Suelto* APP, where our payroll account customers can access special discounts and benefits. Furthermore, in 2019, Interbank launched *Crédito por Convenio* APP, which services our public sector payroll deduction loan customers.

Interbank's website provides general information about the bank and its products and services and has a commercial orientation, allowing non-customers to acquire credit cards and loans or open a savings or transactional account.

Interbank's mobile banking is available to existing customers and its services include: (i) transactions: account balance and transaction inquiries, transfers between accounts to Interbank and other local and international banks, credit card, bills and loan payments, mutual funds investments and cardless ATM withdrawal requests; (ii) after-sales services: lock your card, enable or disable card usage online or abroad, turn on notifications for card usage, mobile transactions and/or ATM withdrawals and divide card transactions into installments; (iii) product cross-sell: credit cards, credit card line extension, pre-approved loans, savings accounts and insurance products; and (iv) personal financial management tools: view your credit score and tips to improve it, spending, creating a budget. As of December 31, 2022, more than 82.8% of Interbank's transactions, 67.1% of the after-sales services and 95.5% of Interbank's products were available online. Furthermore, as part of its strategy to enhance the digital experience and incentivize its customers to migrate to digital channels, Interbank has digital-only services, such as access to the loyalty program "Interbank Benefit", the digital savings account "Piggy Bank", the personal financial management tool *Mis Finanzas* and a personalized credit score based on customers' financial behavior.

Increased monthly usage of digital solutions among customers is key to Interbank's strategy as mobile banking customers interact monthly more than eight times the amount that branch customers do, have lower transactional costs and have a better net promoter score and churn indicators as of December 31, 2022.

Furthermore, in December 2022, 70.9% of our retail customers that interacted with the bank through any channel were digital customers, that is, customers that also access Interbank's services through internet and mobile banking, while monetary transactions in this channel grew by 35.6% from December 2021 to December 2022.

Contact Center

Interbank seeks to prioritize the self-service of our clients, offering the help of service advisors 24/7 who can meet the needs of customers. Our strategy focuses on delivering first contact solutions, generating value in each contact.

Additionally, we seek to generate value in each touch point, with products and benefits to improve customers' experience and thus their relationship with the bank. In May 2020, Interbank launched their service bot "AVI" offered through the WhatsApp platform. During 2022, Interbank focused on continuing to grow this channel, reaching 250,000 average monthly interactions, approximately 131,000 of which were self-assisted in December 2022, compared to 93,000 self-assisted interactions in January 2022.

Interbank has a state-of-the-art contact center, which managed an average of over 543,000 assisted interactions per month in 2022, answering inquiries from clients, offering assistance and information, and selling new products to customers.

Interbank has a dedicated telephone sales force of 290 employees as of December 31, 2022, which sells credit cards and short loans. The dedicated sales force is a key resource for customer acquisition and for our up-selling and cross-selling campaigns.

Information Technology Unit

Interbank continuously invests in new technology and the maintenance of its existing equipment and infrastructure in order to improve its value proposition to its customers, increase its efficiency and support business growth. The Information Technology Unit focuses on assuring 24-hour channel availability, enhancing the timeliness of data processing, guaranteeing data protection and anti-fraud security, updating and maintaining hardware platforms and software systems, developing contingency plans and implementing technology projects. Interbank's IT system also processes credit card, personal and commercial loans, and electronic transactions.

In order to comply with business and regulatory requirements, Interbank has strengthened its IT governance model incorporating best practices for IT quality assurance, risk evaluation, project management and dividing responsibilities within the teams that operate the technology and the teams that develop new solutions. It has also fortified its business continuity program through increased redundancy programs and upgraded hardware and software components. This model includes establishing operating partnerships with various leading word-class IT vendors.

Interbank has also made significant investments to upgrade its data centers and central technology platforms. These platforms provide a stable and secure environment for Interbank's operations, a better understanding of cost drivers, and improve its processes.

As part of its cybersecurity strategy, Interbank continued to evolve the maturity level of its cybersecurity capabilities, processes and tools, based on security standards such as the National Institute of Standards and Technology Cybersecurity Framework (NIST), cybersecurity framework, CSF), ISO 27001 and PCI DSS, new industry trends and definitions established by the bank. In 20212022, Interbank focused its cybersecurity strategy on defining and beginning four points:

- Strengthening the cybersecurity department, evolving the roles and responsibilities of the team and doubling its headcount
- Continue to implement and develop the Zero Trust approach to address emerging risks through a stronger and more adaptable posture. Along this path, SASE (Security Access Service Edge) architecture capabilities such as CASB (Cloud Access Security Broker), CSPM (Cloud Security Posture Management) and NGSWG (Next Generation Web Gateway) have been implemented. Interbank also advanced its DevSecOps approach through continuous testing in the software development cycle and security automations in the integration and continuous deployment pipelines. During 2022, ZTNA (Zero Trust Network Access) has been implemented for all remote connections, including third-party connections.
- Implementing new endpoint cybersecurity model through Endpoint Detection and Response (EDR) technologies
- Evolving detection and response capabilities with new intelligence driven SOC (Security Operations Center) services, mainly supported by artificial intelligence and machine learning technologies.

In the coming years, Interbank will continue to move towards a Zero Trust approach, the implementation of new local regulatory requirements in terms of cybersecurity and the generation of digital trust in the services offered to the customers.

Interbank's IT strategy is focused on dedicating more resources to projects that add more value to the customer and help to accelerate digital transformation. Interbank invests in back-end applications with the aim of keeping applications current while more effort and resources are dedicated to customer facing applications in order to provide a seamless digital experience to internal and external customers through all our channels.

A high percentage of IT investment is aimed at deepening the understanding of the customer to achieve service that exceed their expectations, providing solutions to their problems and enabling a selling platform with contextual and real time offerings. To provide this, Interbank IT

Unit fully utilizes the new technologies that allow the flexibility, scalability and availability required to fulfill customer demands. APIs, micro services and multicloud environments have been implemented since 2018 to reach these objectives. A close relationship with fintechs also helps Interbank to leverage some capabilities and creates opportunities to learn about the way to approach different solutions. An important fact to consider is the transformation of the working model from a waterfall scheme to an agile framework, based on new processes, tools and cultural changes since 2019. In 2020, the development model evolved to allow remote work, redesigning processes and adopting new tools to achieve an optimal work experience for technology teams while taking care of their communication needs, security and productivity. During 2021, our technology teams continued to work remotely, and in 2022, we adopted a hybrid model where technology teams can decide whether they prefer to work remotely or on bank's premises achieving optimal levels of effectiveness and efficiency.

Insurance Segment

Overview

Interseguro is an insurance company that caters to Peru's growing middle class. Interseguro is focused on annuities and life insurance, two of the fastest growing insurance market segments in Peru, which are driven by the sale of annuities mostly to individuals that reached retirement or became disabled or died and individuals seeking life protection with savings options. Interseguro has been the leader in the Peruvian annuities (excluding private annuities) segment since 2010, with market shares in terms of premiums of 30% and 32.0% for the years ended December 31, 2022 and 2021, respectively.

For the four-year period ended December 31, 2022, Interseguro's ROE averaged 23.8% compared to 13.8% for the Peruvian insurance industry. For the year ended December 31, 2022, Interseguro's premiums (excluding disability and survivorship gross premiums) decreased 4.9% as compared to 2021, according to the SBS, related to lower sales as a result of worse annuities market conditions. During 2022, the survivorship annuities market decreased 9.7% compared to 2021 due to the lower mortality rates from the COVID-19 outbreak, which continued to decrease during 2022 as a result of stability in waves and emergence of variants. This led to Interseguro annuities sales, with survivorship premiums going from S/ 470.6 million in 2021 to S/ 411.2 million in 2022, a decrease of 12.6%. For the year ended December 31, 2021, Interseguro's premiums (excluding disability and survivorship gross premiums) increased 71.9% as compared to 2020, according to the SBS, related to lower sales as a result of the COVID-19 pandemic.

Interseguro intends to leverage its leading position in annuities, as well as InterCorp Peru's and Interbank's retail distribution capacity to continue capturing growth opportunities in the insurance industry. In addition, Interseguro expects to continue developing new products to satisfy increasing demand for insurance products by middle class families in Peru.

The growth of annuities is expected to accelerate as the number of Peruvian private pension system affiliates and the Peruvian salaries average increases. From 2010 to 2022, the growth of Peruvian private pension system affiliates was 90%, according to the SBS, and the annual average growth of Peruvian salaries from 2010 to 2022 was 3%, according to INEI. In Peru, employees may choose to accumulate their mandatory retirement contribution in the public or the private pension system. Under the mandatory private pension system, a retiree has the option of converting the capital accumulated in a personal account maintained with an AFP into an annuity offered by a life insurance company, such as Interseguro. In addition to retirement annuities, Interseguro also offers disability annuities to members of the Peruvian private pension system who have been declared permanently or partially disabled. Moreover, Interseguro offers survivorship annuities to beneficiaries of deceased members of the system. Once an annuity client chooses an insurance company, the decision is irrevocable. Besides private pension system annuities, Interseguro offers private annuities, a product that was launched in 2016 and that is sold to any owner of private funds and is not restricted to members of the system and their accumulated capital. This product is aimed at retirees that choose to withdraw the 95.5% of their pension funds and are looking for an option to capitalize such funds.

Interseguro also offers traditional life insurance products, as well as low-cost premium retail insurance products, including credit life, SOAT, credit card protection insurance, among others, mainly sold through Interbank and InterCorp Peru's complementary channels, as well as digital channels. Interseguro's life and retail insurance business lines have grown significantly over the last five years. As of December 31, 2022, Interseguro was the fifth largest consolidated insurance company and the fourth largest life insurance company in Peru in terms of premiums. In addition, in terms of the size of its portfolio, Interseguro was the largest insurance company in Peru as of December 31, 2022.

For the years ended December 31, 2022, 2021 and 2020, Interseguro's net results were net profit of S/248.0 million (U.S.\$65.0 million), net profit of S/272.7 million (U.S.\$68.4 million) and net profit of S/141.1million (U.S.\$39.0 million), respectively. As of December 31, 2022, 2021 and 2020, Interseguro had shareholders' equity of S/984.2 million (U.S.\$258.0 million), S/873.6 million (U.S.\$219.1 million) and S/935.3 million (U.S.\$258.3 million), respectively. Interseguro's ROE for the years ended December 31, 2022, 2021 and 2020 was 26.6%, 28.2% and 18.9%, respectively, while ROA was 1.7%, 1.8% and 1.0%, respectively.

For the years ended December 31, 2022 and 2021, Interseguro’s net profit under SBS GAAP were S/202.8 million and S/303.6 million, respectively. The decrease in Interseguro’s net profit under SBS GAAP for the year ended December 31, 2022 as compared to 2021 was primarily a result of a S/141.1 million decrease in net gain of financial investments. According to SBS, as of December 31, 2022, Interseguro had shareholders’ equity of S/1,186 million as compared to S/1,486 million for 2021. Interseguro’s ROE under SBS GAAP for the year ended December 31, 2022 was 16.9%, as compared to 19.9% for the year ended December 31, 2021. According to the SBS, for the year ended December 31, 2022, Interseguro was the third most profitable insurance company by ROE, when compared to the five other largest insurance companies in Peru.

COVID-19 Measures

Interseguro had what we consider to be a rapid and effective response to the COVID-19 pandemic in 2020 and 2021, deploying response measures targeting its operations, financial profile and investments, and customers and employees.

The main measures implemented by Interseguro were related to the improvements of facilities to work remotely as well as the improvement of digital channels. Interseguro also took a more conservative investment strategy, which resulted in the sale of positions involving higher risk and the purchase of assets we believe have a safer risk-return profile.

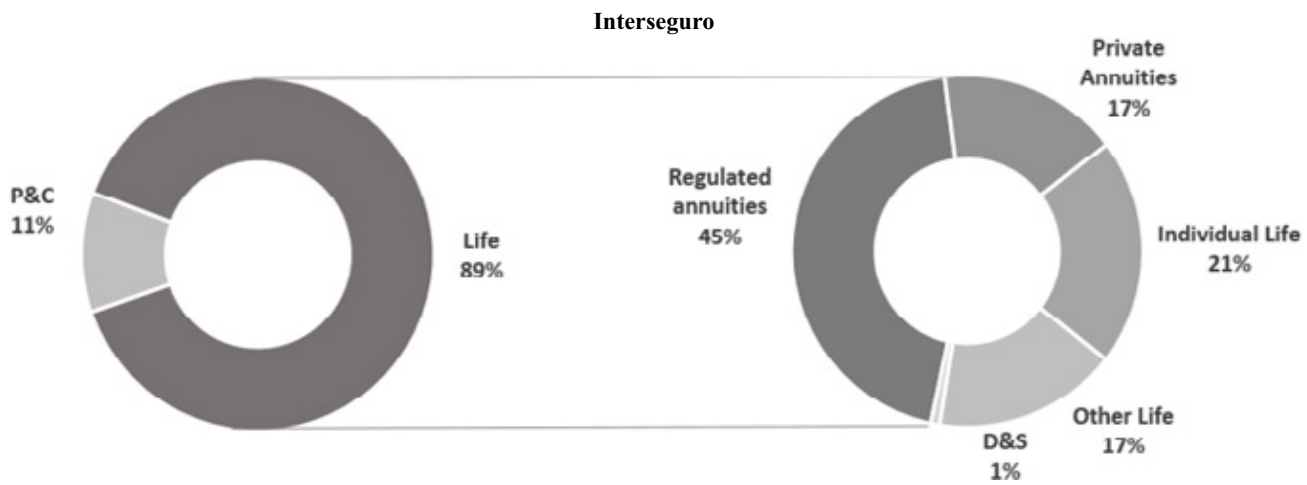
These measures allowed Interseguro to continue its operations during 2020 and the following years, without major impacts. Finally, Interseguro is closely monitoring the collection of life insurance premiums and offering rescheduling of payments to life insurance policyholders, while advancing pension payments to annuity clients within the same month during which they were originally due, in order to ensure that the liquidity and security needs of its clients are met.

Interseguro’s Business Lines

Interseguro has three business lines: (1) annuities, (2) retail insurance and (3) individual life.

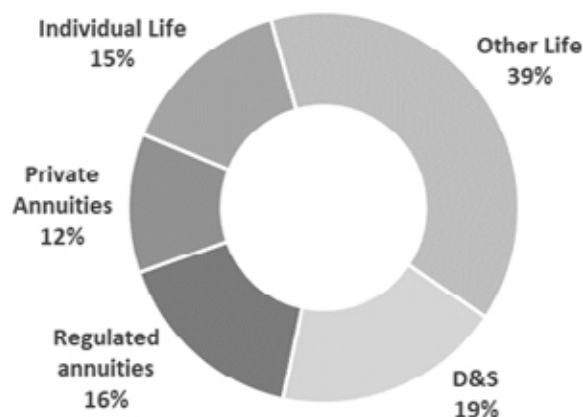


The following chart shows Interseguro’s and the Peruvian insurance system’s breakdown by life insurance premiums plus collections according to the SBS as of December 31, 2022:



Source: SBS.

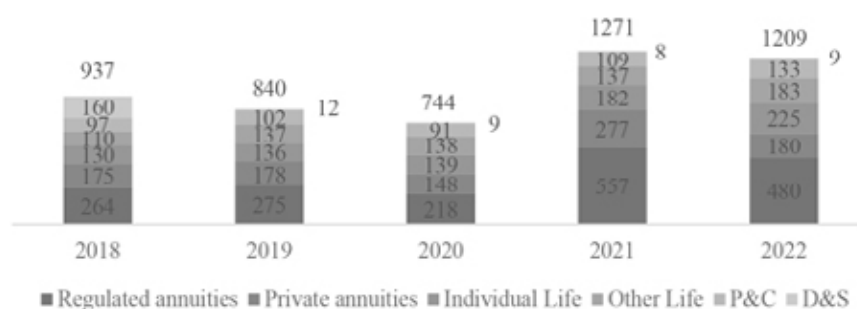
Insurance system



Source: SBS.

The following chart shows Interseguro's gross premiums and collections, according to SBS for the periods indicated.

Gross Premiums and collections (S/ in Millions)



Source: SBS.

- (1) Excluding gross premiums from disability and survivorship.

Annuities

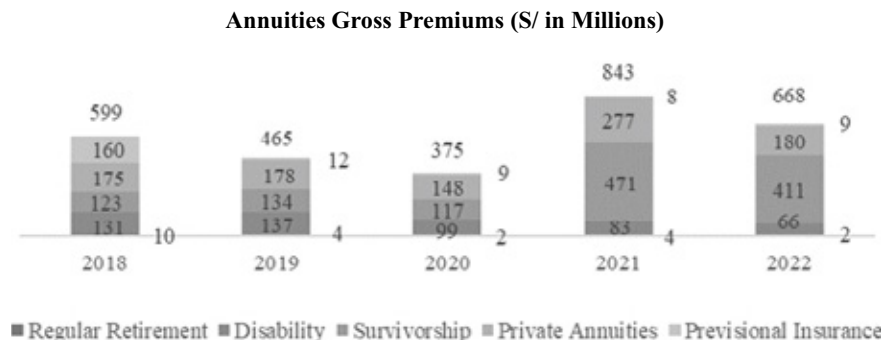
An annuity is a type of insurance policy that, in exchange for an initial lump sum payment, provides regular monthly payments. Interseguro offers three types of annuities: *Soles*, U.S. dollars and *soles* indexed to CPI, adjusted by 2% per year.

There are two groups of annuities: (i) Regular Retirement Annuities are the annuities sold under the Peruvian private pension system, and (ii) Private Annuities which include the *Renta Privada* product. In Peru, employees may choose to deposit their cumulative contributions in the public or the private pension system. Under the private pension system, upon retirement, a retiree has the option of converting the capital accumulated into a personal account maintained with an AFP, collecting 95.5% of their accumulated capital or converting the capital into an annuity offered by an insurance company, such as Interseguro.

In 2016, following the enactment of law No. 30425, retirees are allowed to withdraw up to 95.5% of their accumulated capital in cash upon retirement. As a result, there was a significant reduction of annuities sold by Peruvian insurance companies, including Interseguro. In order to maintain the leadership in annuities, Interseguro launched Private Annuities. This product allows retirees to receive a fixed income either for life or temporarily. Interseguro was the first insurance company to introduce this type of product to the market in response to the new law. As of the date of this Annual Report on Form 20-F, most of the clients of Private Annuities and their funds originate from retirees that choose to withdraw the 95.5% of their pension funds.

In addition to Regular Retirement Annuities and Private Annuities, Interseguro also offers disability annuities to members of the Peruvian private pension system who have been declared permanently or partially disabled before reaching retirement age and thus unable to access a sufficient pension and survivorship annuities for beneficiaries of deceased members of the system.

The following table shows Interseguro's Annuity Gross Premiums by type from 2018 to 2022.



Source: Company information.

Interseguro's annuities products include:

Regular Retirement Annuities

Retirement. The retirement annuity product is directed to members of the Peruvian private pension system who are 65 years of age or older and retiring. This product represented 0.3% of annuities sold by Interseguro for the year ended December 31, 2022 as compared to 0.4% for the years ended December 31, 2021 and 2020.

Early Retirement. The early retirement product was offered to members of the Peruvian private pension system who are not yet 65 years of age, but who are permitted to have access to their Peruvian private pension system accounts if the savings in such accounts allow for a pension of at least 40% of the average last 120 months' compensation. The early retirement annuity products represented 0.0% of annuities sold by Interseguro for the year ended December 31, 2022 as compared to 0.1% for each of the years ended December 31, 2021 and 2020. Peruvian law was modified and since May 2019, in order to access this product, men must be at least 55 years old and women 50 years old. This change is intended to fill a loophole in the law that allowed affiliates to deliberately increase their funds with additional deposits, in order to access early retirement and withdraw 95.5% of their total pension funds, regardless of age. This modification closing the loophole should positively impact the annuities market slightly, as it helps in retaining affiliates in the private pension system for longer.

Special Early Retirement. The special early retirement product was offered until December 2018 to members of the Peruvian private pension system who are 55 years of age or older and male, or 50 years of age or older and female, and are retiring and have not been contributing to the Peruvian private pension system for at least 12 months. Since May 2019, Peruvian law established that this regime is permanent and in order to access this product, if a retiree receives income during the period in which they have not been contributing, total income must be less than or equal to seven UIT (*Unidad Impositiva Tributaria*).

This product is more flexible than the standard early retirement annuity product. The special early retirement annuity product represented 0.0% of annuities sold by Interseguro for the year ended December 31, 2022 as compared to 0.0% for the years ended December 31, 2021 and 2020, respectively.

Private Annuities. The Private Annuities product was launched in 2016 allowing the recovery of Interseguro's premiums and collections from the effects of the law No. 30,425, enacted in 2016. This product can be sold to any owner of private funds and is not restricted to members of the system and their accumulated capital. The annuity can have any duration and the lump sum invested can be partially or totally repaid at the end of the annuity, if it has one. As of the date of this Annual Report on Form 20-F, most of the clients and their funds come from retirees that chose to withdraw 95.5% of their accumulated capital. Private Annuities represented 26.9% of annuities sold by Interseguro for the year ended December 31, 2022 as compared to 32.9% and 39.4% for the years ended December 31, 2021 and 2020, respectively.

Disability and Survivorship Annuities

Disability and Survivorship. Under Peruvian law there is a mandatory insurance coverage for all members of the pension system paid monthly in addition to their contribution. In case a member has been declared permanently or partially disabled, or deceased while having legal beneficiaries, this insurance completes the accumulated capital as if the individual had worked until retirement age, allowing a better pension when applying for the retirement. While this insurance is not an annuity, it is closely related to the one we describe next. Disability and survivorship represented 1.3% of annuities sold by Interseguro for the year ended December 31, 2022 as compared to 1.0% and 2.5% for the years ended December 31, 2021 and 2020, respectively.

The SBS conducts a Dutch auction every two years inviting insurance companies to bid to determine which insurance company will be the provider for this insurance in a two-year period. Interseguro was successful in the 2015 auction, and as a result of the merger with Seguros Sura, they were also a provider for 2017. Interseguro participated in the auction for the 2021-2022 years but were not successful; they expect to bid again at the next auction. Although this will represent a decrease in gross premiums in the following years, Interseguro ceded almost 100% of disability and survivorship gross premiums; therefore, the effect on net profit is minimal.

Disability and Survivorship Annuities. The disability and survivorship product is offered to members of the Peruvian private pension system who have been declared permanently or partially disabled and to beneficiaries of deceased members of the Peruvian private pension system. This annuity is offered in conjunction with the disability and survivorship mandatory insurance. Disability and survivorship annuity products accounted for 71.5% annuities sold by Interseguro for the year period ended December 31, 2022 as compared to 65.7% and 57.6% for the years ended December 31, 2021 and 2020, respectively.

All retirement annuities sold under the Peruvian private pension system offer monthly payments for the life of the policyholder and thus the initial lump sum is never recovered. A retiree's joint choice of an insurance company, currency denomination and retirement modality is irrevocable.

Product differentiation is limited in the Peruvian annuities sector, as product features are regulated by the SBS. The market position of each insurance company is driven instead by its sales strategy and quality of service. Interseguro's sales strategy, consisting of providing ongoing sales force training, and implementing innovative control and management mechanisms, has permitted Interseguro to be the market leader in the annuities sector over the past four years, with an increasing advantage over the second largest market participant.

For the year ended December 31, 2022, Interseguro's market share by annuity premiums (including Private Annuities and excluding Previsional Insurance) was 24.2%, nearly 3.4 basis points higher than its next competitor's market share.

Retail Insurance

Interseguro offers simple, low-cost premium products targeted to middle class families and sold mainly through Interbank financial stores, as well as channels owned by Intercorp Peru, including Intercorp Retail points of sale (Plaza Vea and Oechsle) and digital channels. In 2016, Interseguro expanded its retail insurance portfolio with an online sale for the launch of the digital SOAT and in 2018, with travel insurance and vehicle insurance.

Interseguro offers the following retail insurance products:

Credit Life Insurance. The credit life insurance product protects against death or disability of the insured and is designed to pay the debt owed by a customer to the financial institution. This product is available for mortgages, credit cards and personal loans. Credit life insurance represented 57.8% of total retail insurance premiums assumed by Interseguro for the year ended December 31, 2022 as compared to 55.4% and 59.7% for the years ended December 31, 2021 and 2020, respectively.

Debit and Credit Card Protection Insurance. The debit and credit card protection insurance product protects the insured against financial loss, medical expenses for hospitalization or accidental death as a result of theft, assault and abduction. Debit and credit card protection insurance represented 6.7% of total retail insurance premiums assumed by Interseguro for the year ended December 31, 2022 as compared to 8.2% and 10.4% for the years ended December 31, 2021 and 2020, respectively.

SOAT (Seguro Obligatorio de Accidentes de Tránsito). The SOAT product protects against the risk of death or injury to occupants and third parties involved in an automobile accident. The SOAT product is mandatory, and coverage is limited to cover personal injury, excluding any physical damage to the vehicle. The SOAT product accounted for 19.8% of total retail insurance premiums assumed by Interseguro for the year ended December 31, 2022 as compared to 20.8% and 19.7% for the years ended December 31, 2021 and 2020, respectively.

Vehicle Insurance. The vehicle insurance coverage includes damage to vehicles due to traffic accidents, total loss, theft, fire, nature risks, strikes or vandalism and civil liability for occupants and third parties. Occupants' damages such as permanent disability, healing expenses, funeral expenses and death are also covered. In addition, this insurance includes replacement drivers, cranes and mechanical assistance, among others. Vehicle Insurance represented 5.3% and 4.4% of total retail insurance premiums assumed by Interseguro for the years ended December 31, 2022 and 2021, respectively.

Loan Protection Insurance. The loan protection insurance covers a specific number of payments of a loan in case the insured loses his job. Loan protection insurance accounted for 4.9% of total retail insurance premiums assumed by Interseguro for the year ended December 31, 2022 as compared to 5.3% and 3.8% for the years ended December 31, 2021 and 2020, respectively.

Extended Warranty. The extended warranty product extends the product's original warranty period by about 12–24 months. Extended warranty product accounted for 0.4% of total retail insurance premiums assumed by Interseguro for the year ended December 31, 2022 as compared to 0.6% and 0.5% for the years ended December 31, 2021 and 2020, respectively.

Others. The other products category protects against personal accidents. Other products accounted for 5.6% of total retail insurance premiums assumed by Interseguro for the year ended December 31, 2022 as compared to 5.8% and 2.8% for the years ended December 31, 2021 and 2020, respectively.

Individual Life

Although the individual life insurance market remains relatively small in Peru, the market has grown at a CAGR of 5.5% between December 31, 2018 and December 31, 2022. For the year ended December 31, 2022, the individual life insurance market decreased 6.5% as compared to 2021, primarily due to an economic recovery following less restrictive government mandates by the end of 2021, as well as increased concerns relating to the different waves of COVID-19 which resulted in increased purchases of life insurance. The recovery of the Peruvian economy and digitalization of the sales processes are expected to boost sales of individual life products.

Interseguro offers a variety of individual life insurance products, providing a wide range of coverage for the length of a policyholder's life. Most of Interseguro's products also provide savings features.

Interseguro's strategy in individual life insurance consists in adapting its products to the emerging Peruvian middle class, developing a highly trained sales force, achieving high standards of sales efficiency and leveraging digitalization to increase sales of life insurance. For the year ended December 31, 2022, Interseguro positioned itself as the third largest participant in the individual life insurance market, with a 15.8% market share by individual life premiums.

Sales Force

Interseguro markets its annuities and individual life insurance products through its own dedicated sales force both in Lima and across Peru's provinces, without a third-party intermediary. Due to the COVID-19 pandemic, Interseguro retooled its sales force to provide customers with a 100% remote assistance and digital operation. Prior to the pandemic, sales in annuities and life insurance products were only conducted in-person, but digitalization of these sales was accelerated.

In annuities, Interseguro employed 120 agents, 71 in Lima and 49 outside of Lima as of December 31, 2022. Each salesperson receives continuous training through a multiple-level program, which includes training in macroeconomic background, financial statement analysis, investment policy, marketing techniques and time management. In addition, Interseguro's annuity sales agents specialize in the sale of different types of annuity products. As a result, Interseguro's sales force is trained to satisfy each customer's needs.

In life insurance, Interseguro employed 507 agents, 336 agents in Lima and 171 agents outside of Lima, as of December 31, 2022. In addition, Interseguro employs servicing agents with the aim of servicing existing life insurance policies. We believe that constant training develops effective sales techniques and the skills to assess customer needs, which we believe is one of Interseguro's critical competitive advantages. Interseguro has a specialized team focused on setting a training curriculum for each salesperson in the first three years with the company as well as in assigning a mentor to each new recruit.

As of December 31, 2022, Interseguro works with six brokers nationwide to offer SOAT. Interseguro also works with insurance brokers to sell SOAT to increase coverage in Peru with limited capital investment. As of December 31, 2022, the brokerage channel accounts for approximately 13.9% of Interseguro's total SOAT sales.

Strategic Partners

Interseguro offers its retail insurance, such as credit life insurance, debit and credit card protection insurance, loan protection insurance, SOAT and extended warranty through non-traditional channels, including partnerships with Interbank and Intercorp Retail.

Through its partner companies, Interseguro reaches a large number of customers, offering a convenient and reliable payment mechanism. This distribution network represents one of Interseguro's strongest competitive advantages, as it allows for a broad insurance product offering through several points of sales.

Interseguro's retail insurance division used the following distribution channels to sell its products as of December 31, 2022:

Strategic Partners	Points of Sale
Interbank	Financial Stores: 164
	Plaza Vea: +100 stores
Intercorp Retail	Oechsle: 25 stores

Interseguro's retail insurance premiums breakdown by distribution channel as of December 31, 2022 is the following:

Strategic Partners	Retail insurance premiums breakdown
Interbank	66.3%
Intercorp Retail (Plaza Vea and Oeschle)	3.9%

Investments and Investment Management

Investment Portfolio

Interseguro invests the insurance premiums yet to be paid out in claims in its investment portfolio, based on a policy of capital conservation and adequate diversification.

The main objective of Interseguro's investment portfolio is to cover its future payment obligations, associated mainly with its annuities business. Interseguro maintains a conservative asset liability management approach, matching its obligations by currency and maturity. Interseguro's portfolio focuses on investment grade fixed-income instruments in U.S. dollars, *soles* and inflation linked notes, mitigating interest rate, inflation, and currency risks. Interseguro's obligations consist of technical obligations related to annuities that are sold at a fixed interest rate, thus Interseguro prioritizes the investments on fixed income securities that hedge such obligations. Based on Interseguro's investment strategy, its portfolio shows asset sufficiency to cover insurance liabilities at a currency, duration, inflation and interest rate levels that hedge against volatility in these factors.

Given that the Peruvian market offers a limited range of long-term investment instruments, Interseguro has sought to increase its investments outside of Peru and explore alternative investments in the local market, such as real estate projects.

Interseguro is required to comply with the following investment management principles according to the SBS:

- *Security Principle.* Based on the protection and preservation of the economic value of assets over time.
- *Liquidity Principle.* Consist of the availability of an asset to be converted into cash at the required time and without significantly affecting its value.
- *Diversification Principle.* Based on the set of assets that contribute to the diversification of the risk factors of the portfolio and reduction of the potential impact of adverse effects.
- *Parity Principle.* Parity between the characteristics of the asset and the obligations that it supports. These features include the term or horizon, the degree of liquidity or enforceability, currency, volatility in valuation, predictability and timing of flows, among others.
- *Profitability Principle.* Based on generation of returns that would cover at least the commitments offered to policyholders.

Additionally, as established by the investment regulation of insurance companies, Interseguro must meet its technical obligations. As part of the coverage of the technical obligation proceeds, Interseguro must follow the investment management principles established in the regulation and comply with the eligibility requirements of its investments by type of assets.

Regarding the investment eligibility, to consider an asset as eligible, it must not be affected or be subject to any precautionary measure. The custody agreements of the eligible investment must not contain any clause that allows use of such assets as collateral to back other company obligations and that there are no other measures that limit the free transfer of the assets. Furthermore, eligible investments must comply with certain investment limits, by issuer, economic group, asset and foreign issuers. In addition, assets rated in categories below the investment grade cannot be considered as an eligible investment.

Interseguro's investment management complies with the limits and requirements indicated in the regulation in order to minimize non-eligible investments and comply with the coverage of its technical reserves, minimum solvency capital required and guaranty fund.

As of December 31, 2022, Interseguro's investments amounted to S/ 12,582.8 million, of which S/ 10,544.5 million and S/ 750.5 million were fixed income securities, and equity securities and fund investments, respectively, as compared to S/13,175.9 million, of which S/10,905.6 million and S/1,045.9 million were fixed income securities, and equity securities and fund investments, respectively, for 2021. As of December 31, 2022, investments in real estate projects were S/ 1,287.7 million (approximately U.S.\$337.6 million) as compared to S/1,224.4 million (approximately U.S.\$307.8 million) for 2021.

The following tables present a breakdown of Interseguro's investment portfolio by type of investment as of the dates indicated.

Investments by Type

	Book Value as of December 31,					
	2022		2021		2020	
	S/ in millions	%	S/ in millions	%	S/ in millions	%
Fixed Income	10,544.5	83.8%	10,905.6	82.8%	11,645.1	83.5%
Corporate Bonds	4,837.3	38.4%	4,367.0	33.1%	5,519.6	39.6%
Peruvian Sovereign Bonds	3,126.2	24.8%	3,169.6	24.1%	2,923.8	21.0%
Foreign Bonds	2,581.0	20.5%	3,369.0	25.6%	3,201.7	23.0%
Equity and Funds	750.5	6.0%	1,045.9	7.9%	1,249.9	9.0%
Equity	599.5	4.8%	963.2	7.3%	1,119.0	8.0%
Funds	151.2	1.2%	82.6	0.6%	130.9	0.9%
Real Estate	1,287.74	10.0%	1,224.4	9.3%	1,044.0	7.5%
Total	<u>12,582.8</u>	<u>100.0%</u>	<u>13,175.9</u>	<u>100.0%</u>	<u>13,939.0</u>	<u>100.0%</u>

The following tables present a breakdown of Interseguro's investment portfolio by currency as of the dates indicated.

Investments by Currency

Portfolio	Book Value as of December 31,					
	2022		2021		2020	
	S/ in millions	%	S/ in millions	%	S/ in millions	%
<i>Sol(1)</i>	8,542.6	67.9%	8,180.3	62.1%	8,620.1	61.8%
U.S. dollar	4,040.2	32.1%	4,995.6	37.9%	5,318.9	38.2%
Total	<u>12,582.8</u>	<u>100.0%</u>	<u>13,175.9</u>	<u>100.0%</u>	<u>13,939.0</u>	<u>100.0%</u>

(1) Real estate investments are measured in *soles*.

The following tables present a breakdown of Interseguro's investment portfolio by rating as of the dates indicated.

Investments by Rating⁽¹⁾

	As of December 31,					
	2022		2021		2020	
	(\$/ in millions)	%	(\$/ in millions)	%	(\$/ in millions)	%
AAA	836.9	27.1%	662.2	21.8%	862.3	22.6%
AA+ to AA-	2,221.0	72.0%	2,351.2	77.3%	2,920.2	76.6%
A+ to A-	25.7	0.8%	27.2	0.9%	31.1	0.8%
Total Local Ratings	3,040.6	100.0	3,040.6	100.0%	3,813.6	100.0%
AAA	0.0	0.0%	0.0	0.0%	0.0	0.0%
AA+ to AA-	26.4	0.4%	29.2	0.4%	35.6	0.5%
A+ to A-	477.3	6.4%	211.4	2.7%	1,311.6	16.7%
BBB+	2,383.4	31.9%	2,655.3	33.8%	2,440.1	31.2%
BBB	2,710.0	36.3%	3,356.3	42.7%	1,738.9	22.2%
BBB-	1,252.4	16.8%	1,161.6	14.8%	1,918.9	24.5%
BB+	262.0	3.5%	143.8	1.8%	0.0	0.0%
BB	0.0	0.0%	0.0	0.0%	206.2	2.6%
BB-	349.5	4.7%	102.7	1.3%	0.0	0.0%
B	0.0	0.0%	204.8	2.6%	0.0	0.0%
CCC+	0.0	0.0%	0.0	0.0%	180.2	2.3%
Total Foreign Rating	7,461.0	100.0	7,865.0	100.0%	7,831.4	100.0%

(1) Includes only credit rated fixed-income investments.

In regards to fixed income, Interseguro prioritizes the investment in local bonds and foreign bonds with a higher risk rating of AA- and BBB-, respectively.

The following table presents a breakdown of Interseguro's investment portfolio by maturity as of the dates indicated.

Investments by Maturity

Maturity	Book Value as of December 31,		
	2022	2021	2020
	\$/in millions	\$/in millions	\$/in millions
0-5 years	467.5	121.6	137.4
6-10 years	1,726.1	1,287.6	1,688.1
11-20 years	5,350.3	4,461.3	4,982.6
21+ years	3,000.6	5,035.1	4,837.1
No maturity(1)	2,038.2	2,270.3	2,293.9
Total	12,582.8	13,175.9	13,939.0

(1) Real-estate and equity investments.

Fixed-Income

The fixed-income securities portfolio is mainly composed of long-term fixed rate debt that are eligible instruments to cover reserves, in compliance with the requirements established by the SBS.

As of December 31, 2022, Interseguro's fixed-income investments represented 83.8% of its total portfolio, of which 38.4% were corporate bonds, 24.8% were Peruvian sovereign bonds, 20.5% were foreign bonds as compared. As of December 31, 2021 Interseguro's fixed-income investments represented 82.8% of its total portfolio, of which 40.0% were corporate bonds, 29.1% were Peruvian sovereign bonds and 30.9% were foreign bonds. As of December 31, 2020, Interseguro's fixed-income investments represented 83.5% of its total portfolio and of which 47.4% were corporate bonds, 25.1% were Peruvian sovereign bonds and 27.5% were foreign bonds.

As of December 31, 2022, 100.0% of bonds with local ratings and 91.8% of bonds with international ratings had investment grade status.

Equity and Funds

Substantially all of Interseguro's equity and funds portfolio is invested in companies with low beta and relatively stable and predictable cash flows. Interseguro's equity and funds portfolio is invested across Latin America and the United States. As of December 31, 2022, Interseguro's equity and funds portfolio represented 6.0% and of its total portfolio, of which 63.3% was invested in foreign securities and 36.7% in local securities. As of December 31, 2021, Interseguro's equity and funds portfolio represented 7.9% of its total portfolio, of which 74.2% was invested in foreign securities and 25.8% in local securities. As December 31, 2020, Interseguro's equity and funds portfolio represented 9.0% of its total portfolio, of which 67.6% was invested in foreign securities and 32.4% in local securities.

Real Estate

Interseguro's investments in real estate are made across the different types of properties: office, industrial, retail and land for development. Interseguro leverages advice from its affiliates, InRetail Shopping Malls and Real Plaza, in order to maximize its real estate portfolio. InRetail Properties Management is specialized in securing new locations and developing shopping malls based on its proprietary consumer demand analytics and projected yield targets. Real Plaza is focused on operating shopping malls in Peru.

Real estate income derives from the appreciation of real estate property and from rental income from its tenants. Interseguro's rental income comes primarily from Orquídeas (offices building) and Tabacalera (industrial asset). Tabacalera is an industrial property leased to Teleatento Peru S.A.C, which is a company dedicated to call centers. As of December 31, 2022, Interseguro's investments in real estate projects represented 10.2% of its total portfolio, as compared to 9.3% and 7.5% for the years ended December 31, 2021 and 2020, respectively.

Reinsurance

Interseguro transfers risks to reinsurers in order to limit its maximum aggregate potential loss and minimize exposures on large particular individual risks. Reinsurance is placed with reinsurance companies based on its reinsurance policy, which is annually approved by Interseguro's board of directors and its risk committee. Interseguro's main reinsurers are six international reinsurance companies: Scor Global Life, Munich Re, Gen Re and Hannover.

Premiums ceded to reinsurers represented 1.3%, 1.0% and 1.6% of Interseguro's premiums assumed for the years ended December 31, 2022, 2021 and 2020, respectively (these percentages do not include the reinsurance for the pension-related insurance (disability and survivorship)).

Interseguro also has catastrophe reinsurance that covers individual and group life insurance products, except annuities. These contracts are intended to limit Interseguro's risk exposure in the event of low-probability but high-cost events, such as natural or man-made disasters.

Information Technology Unit

Interseguro's IT unit is responsible for managing its technology infrastructure, telecommunications network and computer systems. The unit is also responsible for designing and implementing in-house solutions or third-party technological developments to support Interseguro's operation.

Interseguro has undertaken investments in technology with the aim of providing a stable and secure platform to support its rapidly expanding business. In 2012, Interseguro's insurance company decided to invest in the implementation of an operations system in order to support Interseguro's planned growth in life and retail insurance, a CRM platform, and business intelligence capabilities, among others. Interseguro invested approximately S/ 1.5 million in projects for the year ended December 31, 2022 and approximately S/1.5 million and S/1.7 million, in projects for the years ended December 31, 2021 and 2020, respectively. Interseguro plans to invest approximately S/10.5 million over the next three years in technology.

Recently, as a result of the COVID-19 pandemic, cyber-security risks have increased primarily due to implementation of remote work policies. In response, Interseguro has implemented additional cyber-security measures to prevent, detect, and respond to these enhanced cyber-security risks. These measures focus primarily on the improvement of access management processes within the company, implementation of processes to supervise access to the company's systems, implementation and updates of the company's information security policies and procedures, and continuous evaluation of new threats in cyber-security.

Wealth Management Segment

Overview

Inteligo is a provider of wealth management services through Inteligo Bank, brokerage services through Inteligo SAB and mutual funds management services through Interfondos. Inteligo Bank primarily focuses on individuals with investable assets in the range of U.S.\$500,000 and U.S.\$10.0 million, where Inteligo believes there is higher growth potential. Inteligo SAB and Interfondos focus on providing brokerage and mutual funds services to individuals with investable assets under U.S.\$500,000. As of December 31, 2022, Inteligo had assets under management of S/21,317.4 million (U.S.\$5,589.3 million) as compared to S/22,980.7 million (U.S.\$5,763.9 million) in 2021. Inteligo's assets under management grew at a CAGR of 4.9% between December 31, 2018 and December 31, 2022. Inteligo conducts various types of banking, trust, financing, brokerage and investing activities for high net worth individuals.

Inteligo SAB also provides sales and trading operations for individual and institutional customers primarily in the Peruvian capital markets. As of December 31, 2022, Inteligo SAB was the seventh largest broker by market share in equities trading, according to the SMV. Interfondos is the fourth largest mutual fund manager in Peru with a 15.6% market share based on assets under management, according to the SMV.

Inteligo's result for the year ended December 31, 2022 was a loss S/141.4 million as compared to net profit S/283.5 million in 2021. As of December 31, 2022, Inteligo had shareholders' equity of S/894.2 million as compared to S/1,295.1 million in 2021. Inteligo's ROE for the year ended December 31, 2022 was 13.6% loss as compared to 23.0% in 2021.

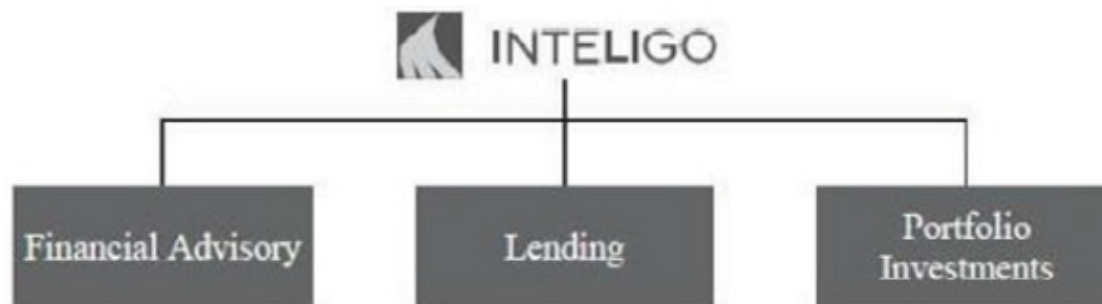
COVID-19 Measures

Inteligo had what we consider to be a rapid and effective response to the COVID-19 pandemic in 2020 and 2021, deploying response measures targeting its operations, financial profile and investments and customers and employees.

The main measures implemented in Inteligo were related to facilities for remote work, using technology to maintain frequent communication and to ensure agile execution and improve investment strategy. The measures allowed Inteligo to continue its operations during 2020 and the following years, without major impacts.

Business Lines

Inteligo has three business lines: (1) financial advisory; (2) lending; and (3) portfolio investments.



Financial Advisory

Inteligo provides financial advisory services to high net worth individuals regarding investments, including equities, fixed income, structured products, alternative investments and managed accounts. Through its team of investment analysts, Inteligo designs financial strategies to satisfy the investment objectives of each client in the Peruvian and international financial markets. Furthermore, Inteligo provides regular updates to its clients on market conditions through reports from its in-house research team.

The strength of Inteligo's financial advisory services has contributed to the growth of its fee income as a percentage of its revenues. Inteligo's fee income from financial services, net decreased from S/197.0 million for 2021 to S/ 163.3 million for 2022.

Lending

Inteligo offers lending services through Inteligo Bank to complement its wealth management business only to its existing clients. Most of the loans are categorized as consumer financing.

Inteligo Bank's loan portfolio was fully collateralized by its clients' assets as of December 31, 2022. Inteligo's net loan portfolio totaled S/ 1,784.3 million as of December 31, 2022, increasing 5.1%, from S/1,698.4 million, as of December 31, 2021. Inteligo's net loan portfolio represented 35.0% of its total assets as of December 31, 2022 as compared to 29.7% for 2021.

Portfolio Investments

Inteligo manages a proprietary portfolio primarily composed of medium-term investments in fixed-income securities and private equity. Inteligo's investment team uses third-party funds as well as individual fixed income and equity securities.

Inteligo's investment portfolio as of December 31, 2022, totaled S/ 1,698.2 million, a decrease of 26.6%, from S/2,314.3 million as of December 31, 2021, mainly explained by a depreciation of equity investments. In addition, Inteligo's investment portfolio represented 33.3% of total assets as of December 31, 2022 as compared to 40.4% for 2021. Inteligo's investment portfolio represented 40.4% of total assets as of December 31, 2021 as compared to 43.7% for 2020.

The following tables show the composition of Inteligo's portfolio by asset class as of the dates indicated.

Investments by Asset Class

Asset Class	As of December 31,		
	2022	2021	2020
	(S/ in millions)		
Fixed income	210.6	260.2	424.9
Equity	217.7	429.9	367.3
Managed accounts (Fixed income)	263.4	286.0	291.2
Managed accounts (Long-Short)	108.1	115.9	103.1
Mutual funds & investment funds	898.4	1,222.3	694.6
Total	<u>1,698.2</u>	<u>2,314.3</u>	<u>1,881.0</u>

Investments by Maturity

Maturity	As of December 31,		
	2022	2021	2020
	(S/ in millions)		
0-5 years	149.5	211.0	260.1
6-10 years	203.9	236.7	370.1
11+ years	118.7	86.8	70.1
No maturity ⁽¹⁾	1,226.1	1,779.8	1,180.8
Total	<u>1,698.2</u>	<u>2,314.3</u>	<u>1,881.0</u>

(1) Mutual Funds, equity and private equity investments.

Inteligo's successful strategy is reflected by the strong growth of its assets under management which had a CAGR of 4.9% between December 31, 2018 and December 31, 2022. For the year ended December 31, 2022, Inteligo's assets under management decrease 7.2%, as compared to 2021. For the year ended December 31, 2021, Inteligo's growth in assets under management was 9.5% as compared to 2020.

The following table shows the composition of Inteligo's assets under management by asset class as of the dates indicated.

Assets under Management by Asset Class

Asset Class	As of December 31,		
	2022	2021	2020
	(S/ in millions)		
Fixed income	10,286	13,908	11,082
Equity	9,416	7,600	8,993
Alternative investments	1,615	1,472	915
Total	21,317	22,981	20,989

Inteligo's net profit declined 149.9% between December 31, 2021 and December 31, 2022, supported by strong fees on assets under management, which remained at 0.7% in 2022. For the year ended December 31, 2021, Inteligo's net profit increased 16.6% as compared to 2020.

Market Segmentation

Inteligo Bank primarily focuses on individuals with investable assets in the range of U.S.\$500,000 and U.S.\$10 million, where Inteligo believes there is higher growth potential. Inteligo SAB and Interfondos also focus on providing brokerage and mutual funds services to individuals with investable assets under U.S.\$500,000. As of December 31, 2022, Inteligo Bank, Inteligo SAB and Interfondos had approximately 4,192, 1,772 and 62,259 clients, respectively, as compared to approximately 4,280, 1,544 and 59,201 clients, respectively, in 2021.

Inteligo's strategy consists of establishing long-term relationships with its broad and profitable client base, segmenting its customers effectively and proactively providing financial advisory services. Inteligo's committed advisory service, supported by a local investment team that possess extensive knowledge of its Peruvian clients' preferences for financial products, and delivered through an experienced group of relationship managers is a key pillar of Inteligo's success. Inteligo's position further benefits from its leading brokerage operation in Peru through Inteligo SAB, an important mutual fund manager in Peru, Interfondos, and from being a part of one of Peru's leading economic groups.

Financial Advisory Team

Inteligo serves its customers through its advisory team of approximately 69 people. Through its relationship managers, Inteligo establishes strong client relationships which result in a loyal and growing customer base. Inteligo's experienced relationship managers team has acquired specialized product knowledge and deep understanding of its customers' needs.

Information Technology Unit

Inteligo Bank implemented a new core system in 2020 to support its rapidly expanding operations. As of December 31, 2022 and 2021, Inteligo Bank had invested S/2.6 million and S/2.7 million, respectively, in the development of its technology platform, which will allow it to leverage its existing CRM platform and develop stronger business intelligence capabilities.

As a part of its cybersecurity strategy, Inteligo continued to strengthen its identification, protection, detection and action cybersecurity plans, which reduced the occurrence of attacks and mitigated the risk of cyber threats. This strategy is based on the cybersecurity framework of the National Institute of Standards and Technology (NIST), and other standards such as ISO 27000 and 27032. Inteligo's cybersecurity strategy includes improvements to security on different fronts, including mobile devices, workstations, in the cloud and on premises. Inteligo uses updated technology such as behavior analysis and artificial intelligence, which allow its human resources to reduce time spent on threat detection and analysis.

Payments Segment

Overview

In April 2022, we acquired the remaining 50% equity interest in Izipay, a provider of products and services related to payments acquirer, a correspondent bank and credit cards processor. Moreover, Izipay provides financial services and technology solutions that enable consumers, individual entrepreneurs, micro-merchants, SMEs, in Peru, to make and/or process payments in a safe, seamless, digital, mobile first and affordable manner. Izipay's technology solutions allow it to (i) be full acquirer company, with a complete set of payment solutions through POS devices and e-commerce, (ii) provide a digital platform with proprietary solutions for business management such as self check-out, split payments, product and inventory management, business reports, anti-fraud system and CRM, among others. Izipay operates a national, two-sided network at scale that helps merchants and consumers connect, transact, and complete payments, whether they are online or in person. As of December 31, 2022, the number of Izipay merchant active accounts (merchant codes) in Peru was 1 million compared to 0.7 million as of April 2022. Izipay is one of the leaders in the physical card payment business in Peru.

Since becoming a consolidated subsidiary in April 2022, Izipay had consolidated revenues of S/595.4 million and consolidated net profit of S/41.1 million. As a reference, for the year ended December 31, 2022, including the period prior to its acquisition, Izipay had consolidated revenues of S/754.3 million and consolidated net profit of S/51.2 million. As of December 31, 2022, Izipay had shareholders' equity of S/ 216.3 million and ROE for the year ended December 31, 2022 of 26.1%.

COVID-19 Measures

Izipay deployed several strategies across the organization to mitigate the remaining impact of the COVID-19 pandemic on both its operations and on its employees.

Business Lines

Izipay has three main business lines: (i) payments acquirer, (ii) correspondent banking and (iii) credit card processing.



Payments acquirer

Izipay offers merchants an end-to-end payments solution that provides authorization and settlement capabilities, helping merchants connect with their customers, process exchanges and returns, and manage risk. This is Izipay's main activities, accounting for most of its revenues.

For its payments acquirer activities, Izipay generates revenue from credit, debit and prepaid card transactions by charging a merchant discount rate, or MDR, a commission withheld by Izipay from the transaction value paid to the merchant. The transaction amount, less the MDR, is credited to the merchant's account. Izipay's MDR pricing model is standardized, easy to understand and transparent. It also offers customized MDR pricing for certain merchants who process large payment volumes.

Correspondent Banking

Izipay offers correspondent services at merchants throughout Peru like pharmacies, libraries and mom-and-pop stores, with exclusive POS terminals leased to banks that allow customers to perform basic cash-based transactions, such as withdrawals, deposits and payment of utility bills.

For its correspondent banking activities, Izipay earns revenues primarily from fees of financial and administrative transactions and fees for each exclusive POS terminal installed.

Credit Card Processing

Izipay uses world-class software (Credit Management Systems) to provide its services. Through this system, we can manage the credit and prepaid card accounts of our clients, who are mainly financial institutions, which allows them to control credit card balances, issue account statements, calculate payment schedules, among other functions.

For its credit card processing activities, Izipay generates revenue mainly from fees by number of total accounts.

Information Technology Unit

During the year 2022, Izipay invested S/104.3 million, in the development of its technology platform (including POSs, Software and Hardware), which will allow it to leverage its existing platform and develop stronger business intelligence capabilities.

As part of its cybersecurity strategy, Izipay has strengthened its preventive, detective, and recovery cybersecurity controls to reduce the occurrence of attacks and mitigate the risk of cyberthreats. This strategy takes as a framework the security requirements of PCI DSS, and other standards such as NIST, ISO 27000 and ISO 27032. Izipay's cybersecurity strategy includes security improvements on different fronts, included in our e-commerce applications, workstations, cloud or on-premises architectures. Izipay has tools and services based on behavioral analysis and artificial intelligence, that allow detecting and carrying out an exhaustive analysis of known or "0 day" threats that are exposed, allowing your human resources to reduce the time spent on detection and analysis of threats.

COMPETITION

We face intense competition in all of our segments, which can affect our margins, growth and profitability.

Peruvian Banking System and Competition

During the 1990s, the Peruvian economy underwent a major transformation, from being a highly protected and regulated system prevailing in the 1980s to a free-market economy. During this period, protectionist and interventionist laws and policies were gradually dismantled to create a liberal economy dominated by the private sector. Similarly, the Peruvian financial industry underwent deep structural changes that resulted in a significant expansion of credit. From 1993 to 1998, performing loans in the Peruvian financial system grew at a five-year CAGR of 45.9%, and banking penetration in Peru, measured as the ratio of loans-to-GDP, rose from 10.2% to 26.4% according to the SBS.

In 1998, the rise in international interest rates that followed the Russian default led to large outflows of capital from Peru, resulting in a 15.8% depreciation of the *Sol*. The strong depreciation of the *Sol*, coupled with the strong dollarization of the Peruvian Banking system prevalent at that time (81% of the loans were denominated in U.S. dollars) led to a sharp deterioration of the Peruvian banking system's loan portfolio quality and to a contraction in total loans. Past-due loans in the system peaked at 9.4% of total gross loans as of January 31, 2000, resulting in increased provisions and large capital losses for financial institutions.

However, from 2001 onwards, as macroeconomic conditions improved, the general banking industry indicators in Peru began also to improve. Past-due loans dropped from 9.0% of total gross loans as of December 31, 2001 to 3.7% as of December 31, 2004, and loan reserves over past-due loans increased from 118.9% as of December 31, 2001 to 176.5% as of December 31, 2004 according to the SBS.

From 2005 to 2008, fostered by a steady and sustained improvement in Peru's macroeconomic indicators, credit expanded again, with performing loans growing 25.2% in 2005, 18.0% in 2006, 34.7% in 2007 and 38.2% in 2008. The global financial crisis that started in late 2008 temporarily reduced credit growth as performing loans remained flat in 2009. Growth returned following the crisis, with the banking system in Peru experiencing a significant expansion of credit from December 31, 2008 to December 31, 2013. During this period, gross loans in the Peruvian banking system grew at a five-year CAGR of 13.0% and banking penetration in Peru, measured as the ratio of loans-to-GDP, rose from 24.8% to 30.4%, according to the SBS and the Central Reserve Bank of Peru.

From December 31, 2018 to December 31, 2022, the banking system in Peru continued to grow steadily, with gross loans expanding at a four-year CAGR of 7.1%, according to the SBS. A significant part of the growth experienced by the Peruvian financial system since 2017 has been generated by the retail banking sector. Retail loans (including consumer loans and mortgages) grew at a four-year CAGR of 7.9% for the period ended December 31, 2022. As of December 31, 2022, approximately 36.2% of the Peruvian banking sector's total loans were retail loans, down from 35.1% as of December 31, 2018.

According to the SBS, the total number of credit cards issued by the Peruvian Banking system as of December 31, 2022 was approximately 6.7 million.

Although mortgage loans in the Peruvian banking system grew at a four-year CAGR of 7.4% for the period ended December 31, 2022 and 7.6% between December 31, 2021 to December 31, 2022, there is still substantial room for growth, with only approximately 294.7 million mortgages outstanding in Peru among a population of approximately 33.5 million, compared to approximately 1.6 million mortgages outstanding in Chile for a population of 19.8 million, each as of December 31, 2022. A responsible macroeconomic approach, high housing demand and the promotion of housing programs over the past five years have been the main drivers of mortgage loan growth in Peru and are expected to continue fueling mortgage lending.

The Peruvian banking system is highly concentrated in a small number of relatively large participants. The four largest banks accounted for 83.8% of total gross loans and 82.8% of total deposits in the system as of December 31, 2022. Furthermore, foreign banks play a significant role in the Peruvian financial system. As of December 31, 2022, BBVA and Scotiabank, two of the four largest banks in the system, which accounted for a combined 36.6% of total gross loans and 33.0% of total deposits, according to the SBS, were under foreign control. Although other major global banks such as BNP Paribas, Standard Chartered, Intesa, BankBoston, HSBC and Deutsche Bank have ceased operations in Peru over the past 15 years, other foreign banks have entered or have shown interest in entering or increasing their exposure in the Peruvian market.

Interbank is currently the fourth largest bank in Peru, as measured by commercial lending and total assets and third largest bank, as measured by retail lending and total deposits, as of December 31, 2022, and has faced strong competition, including increased pressure on margins, primarily as a result of the presence of commercial banks in the Peruvian market with substantial capital, technology and marketing resources, as well as from Peruvian pension funds that lend to Interbank's current and potential commercial customers. This increased competition has affected the average interest rates that the Peruvian banking system has been able to charge its customers. Despite being the fourth largest bank in Peru, Interbank continues to be strongly positioned in the consumer sector, being the second largest bank in gross consumer loans as of December 31, 2022, according to the SBS.

In November 2019, the SBS issued Resolution No. 5570-2019 which became effective in January 2021. This resolution establishes that the non-revolving financing portion of credit card loans must be presented for regulatory considerations as loans instead of credit card loans. Under SBS GAAP figures, this resulted in a significant reduction to Interbank's credit card loan balances, market share and a change in its retail loans portfolio mix, as a result we no longer have a sizable market share in that product and do not present separate market share information for credit card loans.

The following tables show Interbank, the rest of the Peruvian banking system and their respective market shares as of December 31, 2022.

	Assets			As of December 31, 2022 Total Gross Loans			Deposits		
	Balance	Market Share (%)	Rank	Balance	Market Share (%)	Rank	Balance	Market Share (%)	Rank
	(S/ in millions)	(S/ in millions)		(S/ in millions)	(S/ in millions)		(S/ in millions)	(S/ in millions)	
BCP	178,505	35.5%	1	122,863	34.5%	1	118,340	36.3%	1
BBVA	98,156	19.5%	2	73,120	20.5%	2	66,148	20.3%	2
Scotiabank	73,855	14.7%	3	57,435	16.1%	3	41,313	12.7%	4
Interbank	66,825	13.3%	4	45,270	12.7%	4	44,020	13.5%	3
BanBif	19,246	3.8%	5	13,671	3.8%	6	12,721	3.9%	5
Mibanco	16,944	3.4%	6	13,966	3.9%	5	9,145	2.8%	6
Pichincha	11,201	2.2%	7	9,339	2.6%	7	7,654	2.3%	7
Santander	8,555	1.7%	8	5,892	1.7%	8	5,308	1.6%	9
Citibank	7,191	1.4%	9	1,940	0.5%	11	5,470	1.7%	8
GNB	5,465	1.1%	10	3,440	1.0%	10	4,259	1.3%	10
ICBC	3,576	0.7%	11	1,170	0.3%	14	3,048	0.9%	12
Falabella	5,517	1.1%	12	3,941	1.1%	9	3,897	1.2%	11
Comercio	2,341	0.5%	13	1,915	0.5%	12	1,519	0.5%	14
Ripley	2,578	0.5%	14	1,718	0.5%	13	1,748	0.5%	13
Alfin Banco	1,032	0.2%	15	575	0.2%	15	834	0.3%	15
Bank of China	595	0.1%	16	117	0.0%	17	334	0.1%	16
BCI	552	0.1%	17	213	0.1%	16	234	0.1%	17
Total	<u>502,134</u>	<u>100%</u>		<u>356,585</u>	<u>100.0%</u>		<u>325,990</u>	<u>100.0%</u>	

Source: SBS.

(1) Gross consumer loans do not include mortgage loans.

The following table shows key industry metrics for the four largest banks by assets and the Peruvian banking system.

	As of December 31, 2022		
	Gross Consumer Loans ⁽¹⁾		
	<u>Balance</u>	<u>Market Share (%)</u> (S/ in millions)	<u>Rank</u>
BCP	17,814	26.0%	1
Interbank	14,978	21.8%	2
Scotiabank	10,304	15.0%	3
BBVA	10,154	14.8%	4
Pichincha	3,623	5.3%	5
Falabella	3,940	5.7%	6
BanBif	1,850	2.7%	7
Ripley	1,718	2.5%	8
Comercio	1,556	2.3%	9
GNB	1,533	2.2%	10
Mibanco	529	0.8%	11
Alfin Banco	571	0.8%	12
Santander	4	0.0%	13
Citibank	0	0.0%	14
ICBC	0	0.0%	15
Bank of China	0	0.0%	16
BCI	0	0.0%	17
Total	<u>68,574</u>	<u>100.0%</u>	<u></u>

	2022	2021	2020	2019	2018
ROE					
Interbank	17.6%	19.1%	4.3%	22.0%	21.3%
BCP	21.6%	15.9%	4.5%	20.6%	21.4%
BBVA	18.3%	16.3%	7.0%	18.9%	19.0%
Scotiabank	13.7%	10.1%	2.6%	15.9%	15.3%
Peruvian banking system	17.3%	13.3%	4.0%	18.5%	18.5%
ROA					
Interbank	1.7%	1.7%	0.4%	2.4%	2.3%
BCP	2.5%	1.6%	0.5%	2.7%	2.6%
BBVA	1.9%	1.5%	0.7%	2.0%	2.0%
Scotiabank	1.9%	1.3%	0.3%	2.1%	2.1%
Peruvian banking system	2.0%	1.4%	0.4%	2.3%	2.2%
Efficiency Ratio⁽¹⁾					
Interbank	42.7%	45.1%	39.4%	38.4%	40.4%
BCP	40.4%	44.7%	40.9%	39.0%	40.1%
BBVA	39.1%	39.3%	40.4%	37.7%	37.5%
Scotiabank	38.7%	42.7%	41.0%	36.1%	37.0%
Peruvian banking system	42.5%	46.6%	43.4%	41.1%	42.2%
Past-Due-Loan Ratio					
Interbank	3.0%	3.6%	3.4%	2.6%	2.6%
BCP	4.0%	3.7%	3.2%	2.7%	2.7%
BBVA	4.4%	3.7%	3.2%	3.0%	2.9%
Scotiabank	4.1%	3.9%	5.4%	3.5%	3.5%
Peruvian banking system	4.0%	3.8%	3.8%	3.0%	3.0%
Coverage Ratio					
Interbank	163.9%	132.8%	202.3%	176.5%	175.0%
BCP	142.2%	152.5%	192.7%	137.7%	143.0%
BBVA	144.6%	167.2%	192.9%	161.8%	163.4%
Scotiabank	147.4%	154.0%	136.1%	134.7%	128.9%
Peruvian banking system	148.5%	155.5%	177.7%	152.1%	153.6%
Total Capital Ratio					
Interbank	15.1%	15.9%	17.0%	15.2%	15.8%
BCP	14.4%	14.9%	14.9%	14.5%	14.2%
BBVA	14.0%	14.1%	13.7%	14.1%	15.0%
Scotiabank	14.0%	14.7%	16.5%	14.5%	14.6%
Peruvian banking system	14.5%	14.9%	15.5%	14.6%	14.7%

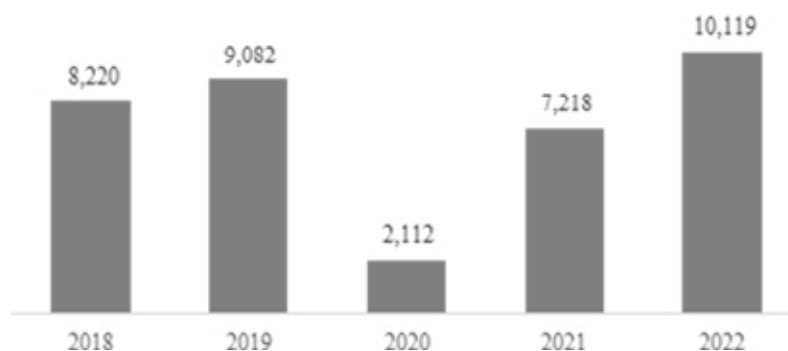
Source: SBS.

(1) Under SBS criteria.

Note: ROE calculated as net income for the period divided by the average of total equity at the end of the last five quarters. ROA calculated as net income for the period divided by the average of total assets at the end of the last five quarters.

The Peruvian banking system's net profit was S/10,119.2 million in 2022, an increase of 40.2% compared to 2021 due to higher revenues and lower provisions as a result of the activity recovery and base effect of the COVID-19 pandemic. The following chart shows the evolution of the banking system's net profit between 2018 and 2022.

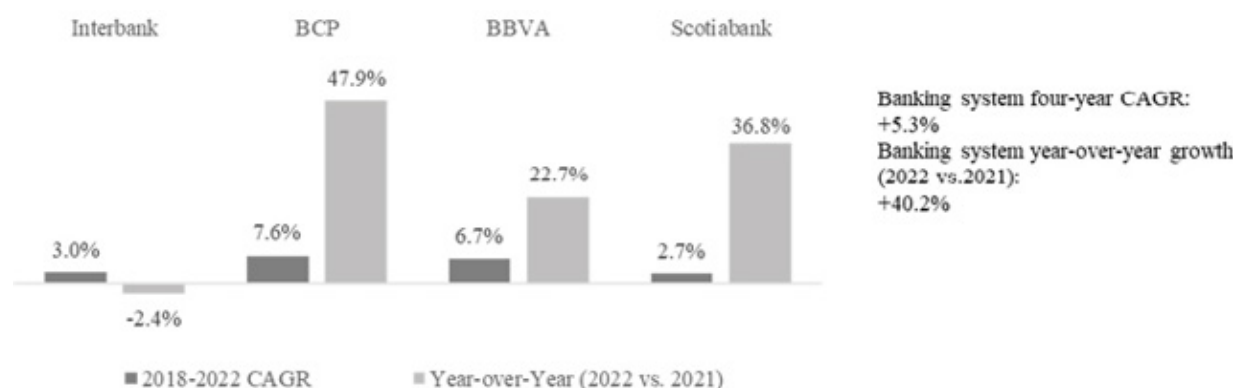
Banking system's Net Profit 2018 — 2022 (S/ in millions)



Source: SBS.

The following chart sets forth, for the metrics indicated below, the year-over-year performance as of December 31, 2022 for the four largest banks in Peru under SBS GAAP.

**Total Net Profit CAGR (2018 – 2022) and
Year-Over-Year Performance by Net Profit (As of December 31, 2022 vs. As of December 31, 2021)**

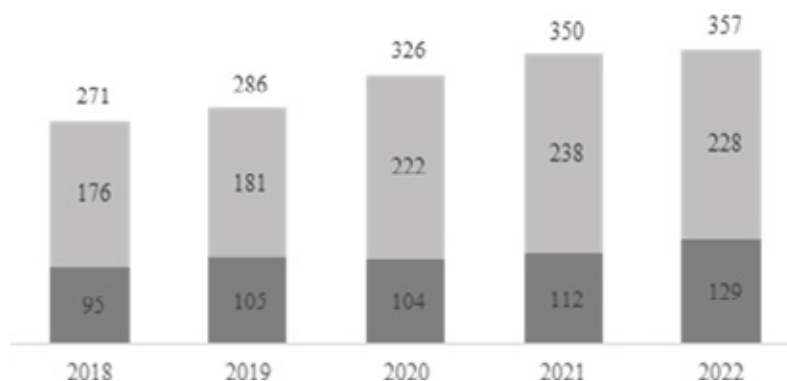


Source: SBS.

Note: Banks include international branches.

The banking system's total loans have shown high growth in the past years, reaching a 7.1% four-year CAGR from 2018 to 2022. In 2022, according to the Central Reserve Bank of Peru, loans to the private sector grew 4.5% mainly due to disbursements under the Reactiva Perú program. Excluding the effect of the Reactiva Perú program, loans to the private sector would have increased 11.2% in 2022. The following chart shows the evolution of the Peruvian banking system's retail and commercial loans between 2018 and 2022 under SBS GAAP.

Banking system's total loan 2018-2022 (S/ in billion)



Source: SBS.

The following chart sets forth the four-year CAGR from 2018 to 2022 and the year-over-year growth as of December 31, 2022 of total loans under SBS GAAP for the four largest banks in Peru.

**Total Loans CAGR (2018 - 2022) and
Year-Over-Year Growth (As of December 31, 2022 vs. As of December 31, 2021)**

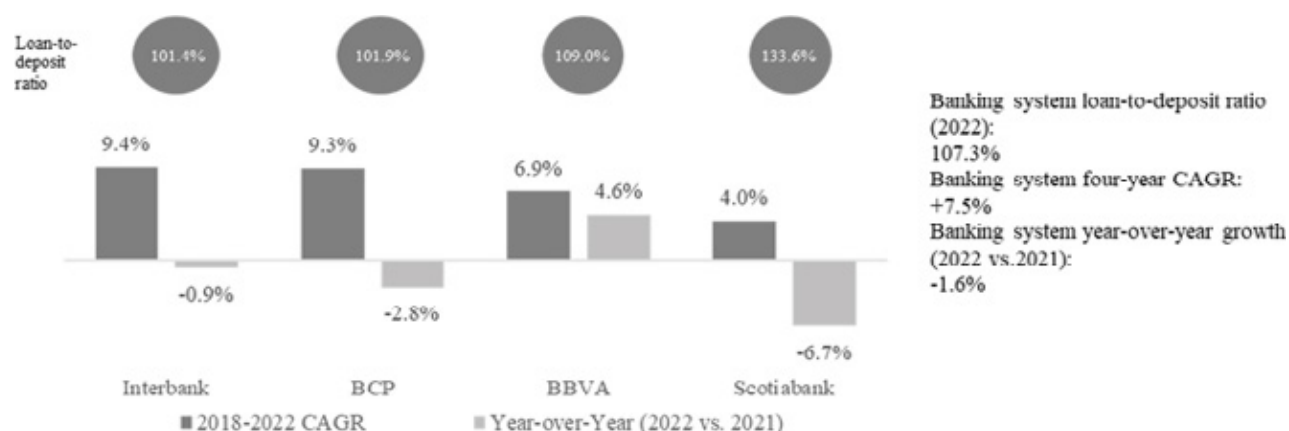


Source: SBS

Note: Banks include international branches.

The following chart sets forth the CAGR from 2018 to 2022 and the year-over-year growth as of December 31, 2022 of total deposits for the four largest banks in Peru. In 2022, increased in deposits was primarily due to an increase in our clients' liquidity as the result of (i) partial cash withdrawals from CTS accounts systemwide and the private pension system, (ii) commercial deposits related to unused funds from the Reactiva Perú program, and (iii) the widespread adoption of a "savings" mindset, all as a result of the effects of the COVID-19 pandemic.

**Total Deposits CAGR (2018 - 2022) and
Year-Over-Year Growth (As of December 31, 2022 vs. As of December 31, 2021)**

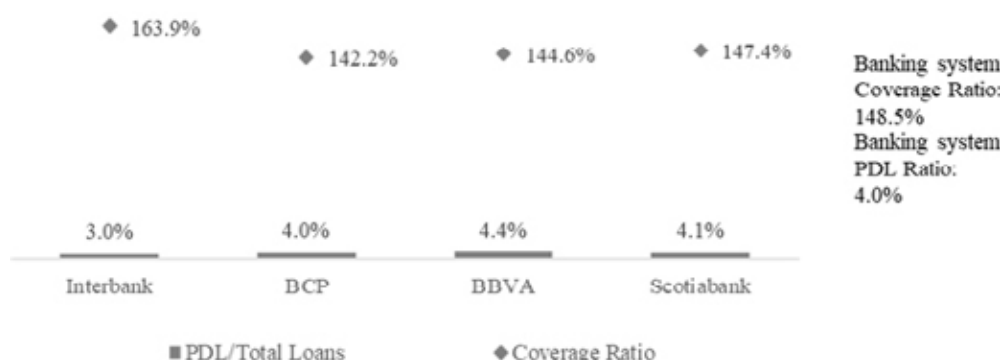


Source: SBS.

Note: Banks include international branches.

Interbank's past-due-loan ratio was the fourth lowest among the four largest Peruvian banks, and higher/lower than the banking system's average of 4.0%. The following chart sets forth the past-due-loan and coverage ratios under Peruvian SBS GAAP for the four largest banks in Peru as of December 31, 2022.

Past-Due-Loan and Coverage Ratios (As of December 31, 2022)

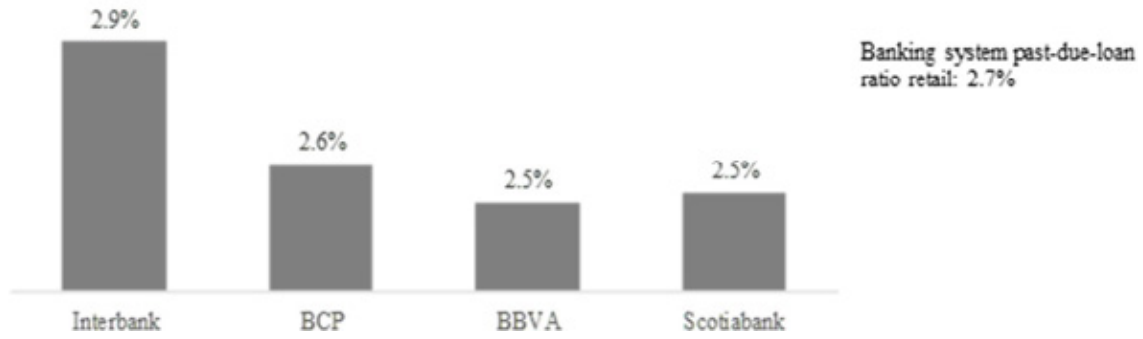


Source: SBS.

Note: Banks include international branches.

As of December 31, 2022, Interbank's past-due-loan ratio in retail and consumer loans was the first and third highest, respectively among the four largest Peruvian banks, due to our clients' profile and the importance of credit cards in our portfolio. The following charts set forth the past-due-loan ratios in retail and consumer loans for the four largest banks in Peru as of December 31, 2022.

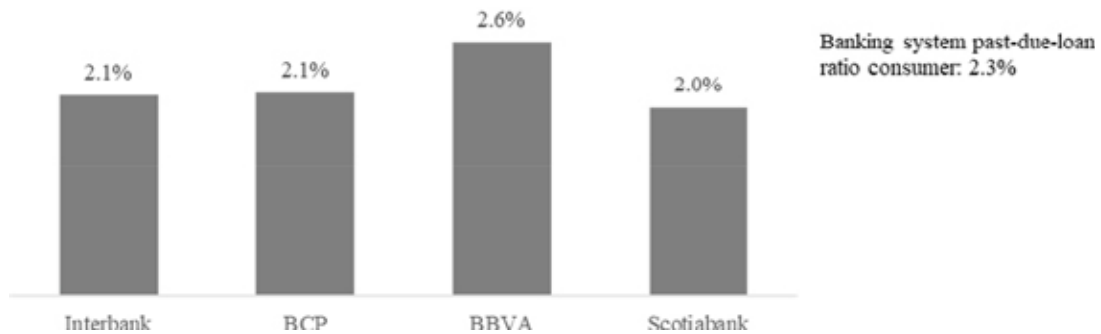
Retail Loans Past-Due-Loan Ratio (As of December 31, 2022)



Source: SBS.

Note: Banks include international branches.

Consumer Loans Past-Due-Loan Ratio (As of December 31, 2022)

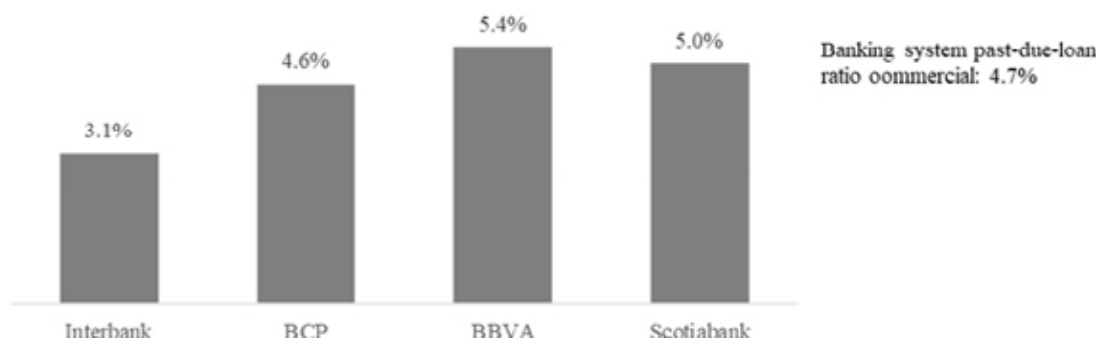


Source: SBS.

Note: Banks include international branches.

Interbank had the lowest commercial past-due-loan ratio among the four largest Peruvian banks as of December 31, 2022. The following chart sets forth the commercial past-due-loan ratio for the four largest banks as of December 31, 2022.

Commercial Loans Past-Due-Loan Ratio (As of December 31, 2022)



Source: SBS.

Note: Banks include international branches.

Fintech Landscape

In recent years, fintech entities have gained global relevance in financial services, with a focus on financial inclusion, payments solutions for individuals and companies, lending activities, insurance and investment needs. According to industry sources, investments in fintechs on a global basis decreased more than 31.3% between 2021 and 2022, while fintech-related investments in Latin America decreased 37.0% over the same period. In this region, investments in fintech entities have mostly targeted companies in countries like Brazil, Mexico and Colombia, which have critical mass populations. However, in Peru, partnerships between traditional financial institutions and fintech entities have started to occur, which we expect will expand opportunities to share competitive advantages and result in mutually beneficial opportunities to better serve current markets or access new ones. In 2021, Interbank scaled its open banking initiative and integrated with several new partners to offer its financial services through new channels. For example, Interbank announced a partnership with Kambista, a Peruvian fintech which allows users to exchange U.S. dollars to *soles* through an online currency exchange platform.

Peruvian Insurance Industry and Competition

The Peruvian insurance industry is well-capitalized, with a solvency ratio (*patrimonio efectivo / requerimientos patrimoniales*) of 132% under Peruvian SBS GAAP as of December 31, 2022, and operates under a well-established regulatory framework. Prior to the COVID-19 pandemic, the industry had experienced strong decrease. Insurance premiums grew at a four-year CAGR of 9.9% for the period ended December 31, 2022. Insurance premiums in Peru reached S/ 18.7 billion for the year ended December 31, 2022, representing a 5.9% year-over-year increase.

Life insurance premiums represented approximately 52.0% of total insurance premiums for the year ended December 31, 2022. In April 2016, a new regulation was approved in Peru, allowing pensioners to withdraw up to 95.5% of their retirement funds. While this measure had a negative impact on market size, life insurance annuities have increased at a CAGR of 16.2% from 2018 to 2022.

Growth of the annuities' segment is expected to resume as the number of Peruvian private pension system's retirees and their respective average pension balances increase. Currently, Peru's private pension system covers eight million citizens, 96.3% of whom are under 65 years (legal retirement age).

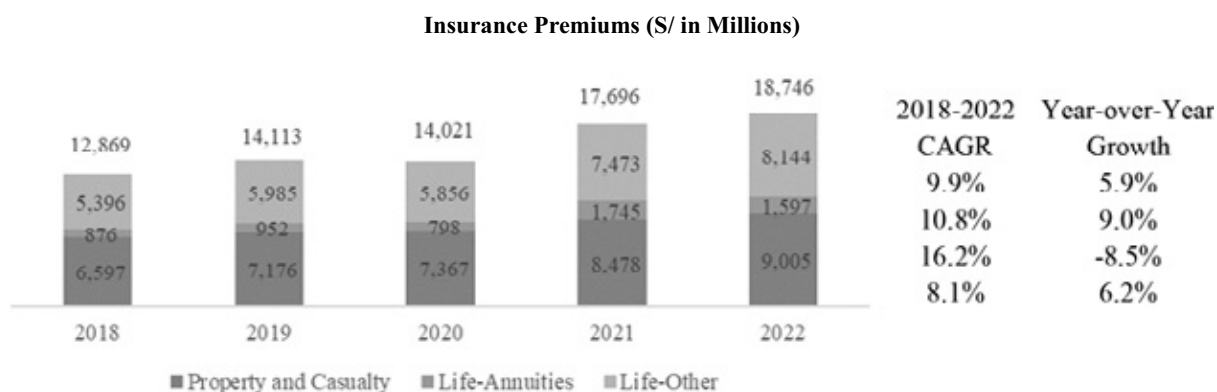
According to the SBS, in 2022, approximately 74,286 people retired under the Peruvian private pension system with more than 4.8 million people expected to retire between the next 10 and 30 years.

The table below sets forth the number of members in the Peruvian private pension system as of December 31, 2022.

As of December 31, 2022		
Age (years)	Number of Members (in thousands)	Percentage of Total
Less than 25	1,146,544	13.0%
26-35	2,540,612	28.8%
36-45	2,210,051	25.1%
46-55	1,708,022	19.4%
56-65	881,167	10.0%
More than 65	329,908	3.7%
Total	8,816,304	100.0%

Source: SBS

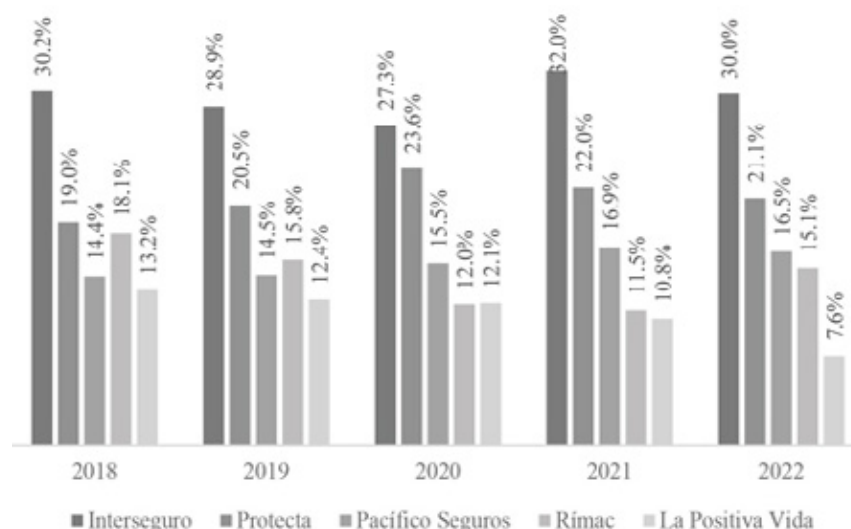
The chart below sets forth Peruvian insurance premiums for the periods indicated.



Source: SBS.

The chart below shows market share by annuities premiums from 2018 to 2022.

Market Share by Annuities (Excluding Private Annuities) Premiums



Source: SBS.

Note: Interseguro's figures incorporate Seguros Sura starting November 2018.

As of December 31, 2022, a total of 17 companies comprised the Peruvian insurance industry. As of December 31, 2022, in terms of assets on a consolidated basis, the four largest insurance companies had an 78.9% market share, and the leading two insurance companies had a combined market share of 49.7%. The Peruvian insurance industry is largely represented by Peruvian companies with three of the six largest companies controlled by Peruvian economic groups.

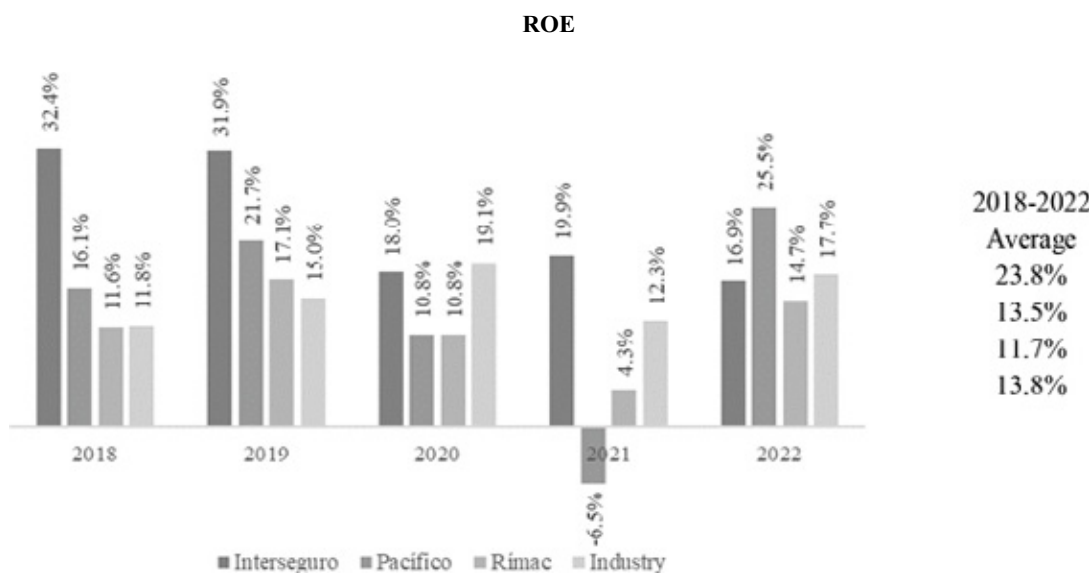
The following table presents market shares by assets and premiums of the six largest insurance companies in Peru as of and for the year ended December 31, 2022.

Company	Life	Non-Life	Total Assets as of December 31, 2022		Total Net Premiums for the year ended December 31, 2022	
			(S/ in million)	Market Share (%)	(S/ in million)	Market Share (%)
Rimac	✓	✓	19,030	26.5%	5,556	30.5%
Pacifico Seguros	✓	✓	16,737	23.3%	4,445	24.4%
Interseguro	✓	✓	15,020	20.9%	1,209	6.6%
La Positiva(1)	✓	✓	8,171	11.4%	2,282	12.5%
Mapfre(1)	✓	✓	5,947	8.3%	2,023	11.1%
Protecta Security	✓	✓	3,311	4.6%	594	3.3%

Source: SBS

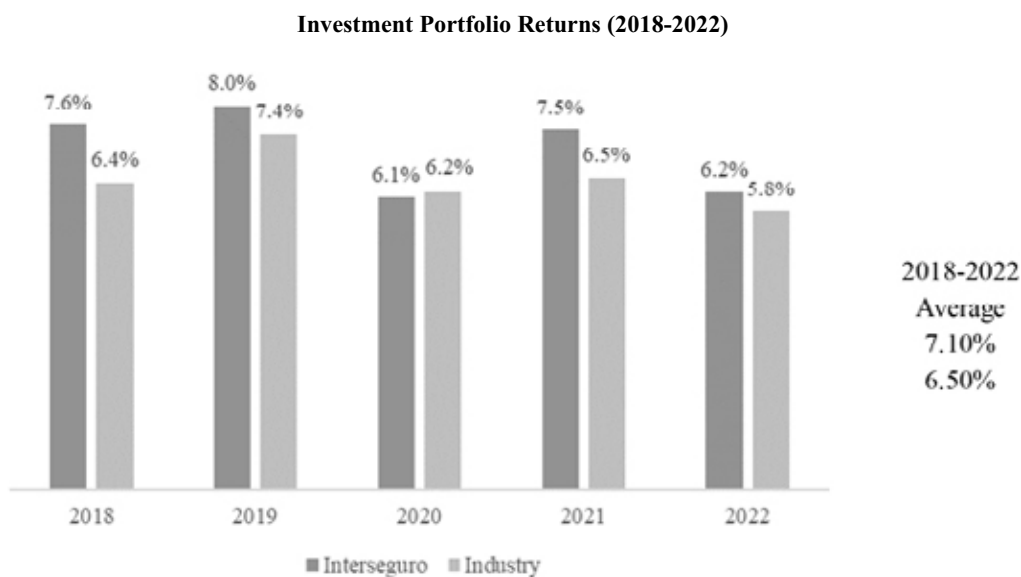
(1) La Positiva consolidates La Positiva and La Positiva Vida. Mapfre consolidates Mapfre Peru and Mapfre Peru Vida.

The following chart sets forth the ROEs for Interseguro, its main competitors and the Peruvian insurance industry, from 2018 to 2022.



Source: SBS.

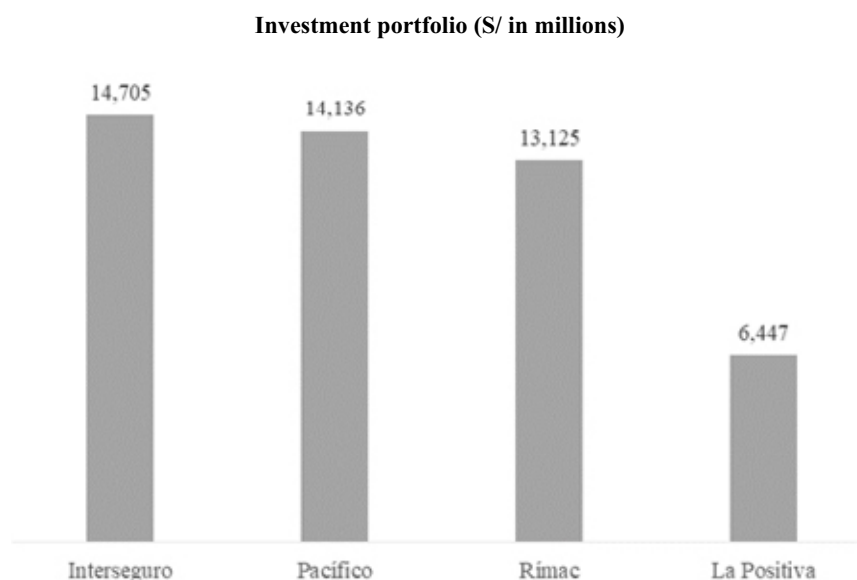
The following chart shows investment portfolio returns for Interseguro and the Peruvian insurance industry from 2018 to 2022.



Source: SBS.

Note: Annual Investment portfolio returns calculated as return from investments for the period divided by the average of total investments at the last five quarters.

The following chart shows total investments under Peruvian SBS GAAP of the four largest life insurance companies in Peru as of December 31, 2022:



Source: SBS

Note: La Positiva consolidates La Positiva and La Positiva Vida.

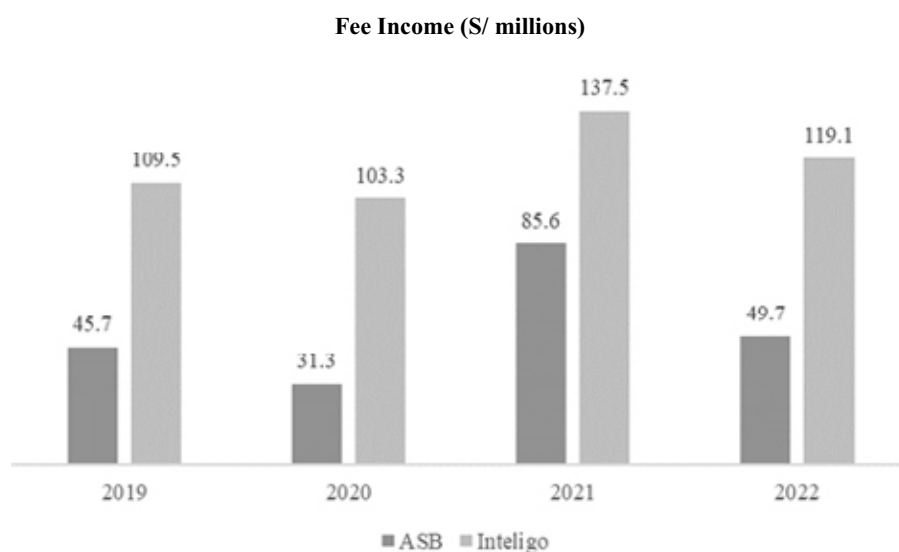
Insurtech Landscape

In the last 10 years, advances in technology and data analytics have been accelerating the potential development of insurtechs in different parts of the value chain of the insurance industry. At a global level, insurtechs have captured almost U.S.\$29.1 million in investments from venture capital firms, angel funding and corporate venture capital firms financed by digital-based technology companies and large incumbents during the month of December 2022. There were 49 deals involving insurtech funding in the United States during the year 2022, in the combined amount of U.S.\$0.5 billion, while there were 30 deals in Europe, in the combined amount of U.S.\$0.2 billion, and 19 deals in Asia, in the combined amount of U.S.\$0.2 billion. Other regions such as Latin America & the Caribbean have had one deal in 2022, in the amount of U.S.\$10.0 million, Africa had two deals in the combined amount of U.S.\$2.0 million, Australia had two deals in the combined amount of U.S.\$71.0 million, and Canada had two deals in the combined amount of U.S.\$5.0 million. In Peru, investments in the insurtech segment are in the early stages. Nonetheless, many incumbents, including Interseguro, are betting on digital product developments and strategic partnerships that could eventually leverage insurtech capabilities.

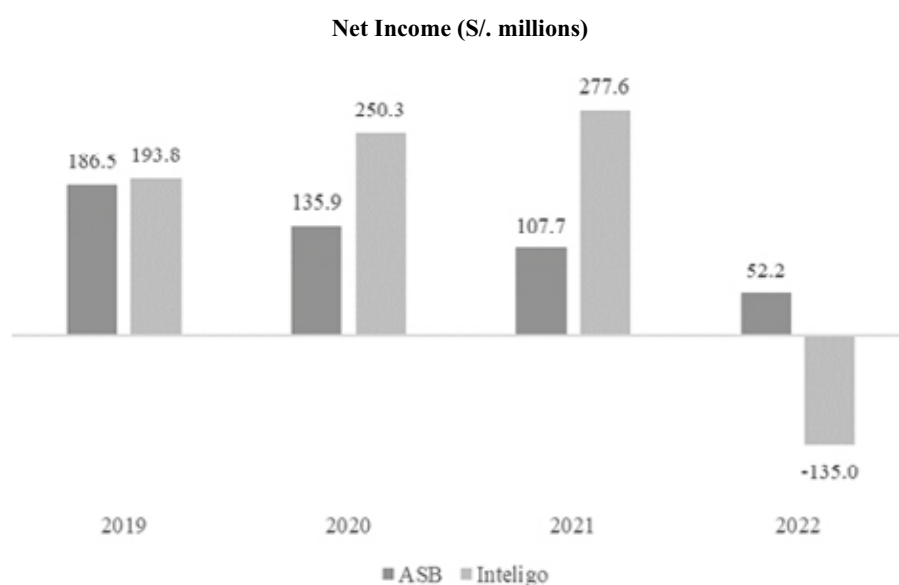
Wealth Management Industry and Competition

Inteligo Bank operates in the highly-competitive and regulated wealth management industry, competing with independent advisors, global banks and Peruvian firms, such as its main competitor Credicorp Ltd. through its subsidiary Atlantic Security Bank (“ASB”). The Peruvian wealth management industry has also recently attracted several new participants, including representative offices of global banks such as JP Morgan, UBS, RBC, Credit Suisse, and Julius Baer, among others.

The following chart sets forth fee income for Inteligo Bank and ASB from 2019 to 2022.



The following chart sets forth net income in for Inteligo Bank and ASB from 2019 to 2022.



Source: Company information and Credicorp Ltd.'s quarterly reports.

Interfondos provides mutual fund management services in Peru. Interfondos has been the fourth largest mutual fund manager in Peru in each of the last five years according to the SMV. As of December 31, 2022, Interfondos had a 15.6% market share based on assets under management.

Inteligo SAB provides brokerage services, including sales and trading operations, in Peru's domestic capital markets. As of December 31, 2022, the Peruvian brokerage industry consisted of 20 brokerage firms. Inteligo SAB has ranked among the largest equity trading platforms in the last five years in terms of trading volumes on the Lima Stock Exchange.

Payments

Izipay operates in the highly-competitive and regulated payments industry, competing with a wide range of businesses, even smaller or younger companies and from all form of physical and electronic payments. This is due to the fact that the payments industry is continuously innovating, changing technologies and adapting to fast paced preference and needs of merchants and consumers.

Izipay's payments acquirer line primarily competes with merchant acquirers, payment gateways, payment facilitators and other financial technology companies who provide businesses with merchant acquiring services and related services. In this segment, Izipay's main competitors are: Niubiz and Culqi

Izipay's correspondent banking business line is primarily comprised by three group of players: Izipay, banks and other providers. Izipay offers correspondent services at merchants throughout Peru like pharmacies, libraries and mom-and-pop stores, with exclusive POS terminals leased to banks. Banks partner with merchants to have the POS terminals advertised in stores. Banks provide those services at their own branches and other providers that don't offer the service for a single customer. In this segment, Izipay's main competitors are: Full carga, Kasnet, Cyrus, Niubiz and the proprietary solutions of the banks themselves.

Our credit card and prepaid processing business line primarily competes with other third-party payment card processors, the card brands, core banking platform providers, independent software vendors and various other firms that provide products and services to payment card issuers in Peru. Banks do not delegate debit card processing, they do it with their internal core system. Our primary competitors in this space include: Unibanca and Niubiz.

REGULATION AND SUPERVISION

The Peruvian Financial and Insurance Systems

A substantial part of our activities are conducted through Interbank and Interseguro, our banking and insurance subsidiaries, respectively, operating in Peru. A summary of the Peruvian financial and insurance regulatory framework is set forth below.

General Overview of the Peruvian Financial Regulatory Framework

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Reserve Bank of Peru. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian financial system, while the main function of the Central Reserve Bank of Peru is to preserve monetary stability. In addition, Peruvian banks are subject to certain regulations of the SMV.

The regulatory framework for the operation of the Peruvian financial and insurance sector is set in the Peruvian Banking and Insurance Law (*Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*) approved by Law No. 26702, which was enacted in December 1996. The Peruvian Banking and Insurance Law regulates Peruvian financial and insurance companies and private pension funds administrators. In accordance with the Peruvian Banking and Insurance Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking financial and insurance sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies such as trust companies and investment banks, insurance companies, private pension fund administrators and savings and loans cooperatives (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial and insurance institutions must seek the authorization of the SBS before initiating operations. The SBS has administrative and financial autonomy, and its head office is located in Lima. The current chairman of the SBS, María del Socorro Heysen Zegarra, was appointed by former President Kuczynski in August 2016.

In June 2008, as a way to facilitate the adoption process to the Basel II standards, the Peruvian Banking and Insurance Law was amended by Legislative Decree No. 1028 and Legislative Decree No. 1052, to comply with the international standards. In June 2011, the Basel Committee announced the issuance of the Basel III principles. The changes introduced have been designed to be implemented progressively. The SBS, by use of its regulatory attributes, has issued several regulations that seek to adapt the Peruvian financial system to the new Basel Capital Accords. This new capital framework revises and strengthens the three pillars established by Basel II. The accord is also extended with new capital buffers (including a capital conservation buffer, a countercyclical capital buffer, and a global systemically important banks buffer), a leverage ratio and liquidity requirements.

In July 2011, the SBS issued SBS Resolution No. 8425-2011 (as amended from time to time), establishing the final methodologies in the calculation and the implementation schedule of the additional capital requirements to be implemented in Peru, which, although not completely consistent with Basel III, includes requirements to cover concentration, interest rate and systemic risk, as well as certain pro-cyclical capital requirements. These additional requirements were fully implemented in July 2016.

In March 2022, the Peruvian Banking and Insurance Law was amended by Legislative Decree No. 1531 to adapt the regulations applicable to the companies of the financial system, related to the composition of the effective equity to the Basel III principles. In December 2022 the SBS approved six resolutions aimed at adapting the regulatory framework of the financial system more generally to the Basel III principles. Such legislative decree became effective on January 1, 2023.

As noted, Peruvian banks, financial institutions and insurance companies are mainly regulated and supervised by the following administrative institutions:

The SBS

The SBS is the regulatory authority charged with the implementation and enforcement of the requirements contained in the Peruvian Banking and Insurance Law, and, more generally, with the regulation and supervision of all financial and insurance companies in Peru and, since July 2005, the private pension funds administrators.

Its objectives include: (i) protecting the public interest; (ii) safeguarding the financial stability of the institutions over which it has authority; and (iii) punishing violators of its regulations.

Its main responsibilities include: (i) reviewing and approving, with the assistance of the Central Reserve Bank of Peru, the establishment, organization and operations of the institutions it regulates and their subsidiaries; (ii) overseeing mergers, dissolutions and reorganizations of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as us and InterCorp Peru); (iv) reviewing the by-laws and amendments thereto of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; (vi) controlling the *Central de Riesgos* (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks to allow them to monitor individual borrowers' overall exposure to Peru's financial system); and (vii) supervising the anti-money laundering system through the financial intelligence unit.

The SBS enforces the Peruvian Banking and Insurance Law on an ongoing basis through periodic resolutions. The Peruvian Banking and Insurance Law provides for stringent loan loss reserve standards, brings asset risk weighing in line with the Basel Committee on Banking Supervision guidelines and includes the supervision of holding companies of financial institutions by the SBS.

For the foregoing purpose, the SBS requires banks, financial and insurance companies to report, on a periodic basis, all relevant information necessary for off-site evaluation of its financial performance. The relevant information for off-site evaluation includes audited financial statements on a consolidated basis, board of directors' reports, auditor's reports and any other reports which reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the reported information.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking and Insurance Law and other related legislation, examining all banking and insurance operations, and analyzing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees as a result of any violation of the Peruvian financial and insurance system rules. Sanctions vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breach of regulations under the supervision of the SBS.

The Central Reserve Bank of Peru

The Central Reserve Bank of Peru was incorporated in 1922. Pursuant to the Peruvian Constitution, its primary role is to ensure the stability of the Peruvian monetary system and perform the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Central Reserve Bank of Peru exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Central Reserve Bank of Peru is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof and is also responsible for establishing mandatory minimum liquidity reserves. The Central Reserve Bank of Peru manages Peruvian international reserves and gathers and publishes data on its finances and is also the sole issuer of Peruvian currency.

The highest decision-making authority within the Central Reserve Bank of Peru is its seven-member Board of Directors. Each Director serves a five-year term. Of the seven Directors, four are selected by the executive branch and three are selected by Congress. The Chairman of the BCRP is one of the executive branch nominees but must be approved by Congress.

The Central Reserve Bank of Peru Board of Directors develops and oversees monetary policy, establishes reserve requirements for entities within the financial system, and approves guidelines for the management of international reserves. All entities within the financial system are required to comply with the decisions of the Central Reserve Bank of Peru.

The SMV

The SMV is the Peruvian securities market regulatory authority, attached to the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*). The main purpose of the SMV is promoting, overseeing and regulating the securities market, supervising and controlling all individuals and entities that intervene in such market, and enforcing compliance with the provisions of the Peruvian Securities Market Law and its regulations.

Pursuant to Article 29 of the Peruvian Banking and Insurance Law, the issued and outstanding shares of Peruvian banks must be registered with the SMV and listed with the BVL. Therefore, according to the Peruvian Securities Market Law and its regulations, listed companies such as banks and insurance companies are required to file with the SMV and the BVL, in Spanish and on a going forward basis, quarterly and annual financial reports.

In addition, these companies are required to disclose to the market in a timely manner (on the same day when the event occurs) all information that investors are reasonably likely to consider material. Specific regulations provide for specific parameters to determine what is considered material information (*hechos de importancia*).

In March 2014, regulations related to disclosure of material information were amended. By virtue of such regulations, issuers under supervision of the SMV are required to disclose all material information in connection with the issuer of registered securities (such as our common shares) and its activities or securities issued or secured by such issuer which may influence the liquidity or price of such securities.

Also, issuers whose securities are also traded in foreign markets must file with the SMV all information that is required to be disclosed to investors on such foreign market as soon as such information is delivered to foreign regulators.

COVID-19 Response

The Peruvian government implemented a number of measures aimed at strengthening the financial sector in response to the COVID-19 pandemic, including, but not limited to:

- Modifying the limit for swap and forward operations for the sale of foreign currency in exchange for local currency from U.S.\$575 million per week to U.S.\$675 million per week per financial institution, without requiring additional reserves, in order to support foreign exchange hedges.
- Reducing the reserve requirement from 50% to 9% for obligations in foreign currency with average terms equal to or less than two years entered into with foreign financial entities.
- Establishing the National Government Guarantee Program for Financial Institutions (*Programa de Garantía del Gobierno Nacional a las Empresas del Sistema Financiero*) for an amount of S/7,000 million, pursuant to Legislative Decree No. 1508 enacted on May 11, 2020. Financial institutions may apply to this program in order to enter into repurchase agreements with the Central Reserve Bank of Peru in connection with their loan portfolios. The objective of this measure is to provide Peruvian financial institutions with extraordinary liquidity, but only up to 80% of the loan portfolio's value may be paid by the Peruvian government under the program as per the repurchase agreement. In addition, eligible loan portfolios must have been qualified as "Normal"—as per the SBS categorization—. The term for financial institutions to apply and enter into repurchase agreements with the Central Reserve Bank of Peru within the framework of the program expired on December 31, 2022, and the maximum term to repurchase the corresponding transferred loan portfolio expires on December 31, 2024.
- Authorizing financial institutions to modify contractual loan obligations, including rescheduling of maturities, without characterizing such modifications as refinanced loans, provided that the term of any loan is not extended for more than six months from the original term, and for no more than twelve months in case of retail loans and loans granted to mid-sized corporations, respectively, so that debtors can meet payment obligations. See "Presentation of Financial Information—Loan Portfolio Data."
- Increasing monetary limits per operation (wire transfers, electronic money exchange, among others) to be carried out through electronic money accounts.
- Establishing procedures for extraordinary withdrawals from pension fund accounts as set forth in the Urgency Decree No. 034-2020 and Law No. 31017. In addition, Urgency Decree 056-2020 was enacted to permit banks to open individual or retail bank accounts (such that no consent or signed documentation is required from individuals) to enable receipt of government subsidies as well as of pension payments in connection with withdrawals from pension fund accounts.
- Establishing that the allowance rate for loan loss reserves applicable to loans guaranteed pursuant to the *Reactiva Perú* program would be 0%, such that any allowance for loan loss is undertaken by the counterparty granting the guarantee rather than the banks granting the loan, pursuant to SBS Resolution No. 1314-2020 enacted on April 27, 2020. The program, pursuant to Legislative Decree No. 1455 enacted on April 6, 2020, aims to promote the financing of working capital in order to ensure continuity in the chain of payments in the Peruvian economy. The granted guarantee covers an amount that is equal to three months of average monthly sales in 2019 (according to SUNAT's information), and is channeled through two mechanisms: (i) guarantees to credit portfolios implemented through a trust, and (ii) individual guarantees implemented through a trust commission (*comisión de confianza*) or other instrument of similar nature. The debtor companies must not pre-pay financial obligations in force before paying off the loans covered by the guarantee, and must not distribute dividends or approve and/or split profits during the term of the loans, except for the amount and/or percentage corresponding to the workers' profit share.

The term for loans must not exceed thirty-six months, including a twelve-month grace period. The program has a duration of four years counted from the execution of the agreement between COFIDE and the financial institution. Companies will be able to apply for extensions on the term of their loans under this program until June 30, 2023. Any loans which have their terms extended under this program have their principal amount guaranteed by the Peruvian National Government.

- Establishing the *Fondo de Apoyo Empresarial a las MYPE del Sector Turismo* (FAE-TURISMO), pursuant to Urgency Decree No. 076-2020, enacted on June 30, 2020. The objective of this fund is to guarantee credits for working capital of SMEs that carry out hospitality activities and accommodation, transport of passengers, tourist transport, travel and tourism agencies, restaurants, leisure activities, organization of conferences, conventions and events, tourist guiding, and production and marketing of handicrafts. The operations guaranteed by FAE-TURISMO are carried out in the form of a loan portfolio. Guarantees granted through FAE-TURISMO covers a maximum amount equivalent to three times the average monthly working capital debt registered by the MYPE in the year 2019 before financial institutions. The loans term must not exceed sixty months, including a 24-month grace period. The term for SMEs to obtain a loan within the framework of the FAE-TURISMO was extended and will expire on June 30, 2023, and the duration of the program is six years from the execution of the respective trust agreement. Because of the emergence of new variants of COVID-19, the government modified the operating rules of the FAE-TURISMO for MYPEs to facilitate working capital loans to these entities.
- Establishing debt freeze and rescheduling, under the Guarantee Program COVID-19 pursuant Law No. 31050, enacted on October 8, 2020. The law establishes extraordinary measures for rescheduling credit payments of certain debtors affected by the state of national emergency subject to the granting of guarantees by the Peruvian National Government. These guarantees will only be applicable if the financial institutions reduce the cost of the loan as to the percentages established by the law, reduce interest rates, or condones one or more debt installments, or a combination of such measures. The measure is applicable to consumer, personal, housing mortgage, vehicle and SMEs (MYPEs) loans. The minimum term for rescheduled loans must be six months (except for mortgage loans, in which case, will be nine months) and the maximum term for the credits shall be thirty-six months, including the grace period. The duration of the program is four years from the execution of the respective agreement. Because of the emergence of new variants of COVID-19, the government extended until December 31, 2021 the period during which debtors were able enroll in the Guarantee Program COVID-19 in order to maintain the soundness and solvency of the national financial system and to protect financial clients.

Banking Regulation and Supervision

Banking regulations and capital adequacy in Peru take into account the recommendations of the Basel Committee. The SBS has adopted the principles and guidelines of Basel II and Basel III. Also, the SBS has mandated a minimum regulatory capital requirement for Peruvian banks and, in accordance with Legislative Decree No. 1531's amendments to the Peruvian Banking and Insurance Law, issued certain resolutions in 2022, completing the three objectives for Basel III (i.e., increased capital, establishment of liquidity standards and improvement in the quality of capital). However, the implementation of other Basel III principles, such as the net stable funding ratio, have yet to be implemented by Peruvian legislation. We cannot provide any assurances regarding whether or as to the extent the SBS may adopt the pending standards.

Implementation of Basel II Principles

To carry out the implementation of Basel II, the SBS has approved a schedule of two (2) phases: a first mandatory phase and a second voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most important regulations. On June 22, 2008, Legislative Decree No. 1028 was issued, which contains certain amendments to the current Peruvian Banking and Insurance Law, most of which were aimed to adapt it to Basel II standards.

In order to conform to Basel II standards, the methodology for measuring credit, market and operational risks has been amended to allow both standardized and internal model-based methods for measuring market and credit risks. All Peruvian financial institutions and insurance companies were to have implemented the standardized approach methodology by June 2009. Financial institutions and insurance companies will have the opportunity to request the validation and approval to implement the internal rating-based ("IRB") methodology. Only those financial institutions and insurance companies that apply to use the IRB methodology will follow the second phase of implementation of Basel II standards.

The second phase consists of a validation process of the IRB methodology by the SBS and its subsequent approval. Once the IRB methodology has been validated and approved by the SBS, the pertinent financial institution will use regulatory capital floors to calculate their capital requirements. The amount of required capital may not be less than the percentage of capital requirements obtained under the previous methodology.

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
Basic IRB and Internal Models of Credit Risk	95%	90%	80%
Advanced Models of Credit Risk and/or Operational Risk	90%	90% ⁽¹⁾	—

(1) 80% for operational risk.

Capital Adequacy Requirements—Basel II

Under the amended provisions of Article 199 of the Peruvian Banking and Insurance Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) may not be lower than 10% of its total weighted assets, the latter being defined as the sum of: (i) the regulatory capital allocated to cover market risks multiplied by the inverse of the overall limit (*limite global*), (ii) the regulatory capital allocated to cover operational risks multiplied by the inverse of the overall limit (*limite global*); and (iii) the total amount of credit risk-weighted assets. Notwithstanding, according to SBS Resolution No. 03952-2022, published on December 27, 2022, the SBS established a gradual implementation schedule (from 8.5% for January—March 2023 to 10% for March 2024 and onward).

According to the amended provisions of Articles 184 and 185 of the Peruvian Banking and Insurance Law (as amended by Legislative Decree No. 1531), regulatory capital is defined as the sum of: (i) Tier 1 Regulatory Capital or Basic Capital; and Tier 2 Regulatory Capital.

Tier 1 Regulatory Capital or Basic Capital is comprised of (i) the ordinary capital (which includes common stock and other paid-in capital instruments), capital premiums, dividends, unrealized gains, legal and voluntary reserves, donations and other elements as defined by the SBS and (ii) supplementary Tier 1 Regulatory Capital, which includes capital instruments, capital premiums and certain subordinated debt, premiums, of the above indicated instruments and other elements as defined by the SBS. Basic Capital is subject to, among others, the following deductions: losses of prior years and of the current year, unrealized losses, any provisions deficit, and goodwill resulting from corporate reorganizations and acquisitions; and supplementary Tier 1 Regulatory Capital is subject to, among others, the following deductions: holdings, directly or indirectly, of equity and/or subordinated debt instruments eligible for additional Tier 1 Regulatory Capital, which have been issued by the company itself and which are held in treasury and investments in equity and/or subordinated debt instruments eligible for additional Tier 1 Regulatory Capital, issued by companies of the financial system or the insurance system, domestic or foreign.

Tier 2 Regulatory Capital consists of (i) equity and subordinated debt instruments, not included in Tier 1 Regulatory Capital, that meet the conditions set forth by the SBS, (ii) premiums of the above mentioned instruments, (iii) generic provisions up to 1.25% of the assets and contingencies weighted by credit risk when the standard method is used to determine the regulatory capital requirement for credit risk, and (iv) other elements as defined by the SBS. Tier 2 Regulatory Capital is subject to certain deductions under the law, such as: holdings, directly or indirectly, of equity and/or subordinated debt instruments eligible for additional Tier 2 Regulatory Capital, which have been issued by the company itself and which are held in treasury and investments in equity and/or subordinated debt instruments eligible for additional Tier 2 Regulatory Capital, issued by companies of the financial system or the insurance system, domestic or foreign, etc.

Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report analyzing the bank's assets for the previous month and the total amount of the bank's regulatory capital. Foreign currency denominated assets are valued in *soles* at an average exchange rate published by the SBS in effect as of the date of such report.

In February 2016, the SBS issued SBS Resolution No. 975-2016, which changed the conditions that subordinated debt must meet in order to be considered in the calculation of additional capital and the calculation methodology applicable to risk-weighted assets. As part of the implementation of the Basel III standards, the SBS issued SBS Resolution No. 03950-2022 in December 2022 regulating new dispositions applicable for subordinated debt, in order to update the form of computation in the different levels and sublevels of the regulatory capital, in accordance with the characteristics of each element. This resolution became effective on January 1, 2023 and is applicable to subordinated debt incurred or created as from such date. However, subordinated debt incurred or created prior to its enactment will still be considered in the calculation of regulatory capital.

In addition, SBS Resolution No. 03950-2022 was enacted mainly to reflect the new composition of the regulatory capital. As a result, non-redeemable subordinated debt is taken into account for the computation of Supplementary Tier 1 Regulatory Capital, as opposed to the previous treatment, which allowed its computation as either Tier 1 or Tier 2 Regulatory Capital. Similarly, redeemable subordinated debt becomes part of the computation of Tier 2 Regulatory Capital only.

In accordance with SBS Resolution No. 03952-2022 (which amended the SBS Resolution No. 14354-2009), the 1,000% factor for risk-weighted assets for intangibles (excluding goodwill), deferred tax assets that originate from operating losses and deferred tax assets that exceed the threshold of 10% of “adjusted total capital” has been removed from the computation of regulatory capital. To replicate the deductions established by Basel III, deferred income tax assets net of deferred income tax liabilities arising from temporary differences that do not exceed the threshold of 10% of Tier 1 Regulatory Capital will receive a weighting factor of 250%.

Implementation of Basel III Principles

In July 2011, the SBS approved SBS Resolution No. 8425-2011 (as amended from time to time), which required additional regulatory capital based on the risk profile of each financial institution in accordance with the guidelines approved by the SBS, to cover risks not contemplated in Pillar I of Basel II. Consistent with certain aspects of Basel III, the SBS Resolution No. 8425-2011 was replaced by SBS Resolution No. 03953-2022 and SBS Resolution No. 03954-2022 in order to update the methodologies for calculating the individual and sector concentration risk buffers (including regional and economic sector concentration) eliminating the capital buffer requirement for risk appetite and maintaining the requirement for measuring the interest rate risk of the banking book. Legislative Decree No. 1531 and SBS Resolution No. 03954-2022 aligned the capital conservation buffer in the Peruvian regulation, to the Basel III principles.

Companies shall complete the regulatory capital requirement for concentration risk by December 2023. This transition applies only to the excess of the required capital over the additional regulatory capital requirement for concentration risk calculated as of December 2022. In addition, the conservation buffer requirement shall be implemented following a specific schedule:

Compliance Date	Conservation Buffer Requirement (% of the total APR)
December 2023	0.625%
December 2024	1.250%
December 2025	1.875%
December 2026	2.500%

As of the date of this Annual Report on Form 20-F, Interbank is in compliance with the additional regulatory capital requirements approved by the SBS.

Liquidity Requirements of Basel III Principles

In December 2012, the SBS approved SBS Resolution No. 9075-2012, requiring a new calculation of the liquidity ratio coverage. The liquidity ratio coverage is a ratio for financial institutions to ensure the maintenance of adequate levels of high-quality liquidity assets (ALAC) that could easily be converted into cash to meet liquidity needs, for a 30-calendar day period, under a stress liquidity scenario. High-quality liquidity assets are defined as assets that are easily and immediately convertible into cash, with minimum or no loss of value during the stress period. In October 2022, the SBS approved SBS Resolution No. 03296-2022 which incorporated, among others, the operational criteria that the high-quality liquidity assets must meet, as well as the categories of such assets.

Pursuant to SBS Resolution No. 6694-2015, the SBS defined a plan for the implementation of this ratio. Since January 2019 and moving forward, companies have been required to implement 100% of the Liquidity Ratio Coverage Ratio. As of the date of this Annual Report on Form 20-F, Interbank is in full compliance with all regulatory limits required by the SBS. In addition, Interbank’s alert system monitors any deviations so Interbank may take any preventive measures.

Classification of the Loan Portfolio

According to SBS regulations, the provision for loan losses is calculated and recorded following SBS Resolution No. 11356-2008, which sets parameters to determine the calculation of provisions which is based on formulas and the use of specific percentages over the balances of loans and collateral received. For example, banks must consider certain criteria with respect to the borrower, including securities; credit category; borrower’s liquidity, borrower’s equity and outstanding debt, among others. Also, it requires constitution of generic provisions based on total loan portfolio, including generic provisions on not-impaired loans. The loan portfolio provisions which result from such classification differ materially from the loan portfolio provisions which result from our application of IFRS. For a discussion of our loan portfolio classification policies and the resulting allowances, see “Item 4. Information on the Company—Selected Statistical Information—Classification of our Loan Portfolio and—Impairment Allowance for Loans” and “Note 30.1 Credit Risk” to our audited annual consolidated financial statements.

Beginning on January 1, 2021, the SBS introduced a reporting rule under the SBS GAAP whereby non-revolving credit card loans must be reported as other non-revolving consumer loans. This change resulted in a reduction in Interbank's credit card loan balances and an increase in consumer loans in the same proportion as the credit card balances were reduced.

Risk of Over-Indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss reserve. Banks and financial entities that comply with the requirements described above are not required to maintain any such specific allowance.

Legal Reserve Requirements

Pursuant to Article 67 of the Peruvian Banking and Insurance Law, all banks must create a legal reserve.

Each year a bank must allocate 10% of its net profit to its legal reserve until its legal reserve is equal to 35% of its paid-in capital. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be funded as described above.

Lending Limits

Under Article 206 of the Peruvian Banking and Insurance Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of the bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk.

The SBS has issued special regulations establishing the guidelines that must be followed by banks when determining legal reserves for legal proceedings for past-due loans and foreclosures.

For purposes of Peruvian Banking and Insurance Law, a single borrower includes an individual or an economic group. An economic group constituting a single or common risk, according to Peruvian Banking and Insurance Law, includes a person, such person's close relatives and companies in which such person or close relatives have significant share ownership or decision-making capability. According to current regulations, shareholders who own or control directly or indirectly at least 4% of a company's shares are considered to share common risk with such company. Significant decision-making capability is deemed to be present when, among others, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. For instance, the limit can be extended to 15% when the excess is secured by a mortgage; it may be raised to 20% when the excess is collateralized with securities listed in the Selective Index of the BVL (ISBVL); and it may be raised to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits must also be taken into account, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks, which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio through different types of assets, benefiting liquid and low-risk assets.

Lending to Related Parties

The Peruvian Banking and Insurance Law regulates and limits transactions with related parties and affiliates of financial institutions, on an unconsolidated basis. In 2015, the SBS and the SMV enacted new regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific supervision standards of financial institutions and conglomerates formed by financial institutions.

Additionally, pursuant to Article 202 of the Peruvian Banking and Insurance Law, the aggregate amount of loans to related party borrowers may not exceed 30% of a bank's regulatory capital (exceptionally, according to Circular B-2148-2005, as amended, the amount of loans to related parties may not exceed 50% of a bank's regulatory capital if the excess of 30% is secured by credit letters from foreign financial institutions). For purposes of this test and in accordance with regulations of economic group, related party borrower includes any person or an affiliate of that person holding, directly or indirectly, 4% or more of a bank's capital stock, directors, certain of the bank's principal executive officers or other persons in more junior positions affiliated with the bank's management.

All loans to related parties must be made on an arm's-length basis with terms no more favorable than the best terms that Interbank would offer to the public.

In addition, under Article 201 of the Peruvian Banking and Insurance Law, the total amount of loans extended to directors, officers, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. All loans made to any single such related party borrower may not exceed 0.35% of a bank's regulatory capital (i.e., 5% of the overall 7% limit) per each person, including such person's spouse and relatives. In addition, the Peruvian Banking and Insurance Law generally provides that banks may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for home mortgage loans to employees and directors.

Country Risk Reserve Requirements

SBS Resolution No. 7932-2015, enacted in December 2015, requires the funding of reserves to cover exposure to country risk, which is defined to include sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities necessary for coping with country risk.

Integral Risk Management

Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to their nature and risk level. In January 2017, the SBS enacted the SBS Resolution No. 272-2017, which replaced SBS Resolution No. 037-2008. SBS Resolution No. 272-2017 (as amended from time to time) contains guidelines for integral risk management of financial institutions and covers all kinds of risks that could affect a banking operation, such as operational, market, credit, anti-money laundering ("AML"), liquidity and reputational risks. Furthermore, it introduced various changes, focusing on corporate governance practices including the following: (i) two or more independent directors must be appointed when boards are integrated by six or more members, (ii) a remunerations committee must be formed and (iii) concepts such as 'risk appetite', 'risk capacity' and 'risk limits' have been modeled after the Principles for an Effective Risk Appetite Framework of the Financial Stability Board.

In addition, on January 2023, the SBS approved the SBS Resolution No. 00053-2023 (the Model Risk Management Regulation), which establishes minimum guidelines to mitigate the risks derived from the use of models used in the management of credit, market, liquidity, operational, and money laundering and terrorist financing risks of companies in the financial and insurance system. This regulation establishes the definition of model and model risks, the corporate governance framework for model risk management and the minimum guidelines for the development, validation, implementation, use and monitoring of models. Its application will be phased-in commencing in December 2023 through January 2026, given the need to properly implement at the operational level adequate tools to assess the risks that are intended to be managed with the models and the categorization of the models used.

Credit Risk

According to the Peruvian Banking and Insurance Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology for calculating their regulatory capital requirement for credit risk, after receiving prior approval from the SBS. However, regulations required for the full implementation of both standardized and IRB methodologies by Peruvian financial institutions were not enacted until November 4, 2009, with SBS Resolution No. 14354-2009.

Under SBS Resolution No. 14354-2009, enacted in November 2009, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, IRB methodologies for calculating their regulatory capital requirement for credit risk. Interbank has not decided if it will request approval from the SBS to adopt the IRB methodology.

In addition, according to SBS Resolution No. 3780-2011, financial institutions are required to implement an organizational structure and certain procedures in connection with control on interest management and strategic needs procedures in order to adequately manage credit risk. SBS Resolution No. 8548-2012, enacted in November 2012, establishes new guidelines for calculation of risk weighted assets for personnel (*planilla*), credit card and mortgage exposure resulting in more capital requirements for credit risk.

Market Risk

Regulations for the supervision of market risks, enacted in May 1998, require banks to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risk as the probability of loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolio, which may, or may not, be accounted for in their statements of financial position. In June 2009, the SBS enacted SBS Resolution No. 6328-2009, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Operational Risk

SBS Resolution No. 2115-2009, enacted in April 2009, defined the methodology to be applied, and the requirements to be satisfied, by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. However, as the advanced methodologies approach was part of the Basel II principles, this alternative was eliminated as part of SBS Resolution No. 03955-2022's updates in alignment with the Basel III principles because internal operational risk models had failed to adequately reflect the risks. The IRB methodology uses a bank's gross operational margin as an "exposure indicator," and its application does not require the prior approval by the SBS. Application of the alternative standardized methodology requires compliance with certain provisions included in SBS Resolution No. 2115-2009 (as amended from time to time) and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, which approves the guidelines for managing operational risk, defines "operational risk" as the possibility of suffering losses due to inadequate procedures, failures of personnel, IT or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank's board of directors is responsible for designing the general policies to manage operational risk and that a bank's management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank's losses due to operational risk, classifying such losses by event.

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking and Insurance Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Resolution No. 7033-2012, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available-for-sale, (c) investments until maturity (long-term) and (d) investments in subsidiaries and affiliates.

On July 2018, the SBS issued SBS Resolution No. 2610-2018, which entered into force as of October 1, 2018, and amended the regulation on classification and valuation of investments approved by SBS Resolution No. 7033-2012 and its amendments. The main amendment contained in this resolution is the introduction of standard methodology for the identification of impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments. The annex to this resolution has been amended by SBS Resolution No. 4034-2022 effective as of December 31, 2022.

Reserve Requirements from the Central Reserve Bank of Peru

Under the Peruvian Banking and Insurance Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Reserve Bank of Peru may require additional marginal reserves. The exact level and method of calculation of these reserve requirements is set by the Central Reserve Bank of Peru, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. The following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain obligations, securities, certain bonds and funds administered by the bank. Subject to certain requirements, the regulation excludes mid-term and long-term funding (i.e., more than two years) from foreign financial institutions, other central banks, governments or multilateral lending agencies.

In April 2004, the Central Reserve Bank of Peru began requiring reserves on amounts due to foreign banks and other foreign financial institutions, which were not previously considered obligations.

As of December 31, 2022, the minimum legal reserve requirement for local and foreign currency deposits was 6.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 35% for funds that exceed a certain level set by the Central Reserve Bank of Peru. Local and foreign currency borrowings from certain foreign sources with an original maturity of two years or less are subject to a 9% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Reserve Bank of Peru.

Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e., liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities.

They must also keep at least 1.0% and 3.0% of their local and foreign currency deposited in the Central Reserve Bank of Peru, respectively. The Central Reserve Bank of Peru oversees compliance with the reserve requirements.

The Central Reserve Bank of Peru also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both local and foreign currency deposits. The current applicable interest rate: (a) for local currency reserves, different from those described below, is the higher of 0.0% or the overnight deposits interest rate, minus 1.95%; and, (b) for foreign currency deposits, is the higher of (i) 25.0% of the Chicago Mercantile Exchange (“CME”) Term Secured Overnight Financing Rate (“SOFR”) rate at one-month minus 10 basic points and (ii) the CME Term SOFR rate at one-month minus 50 basic points. Currently, no interest rate is payable in respect of local currency deposits to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds and others with a foreign parent company, except for those authorized by the SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Central Reserve Bank of Peru in accordance with monetary policy objectives. In the past, the Central Reserve Bank of Peru has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Reserve Bank of Peru.

Deposit Insurance Fund

Bank deposits are protected by the *Fondo de Seguros de Depósito* (Deposit Insurance Fund), against bank failure. Specifically, savings deposit by natural persons, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by the SBS. For the period between December 2022 and February 2023, the maximum coverage amount is S/125,603 per person per bank.

The Deposit Insurance Fund was established in 1991 and was organized as a private corporation in 1996. The Deposit Insurance Fund’s governing body is led by a representative of the SBS. The additional members are appointed by the Central Reserve Bank of Peru (one member), the MEF (one member) and by the banks (three members). SBS provides the necessary administrative members and operational resources for the Deposit Insurance Fund.

The financial resources available to the Deposit Insurance Fund pursuant to the Peruvian Banking and Insurance Law include, among others, the original contribution from the Central Reserve Bank of Peru, insurance premiums paid by banks, unclaimed bank deposits (after 10 years) and fines imposed by the SBS for violations of the Peruvian Banking and Insurance Law.

In addition, the Deposit Insurance Fund may, in extraordinary situations, borrow funds with authorization from the Peruvian treasury, or it may borrow long-term government securities from the Peruvian treasury.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of FATF, established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which includes specific rules for customer and employee due diligence and recordkeeping. In March 2008, the SBS enacted additional anti-money laundering provisions, pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF.

On February 17, 2011, the SBS modified current anti-money laundering provisions through SBS Resolution No. 2108-2011, as amended, in order to adapt these provisions to international standards established by the Financial Action Task Force of South America (*Grupo de Acción Financiera de Sudamerica*, or “GAFISUD”), in relation to due diligence in the identification of clients according to their risk and profile level, among other considerations. On May 14, 2015 and December 6, 2017, the SBS further amended and supplemented the aforementioned provisions through SBS Resolution No. 2660-2015 and SBS Resolution No. 4705-2017 (each as amended). SBS Resolution No. 2018-2011 was replaced by SBS Resolution No. 2891-2018, which came into force on October 1, 2018.

The government agency responsible for supervising the anti-money laundering system is the Financial Intelligence Unit (*Unidad de Inteligencia Financiera del Perú*, or “UIF”), which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS. Additionally, Law No. 30424, enacted in April 2016 and which took effect on January 1, 2018, as amended, attributes criminal liability to legal entities when money laundering, terrorist financing and/or bribery (including multinational bribery) crimes are committed on its behalf or for its benefit by any legal representative or *de facto* or *de iure* executive. Such regulation establishes that criminal liability will be exempted or mitigated if the legal entity has adopted an adequate and suitable prevention model following the criteria and minimum guidelines outlined in Law No. 30424. On January 9, 2019, Supreme Decree 002-2019-JUS (*Reglamento de la Ley N° 30424*) was enacted and took effect, setting forth further regulations and guidelines related to, among other things, the suitable prevention model to be implemented in accordance with Law No. 30424.

Disclosure of Material Information

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the BVL. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the SMV and the BVL. Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework. See “Regulation and Supervision—The Peruvian Financial and Insurance Systems—*The SMV*”.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking and Insurance Law, the SBS has the power to interrupt the operations of a bank in order to prevent, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank’s business by adopting either a temporary surveillance regime or a definitive intervention regime (“Intervention”) depending on how critical the situation is deemed to be by the SBS. Intervention will be taken upon the occurrence of certain events, including (a) suspension of payments, (b) failure to comply with the restructuring plan during the surveillance regime, (c) regulatory capital is less than 50% of the minimum regulatory capital required or (d) deficit or reduction of more than 50% of its regulatory capital in a 12-month period. Less drastic measures, such as (1) placing additional requirements, (2) ordering a capital increase or an asset divestiture or (3) imposing a financial restructuring plan, may be also adopted by the SBS when the situation allows for them.

An Intervention may halt a bank’s operations for up to 45 days, and may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as: (a) canceling losses by reducing reserves, capital and subordinated debt, (b) segregating certain assets and liabilities for transfer to another financial institution and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking and Insurance Law prevents any creditor of the bank from (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance industry and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

First order—Labor claims:

- 1st Employee remunerations.

- *2nd* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order—Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking and Insurance Law, in the portion not covered by the Deposit Insurance Fund and the contributions and resources used by such Deposit Insurance Fund to cover the above described claims for bank deposits and other types of saving instruments.

Third order—Taxes:

- *1st* Claims by the Peruvian social security administration (*Seguro Social de Salud del Perú EsSalud*) related to health care benefits for which the bank is responsible as employer.
- *2nd* Taxes.

Fourth order—Unsecured and non-privileged credits:

- *1st* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.
- *2nd* The legal interest on the bank's obligations that may accrue during the liquidation.
- *3rd* Subordinated debt.

Except for the first and second categories under unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall survive in order to guarantee the obligation it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims, savings and deposits, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking and Insurance Law.

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to Peruvian corporations in general.

Insurance Regulation and Supervision

Solvency Requirements and Regulatory Capital

Pursuant to the Peruvian Banking and Insurance Law, the SBS regulates the solvency margin of Peruvian insurance companies. The solvency margin is based upon calculations that take into account the annual amount of premiums and the medium burden of claims during a specified period (three latest annual periods) prior to the date on which calculation is made.

Insurance companies must also maintain a "solvency equity" (*patrimonio de solvencia*) which must be higher than (a) the solvency margin, or (b) the minimum capital required by law, or S/8,475,907 in accordance with Circular G-218-2023 for the period between January and March 2023. The required amount of solvency equity is recalculated at least monthly and is adjusted for inflation. If the insurance company has operations subject to credit risk, part of the solvency equity should be segregated for their coverage.

The Peruvian Banking and Insurance Law provides that insurance companies should have at all times a regulatory capital that should not be lower than the solvency equity detailed above.

The regulatory capital of Peruvian insurance companies used to cover its operations may be conformed by: (a) the insurance company's paid-in-capital, voluntary and legal reserves and premium for the issue of shares; and (b) the computable portion of the subordinate debt meeting SBS requirements that such entity establishes for such purpose. The Peruvian Banking and Insurance Law provides the following procedure for the determination of the regulatory capital eligible to cover insurance risks: (a) sum of the paid-in-capital, supplementary capital premium and the legal and voluntary reserves, as applicable; (b) sum of the profit of previous fiscal years and of the fiscal year in course, including the commitment to capitalization of the fiscal year profits;

(c) sum of the subordinated bonds issued by the insurance companies; (d) subtraction of the amount of all the investment in subordinate bonds and shares of diverse nature made by insurance companies in other insurance companies engaged in different lines of business; (e) subtraction of the losses of the previous fiscal years and the fiscal year in course; and (f) subtraction of the goodwill of the company, as well as losses of reserves that come from assets valuation.

Furthermore, insurance companies shall maintain a guarantee reserve from its equity as a guarantee fund, in order to cover risks such as (a) insurance technical risks, and (b) credit risks of certain financial transactions specifically set forth in the Peruvian Banking and Insurance Law.

Reserves

The Peruvian Banking and Insurance Law provides that insurance companies shall constitute, on a monthly basis, the following technical reserves: (a) for claims, including those that took place and were not reported, past-due capital and income or benefits of the insured parties, with pending liquidation or payment; (b) mathematical, over life or income insurance; (c) for risks in course or non-accrued premiums; (d) for catastrophes and uncertain casualty risks; and (e) for risks of medical health or medical assistance insurance.

Article 67 of the Peruvian Banking and Insurance Law also requires that all insurance companies establish a legal reserve by setting aside 10% of adjusted income before taxes, until the reserve reaches at least 35% of their capital stock.

Under SBS GAAP following the adoption of new mortality tables in 2018 the SBS allowed the adjustment of technical reserves to be spread over 10 years. In contrast, our financial statements for the year ended December 31, 2018, under IFRS, recorded a negative impact of S/144.8 million in our technical reserves due to the aggregate effect recorded in technical reserves on insurance policies issued prior to the date of adoption of the new mortality tables.

In addition, SBS Resolution No. 1143-2021 establishes the guidelines regarding the valuation and accounting record of the mathematical reserves for the insurance policies that grant long-term coverage (more than 1 year). As a result of the application of this regulation, Interseguro has recognized an impact for income/private insurance of S/35 million.

Limit of Indebtedness

Insurance companies may only take credits, in the country or abroad, for a sum not exceeding an amount equivalent to its regulatory capital. In case such limit of indebtedness is surpassed, the insurance company shall submit to the SBS a program approved by its board of directors establishing the measures adopted to eliminate the excess within a term not exceeding three (3) months.

Investment Requirements

Pursuant to the Peruvian Banking and Insurance Law, the total amount of investments of a Peruvian insurance company shall cover the total amount of technical reserves at all times. For such purposes, technical reserves are defined as the sum of all obligations that an insurance company has vis-à-vis its insured clients plus the solvency equity, the guarantee fund and the regulatory capital for the economic cycle. The assets covering the technical reserves cannot be subject to any pledge, encumbrance or precautionary measure, which limits its free availability.

Peruvian insurance companies are allowed to invest in certain eligible assets such as instruments issued by the Peruvian Central Government, classified corporate bonds and shares, among others. However, in order to balance levels of risk, applicable regulations have imposed a number of limitations to insurance companies with respect to their investments (by issuer, economic group, type of instrument and nationality, among others). In general terms, no more than 15% of the total amount of an insurance company's technical reserves may be invested in certain instruments (including, among others, stocks and bonds) issued by the same economic group, which may be reduced to 7% if certain additional conditions are met. The investment regulations further specify that investment policies of Peruvian insurance companies shall consider maximum limits by issuer (calculated over the regulatory capital of each company) depending on the type of investment and the insurance industry in which the company operates.

Pursuant to the Investment of Insurance Companies Regulation approved by SBS Resolution No. 1041-2016 (as amended), Interseguro has implemented a plan to reduce its exposure to related parties and comply with the limits established by Article 13 of the *Reglamento de Supervisión Consolidada*, approved by Resolution No. 11823-2010 (as amended). In addition, Interseguro limits the amount of exposure to the credit risk in any of the issuers of the financial instruments, which it believes enable it to maintain adequate diversification of its financial investment portfolio.

Disclosure of Relevant Information

All insurance companies that are organized as corporations (the only exception being the Peruvian branches of foreign insurance companies) have their shares listed on the BVL. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the BVL. Insurance companies are also subject to full disclosure and reporting obligations under the insurance regulatory framework. See “Regulation and Supervision—The Peruvian Financial and Insurance Systems—*The SMV*”.

Ownership Restrictions

The Peruvian Banking and Insurance Law establishes certain restrictions on the ownership of a bank and insurance company’s capital stock. Banks must have at least two unrelated shareholders at all times. Restrictions are placed on the ownership of shares of any bank or insurance company by persons that have committed certain crimes, as well as by public officials who have supervisory powers over banks or who are majority shareholders of an enterprise of a similar nature. All transfers of shares in a bank or insurance company must be reported to the SBS by the bank or insurance company.

Transfers involving the acquisition by any individual or corporation, whether directly or indirectly, of more than 10% of a bank or insurance company’s capital stock must receive prior authorization from the SBS. The SBS may deny authorization to such transfer of shares if the purchasers (or their shareholders in the case of legal persons) are legally disabled, have engaged in illegal activity in the areas of banking, finance, insurance or reinsurance, or if objections are raised on the basis of the purchaser’s moral fitness or financial solvency. The decision of the SBS on this matter is final and cannot be overturned in the courts. If a transfer is made without obtaining the prior approval of the SBS, the purchaser may be fined an amount equivalent to the value of the securities transferred. In addition, the purchaser will be required to sell the securities within 30 days, or the fine will double, and the purchaser is disqualified from exercising its voting rights at any shareholders’ meetings and to participate in the distribution of dividends. Foreign investors receive the same treatment as Peruvian nationals and are subject to the same limitations described above.

Risk Rating

The Peruvian Banking and Insurance Law and SBS Resolution No. 18400-2010, enacted in January 2011, require that all financial and insurance institutions be rated by at least two rating agencies (registered with the SBS) on a semiannual basis (updated in March and September, with information as of December 31 and June 30 of each year, respectively), in addition to the SBS’s own assessment. Criteria to be considered in the rating include risk management and control procedures, loan quality, financial strength, profitability, liquidity and financial efficiency. Five risk categories are assigned, from “A,” lowest risk, to “E,” highest risk, allowing for subcategories within each letter.

Intervention by the SBS

Pursuant to the Peruvian Banking and Insurance Law, the SBS has the power to interrupt the operations of an insurance company to prevent, or to control and reduce, the effects of its failure. Accordingly, SBS intervention may be of two levels, depending on how critical the situation is: a temporary supervision regime or a definitive intervention regime prior to liquidating the bank or insurance company. Intervention will be taken upon the occurrence of certain events including: (1) suspension of payments; (2) failure to comply with the restructuring plan during the surveillance regime; (3) deficit or reduction of more than 50% of its regulatory capital in a 12-month period; or (4) deficit or reduction of its regulatory capital in excess of 50% of its solvency capital.

The intervention regime and the liquidation is the same as the one described above for banking entities. See “Item 4. Information on the Company—Business Overview—Regulation and Supervision—The Peruvian Financial and Insurance System—Intervention by the SBS and Liquidation”. See “Item 4. Information on the Company—Business Overview—Regulation and Supervision—Investment Requirements” for a discussion of investment requirements and technical obligations.

The Peruvian Payment’s System

The payments segment of our group has been conducted through PMP (in which Interbank holds 50%) even prior to the direct acquisition, on April 13, 2022, by IFS of the remaining 50% in such company. As a consequence of such acquisition, IFS now holds all interest in PMP’s wholly-owned subsidiary, Izipay, which is currently our payments processor and the payments facilitator for our subsidiaries operating in Peru. A summary of the Peruvian payment’s system regulatory framework is set forth below.

Payment processors provide technological services to merchants such as by: (a) capturing transactions through a physical network of terminals or payment platforms; and (ii) routing the transaction to the bank or card networks (such as VISA, or Mastercard) for validation (e-commerce). On the other hand, payment facilitators affiliate merchants to accept payment cards on behalf of an acquirer, specializing in the affiliation of merchants with low sales volume, offering them value-added services. PMP acts as payments processor, but it also provides the acquiring services (i.e. the acquirer is the agent in charge of affiliating merchants so that they accept card payments from consumers through a point of sale (physical or virtual), such as POS or website payment buttons).

General Overview

The regulatory authorities for the payment industry include the Central Reserve Bank of Peru; the Peruvian Antitrust Authority (*Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual* – “Indecopi”), the SBS and Data Privacy Authority (*Autoridad Nacional de Datos Personales*). The Central Reserve Bank of Peru is the governing body of the payment systems. The SBS regulates and oversees financial system companies and their financial transactions, including the issuance of cards. The Peruvian Antitrust Authority is the competition authority, which, among other duties, has the power to develop market research to identify potential opportunities for improvement related to the development of conditions of competition for a specific sector and issue recommendations. Finally, the Data Privacy Authority is responsible for the overview of compliance with the law on the processing of personal information.

The Central Reserve Bank of Peru is empowered to supervise and regulate payment systems and to determine when a payment agreement should be recognized as a payment system, and as such should be subject to the supervision and regulation of the Central Reserve Bank of Peru.

Law No. 29440 (as amended) (the “Payments and Settlement Law”) regulates the legal regime applicable to payment systems and securities settlement that have a systemic relevance, as well as to payment agreements (*Acuerdos de Pago*). If a payment system is recognized as such under the Payments and Settlement Law, the operator of the system will have to comply with applicable regulations, be supervised by the Peruvian Central Reserve Bank and subject to sanctions imposed by it.

The Central Reserve Bank of Peru has approved Circular No. 012-2010-BCRP (as amended) (the “Regulations for the Payment Systems”) which sets the criteria for a payment system to be considered subject to the provisions of the Payments and Settlement Law. Section 5 of the Regulations for the Payment Systems establishes that, in order for a payment agreement (*Acuerdo de Pago*) to be considered a payment system, the following characteristics shall be considered: (a) the value and number of funds transfer orders and (b) the interrelation of the payment agreement with other systems of importance for the transactions of the Peruvian financial system. As described, the criteria included in the Regulations for the Payment Systems is not quantifiable, but it includes general concepts to provide the Central Reserve Bank of Peru broad faculties to determine whether a payment system could have a systematic relevance. Systemic relevance encompasses institutions whose stress or bankruptcy situation could have a significant negative impact on the financial system and cause a deep and prolonged economic recession.

The payment card system in Peru is regulated by the Central Reserve Bank of Peru, since it is recognized as a payment agreement. Currently, the only obligation of acquirers, as part of the payment card system in Peru, is to submit certain information about the nature and volume of their transactions, their functionality and risk control measures. Nonetheless, the Central Reserve Bank of Peru may, in the future, issue new rules, regulations, principles and standards within the payment card system. On the other hand, the participants in the issuing activity are regulated by the SBS in aspects related to security, the handling of fraudulent transactions and the minimum content of contracts between cardholders and card issuers.

As part of its operations, PMP has entered into license agreements with MasterCard and Visa, for which PMP is subject to specific rules and procedures for clearing and settlement of transactions.

Licensing

Service providers (including Izipay), collecting agents or processing agents in the payment industry are not required to obtain prior licenses such as *pasarelas de pagos*. However, recent regulations imposed certain obligations to such persons (including AML obligations) and required that they register with the Central Reserve Bank of Peru.

Regulation of Payment Services offered by Providers, Payment Agreements and Payment Systems

A special legal framework for the payment’s ecosystem was established in 2022 by the issuance of two key regulations passed by the Central Reserve Bank of Peru: Circular No. 024-2022-BCRP and Circular No. 027-2022-BCRP.

On October 2022, the Central Reserve Bank of Peru issued the Circular No. 024-2022-BCRP, approving the Interoperability Regulation of Payment Services offered by providers, payment agreements and payment systems. This regulation will allow transactions to be made between all digital wallets that operate in Peru. Specifically, interoperability will allow a user to perform a transfer or digital payment to any person or business, regardless of who operates the digital wallet, functionality or mobile application that is being used, or in which financial institution the user maintains its account.

Such regulation establishes the following deadlines for entities to start interoperating and meeting the regulation requirements: (a) March 31, 2023, for digital wallets, and (b) June 30, 2023, for entities that offer immediate payment functionalities, immediate transfers and payments by QR code.

Regulation of Payment Agreements with Cards

In addition, on November 2022, the Central Reserve Bank of Peru issued the Circular No. 027-2022-BCRP, approving the Regulation of Payment Agreements with Cards, which includes the recommendations made by the Indecopi, in order to strengthen competition and provide greater transparency of card payment services, which in turn shall benefit the final users. This regulation establishes the principles and standards that govern payment agreements with cards, the responsibilities and obligations of the administrator, the acquirers and payment facilitators, related to the disclosure on their web pages of exchange rates and discount rates. Likewise, such circular establishes that the entities involved in a payment agreement with cards must register with the Central Reserve Bank of Peru. The regulation became effective on January 1, 2023 and contemplated certain adequacy periods for entities already operating within the Peruvian payment's ecosystem. As of the date, PMP is duly registered as acquiror and issuing entity, while Izipay is duly registered as payments facilitator, in both cases, before the Central Reserve Bank of Peru.

Anti-Money Laundering Rules

On June 2007, Law No. 29038 set a list of the entities required to comply with anti-money laundering rules, which include debit and/or credit cards processors (such as PMP). On February 2008, the SBS issued SBS Resolution No. 369-2018 establishing a simplified AML system (*sistema acotado*) which these entities are required to implement, including certain obligations such as the appointment of a compliance officer, the reporting of certain operations, and the implementation of a prevention system, among others.

The government agency responsible for supervising the anti-money laundering system is the UIF, which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

General Overview of the Bahamian Financial Regulatory Framework

The regulatory framework for the operation of the Bahamian bank and trust industry is set forth in the Central Bank of The Bahamas Act, 2020, as amended, and the Banks and Trust Companies Regulation Act, 2020, as amended, and their related rules and regulations and any related guidance or notices issued by The Central Bank of The Bahamas. The Central Bank of The Bahamas licenses and supervises all of the banks and trust companies in The Bahamas. Its objectives include promoting and maintaining monetary stability and ensuring a sound financial system through the effective application of international regulatory and supervisory standards. All banks must adhere to the Central Bank of The Bahamas' licensing and prudential requirements, ongoing supervisory programs and regulatory reporting requirements, and are subject to periodic onsite inspections. The regulatory framework for the securities industry in The Bahamas is set forth in the Securities Industry Act, 2011, as amended, and the Securities Industry Regulations, 2012. The relevant regulator for the securities industry is the Securities Commission of The Bahamas.

Licensing

Inteligo Bank has been granted a banking license by the Central Bank of The Bahamas and an International Banking License by the Superintendency of Banks of Panama. Under the BTCRA, the Central Bank of The Bahamas may revoke the license of a licensee if: in the opinion of the Central Bank of The Bahamas, the licensee (i) is carrying on its business in a manner detrimental to the public interest or the interests of its depositors or other creditors or (ii) contravening the provisions of Bahamian banking law or any other law, order or regulations made thereunder, or any term or condition subject to which the license was issued, either in The Bahamas or elsewhere; (iii) if Inteligo Bank has ceased to carry on its banking business; or (iv) if Inteligo Bank becomes bankrupt or goes into liquidation or is wound up or otherwise dissolved.

Inteligo Bank's asset management activities and securities custody and trading activities are subject to supervision by the Securities Commission of The Bahamas. Inteligo Bank holds the following licenses from the Securities Commission of The Bahamas: Dealing as Agent or Principal; Arranging Securities; Managing Securities; and Advising on Securities. Inteligo Bank is licensed to undertake all securities related activities that are ancillary to its banking business.

Banking Regulation and Supervision

Banking regulations on capital adequacy and regulatory framework in The Bahamas take into account the recommendations of the Basel Committee. The Central Bank of The Bahamas has adopted a Basel Implementation Program (the "Program") and has effectively implemented Pillar I, Pillar II and Pillar III of the Basel II framework. The Pillar I framework focuses on the capital adequacy ratio requirements. Pillar II focuses on the ICAAP (the guidelines in relation to the ICAAP were released in August of 2016), and Pillar III relates to Minimum Disclosures. The Central Bank of The Bahamas has rolled out the capital

component of the Basel III framework and in 2017, began to implement other elements namely, the capital buffers, the leverage ratio, the net stable funding ratio and the liquidity coverage ratio. In November 2020, the Central Bank of The Bahamas released a draft of The Bahamas capital regulations and reforms to the guidelines for the management of capital and the calculation of capital adequacy, which ended its consultation period in January 2021 and was shared with the Bahamian government during the third quarter of 2021 for final endorsement and release. The Bahamas capital regulations include changes to the methodology for the calculation of risk-weighted assets and Tier 1 capital that could adversely impact Inteligo Bank's capital adequacy ratio. Currently, a date has not been defined for the implementation of these regulations. In 2018, the Central Bank of The Bahamas published two discussion papers focused on minimum disclosures (Pillar III of the Basel II framework) and the net stable funding ratio and the liquidity coverage ratio (main components of Basel III), but its liquidity framework will be implemented after the completion of the capital framework.

Corporate Governance

The *Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to Do Business Within and From Within The Bahamas*, issued by the Central Bank of The Bahamas, list the minimum standards that banks must adopt in respect of their corporate governance framework. Generally, the guidelines require the board of directors to develop and implement policies and procedures to ensure (i) the competence and independence of board members, (ii) proper management of strategic, business and process-level risks, (iii) compliance with applicable laws, regulations and guidelines, and (iv) ongoing reporting to the Central Bank of The Bahamas.

Limits on Large Exposures

Pursuant to the Banks and Trust Companies (Large Exposures) (Amendment) Regulations, 2012, no bank shall (i) incur exposures to any individual counterparty or group of connected parties which in the aggregate exceed 25% of the bank's capital base, (ii) hold non-capital investments in securities of a single issuer which exceed 10% of the bank's capital base, (iii) incur exposures to its related parties which in the aggregate exceed 15% of the bank's capital base, (iv) incur exposures to related parties unless approved by the bank's board of directors and negotiated on an arm's length basis, or, (v) incur non-exempt large exposures which in the aggregate exceed 800% of its capital base. There are certain exemptions listed in the regulations, and the Central Bank of The Bahamas may also exempt a bank from the exposure limits outlined in the regulations in certain circumstances.

Classification of Impaired Assets

The *Guidelines for the Measurement, Monitoring and Control of Impaired Assets*, issued by the Central Bank of The Bahamas, provide the Central Bank of The Bahamas' minimum requirements for the recognition, measurement and classification of impaired assets. An impaired asset is defined as an asset where there is no longer a reasonable assurance of timely collection of the full amount of principal and interest due to a deterioration of credit quality of the counterparty. Banks are required to follow the requirements of the International Financial Reporting Standards relating to impaired assets, in particular International Accounting Standards 36 and IFRS 9.

Credit Risk

The *Guidelines for the Management of Credit Risk*, issued by the Central Bank of The Bahamas, require banks to have a written statement of their credit risk strategy and policies and procedures to implement the strategy. The strategy and policies should be approved by the board of directors and should be consistent with the bank's degree of risk tolerance, the level of capital available for credit activities and credit management expertise. The Central Bank of The Bahamas endorses the Basel Committee's *Principles for the Management of Credit Risk* (September 2000).

Market Risk

The *Guidelines on the Management of Market Risk*, issued by the Central Bank of The Bahamas, require banks that meet the stated threshold tests to establish sound policies and procedures for the management of market risk, to be supervised and controlled by the board of directors and senior management. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices.

Operational Risk

The *Guidelines for the Management of Operational Risk*, issued by the Central Bank of The Bahamas, require senior management of a bank, under the approval of the board of directors, to develop and implement an operational risk management framework that explicitly recognizes operational risk as a distinct risk to the institution and aims to effectively manage it. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems from external events. The guidelines are based upon the *Principles for the Sound Management of Operational Risk*, issued by the Basel Committee on Banking Supervision in 2011.

Country Risk

The *Guidelines for the Management of Country Risk*, issued by the Central Bank of The Bahamas, require banks to have a risk management process that focuses on the broadly defined concept of country risk and addresses certain minimum requirements listed therein. The guidelines reference the Basel Committee's *Core Principles for Effective Banking Supervision*.

Anti-Money Laundering Laws and Regulations

Money laundering is a criminal act in The Bahamas. The laws of The Bahamas concerning money laundering and combatting the financing of terrorism are contained in the following legislation, as amended: (i) the Proceeds of Crime Act, 2018; (ii) the Anti-Terrorism Act, 2004; (iii) the Financial Transactions Reporting Act, 2018; (iv) the Financial Transaction Reporting Regulations, 2018; (v) the Financial Transactions Reporting (Wire Transfers) Regulations, 2018; (vi) the Financial Intelligence Unit Act, 2000; and (vii) the Financial Intelligence (Transactions Reporting) Regulations, 2001. The *Guidelines for Licensees on the Prevention of Money Laundering & Countering the Financing of Terrorism*, issued by the Central Bank of The Bahamas, apply specifically to banks and other licensees of the Central Bank of The Bahamas. The guidelines require banks to establish clear responsibilities and accountabilities to ensure that policies, procedures and controls which deter criminals from using their facilities for money laundering or the financing of terrorism, are implemented and maintained, thus ensuring that they comply with their obligations under the law. Banks must have in place sufficient controls and monitoring systems for timely detection and reporting of suspicious activities, proper verification of their customers' identities, record keeping in accordance with applicable laws, and ongoing education and training for its employees.

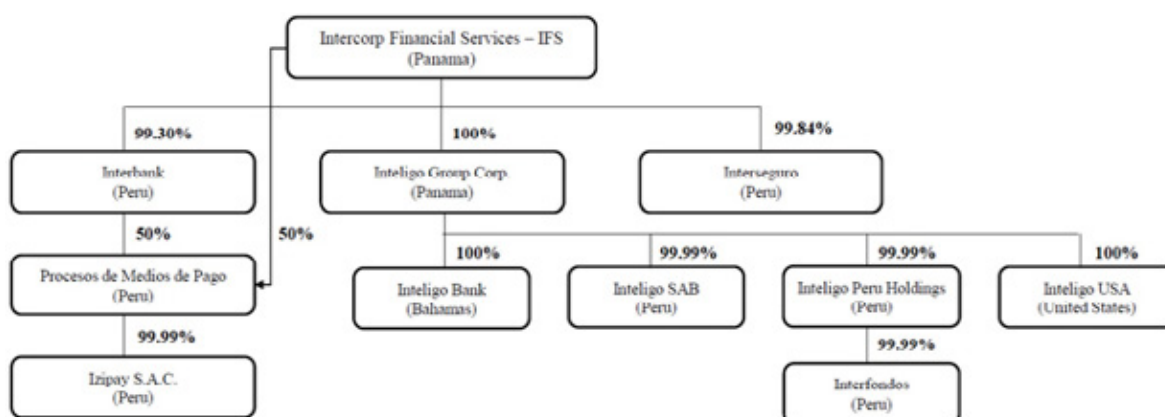
The Bahamas has enacted the Commercial Entities (Substance Requirements) Act, 2018 which requires substantial economic presence in The Bahamas for certain Bahamian entities that conduct relevant activities. A relevant activity includes the business of banking as conducted by Inteligo Bank. Inteligo Bank has made the appropriate registration in order to seek exemption from this legislation as it considers itself to be tax resident in another jurisdiction, Panama, despite being a licensed bank in The Bahamas. As a tax resident in Panama, Inteligo Bank would be exempt from the requirements of the Commercial Entities (Substance Requirements) Act, 2018 if it fulfills certain disclosure and governance requirements of the applicable legislation. If Inteligo Bank is not considered to be tax resident in Panama, or does not fulfill the requirements of the applicable legislation, it will have to enhance its economic and business presence in The Bahamas in order to comply with the Commercial Entities (Substance Requirements) Act, 2018.

External Auditors

The *Guidelines on the Relationship between External Auditors of Licensees and the Central Bank of The Bahamas*, issued by the Central Bank of The Bahamas, require banks to inform the Central Bank of The Bahamas of the appointment of their external auditors. In addition to listing certain criteria to be used when appointing external auditors, the guidelines also provide examples of facts and matters of material significance that must be reported by an external auditor to the Central Bank of The Bahamas, such as material misstatements in financial statements or evidence of fraudulent activities. The guidelines take into account the aspects of the Basel Committee's paper, *The Relationship Between Banking Supervisors and Banks' External Auditors* (2002).

C. Organizational Structure

The following chart presents our corporate structure, indicating our principal subsidiaries and respective ownership interests.



D. Property, Plants and Equipment

We are based in Peru and our principal executive offices are located at Av. Carlos Villarán 140, Urbanización, Santa Catalina, La Victoria, Lima 13, Peru, which is owned by Interbank.

Our principal subsidiaries own or lease the following properties:

Interbank

Interbank owns its headquarters, the Interbank Tower, located at Av. Carlos Villarán 140, Urbanización, Santa Catalina, La Victoria, Lima 13, Peru (approximately 46,585 square meters). Although most of its financial store facilities are leased, Interbank owned 43 financial store facilities as of December 31, 2022.

Interseguro

Interseguro owns its administrative office, located at Av. Javier Prado 492, San Isidro, Lima, Peru (approximately 2,482 square meters), as well as its main commercial office, located at Av. Paseo de la República 3071, San Isidro, Lima 27, Peru (approximately 1,650 square meters). Additionally, Interseguro leases 24 facilities in different provinces of Peru. Most of Interseguro's facilities outside of Lima are subleased to Interbank.

Inteligo

Inteligo had six offices as of December 31, 2022. Inteligo owns its branch in Panama and leases the rest of the facilities where it operates. Inteligo Bank's registered headquarters are located at Inteligo Bank—Seventeen Shop Building, First Floor, Collins Avenue & Fourth Terrace, Centreville, Nassau, The Bahamas. Inteligo SAB's registered headquarters are located at Inteligo SAB—Av. Rivera Navarrete 501, San Isidro, Lima, Peru. Interfondos' registered headquarters are located at Interfondos—Av. Carlos Villaran 140, Sixth Floor, La Victoria, Lima, Peru.

Izipay

Izipay had 19 offices as of December 31, 2022. Izipay owns one administrative office, located at Calle Porta 111 Piso 7, Miraflores, Lima, Peru, and leases the rest of the facilities where it operates including its main offices at Av. Jorge Chávez 275 Piso 7, Miraflores, Lima, Peru.

SELECTED STATISTICAL INFORMATION

The following tables present certain selected statistical information and ratios for IFS for the periods indicated. The following information is included for analytical purposes and should be read in conjunction with the information included in “Item 5. Operating and Financial Review and Prospects” and our audited annual consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 20-F. The statistical information and discussion and analysis presented below for the fiscal years ended December 31, 2022, 2021 and 2020 reflect our consolidated financial position with our subsidiaries, Inteligo, Interbank, Interseguro and Izipay (since the acquisition of the remaining 50% equity interest in PMP and Izipay in April 2022), for the fiscal years ended December 31, 2022, 2021 and 2020 and their results of operations for the fiscal years ended December 31, 2022, 2021 and 2020.

Average annual balances are based on five quarterly balances. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average annual balances on such assets or liabilities.

On January 1, 2022, we adopted the following standards, interpretations, or amendments: (i) in connection with costs of fulfilling a contract, an amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, (ii) amendments to IFRS 3 “Business Combinations”, (iii) in connection with proceeds before intended use of property, plant and equipment, an amendment to IFRS 16 “Leases”, (iv) in connection with a subsidiary as a first time adopter, an amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards”; and (v) in connection with fees in the “10 per cent” test for derecognition of financial liabilities, an amendment to IFRS 9 “Financial Instruments”. Such standards, interpretations or amendments have not had a significant impact on our consolidated financial statements. See Note 3.2 to our audited annual consolidated financial statements.

On January 1, 2021, we adopted the following standards, interpretations, or amendments: (i) in connection with the interest rate benchmark reform, amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, and IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts”, and IFRS 16 “Leases”, – Phase 2; and (ii) in connection with COVID-19 related rent concessions beyond June 30, 2021, an amendment to IFRS 16 “Leases”. Such standards, interpretations or amendments have not had a significant impact on our consolidated financial statements.

Since January 1, 2020, we adopted the following standards, interpretations, or amendments: (i) Amendments to IFRS 3 “Business Combinations”, (ii) Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, (iii) Conceptual Framework for Financial Reporting issued on March 29, 2018 and (iv) Amendments to IFRS 16 “Leases”. Such standards, interpretations or amendments did not have a significant impact on our consolidated financial statements.

Average Balance Sheets, Income Earned from Interest-Earning Assets, Interest Paid on Interest-Bearing Liabilities

The tables below set forth, by currency of denomination, average balances for IFS prepared on a consolidated basis, and, where applicable, interest earned on interest-earning assets and interest paid on interest-bearing liabilities for the periods indicated. Except as otherwise indicated, average balances, when used, have been classified by currency (*soles* or foreign currency (primarily U.S. dollars)), regardless of the domestic or international origin of the relevant balances. In addition, unless otherwise set forth in this Annual Report on Form 20-F, such average balances are based on quarterly balances. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities.

	For the year ended December 31,								
	2022 ⁽¹⁾			2021 ⁽¹⁾			2020 ⁽¹⁾		
	(S/ in millions, except for percentages)								
	Average Balance	Interest Earned	Nominal Average Rate	Average Balance	Interest Earned	Nominal Average Rate	Average Balance	Interest Earned	Nominal Average Rate
Interest-earning assets:									
Cash and due from banks									
Soles	3,539.6	55.9	1.6%	8,752.7	38.4	0.4%	5,150.5	10.3	0.2%
Foreign Currency	10,412.5	119.5	1.1%	10,231.2	7.9	0.1%	9,741.6	25.6	0.3%
Total	13,952.1	175.4	1.3%	18,983.9	46.3	0.2%	14,892.0	35.9	0.2%
Investments									
Soles	16,373.9	1,121.4	6.8%	14,993.1	795.4	5.3%	13,464.4	625.7	4.6%
Foreign Currency	7,653.1	326.0	4.3%	9,394.1	369.4	3.9%	7,729.9	368.0	4.8%
Total	24,027.1	1,447.4	6.0%	24,387.2	1,164.8	4.8%	21,194.3	993.7	4.7%
Loans									
Soles	33,385.0	3,587.3	10.7%	32,502.9	2,878.1	8.9%	30,444.9	3,062.9	10.1%
Foreign Currency	12,630.0	661.2	5.2%	11,492.8	516.5	4.5%	10,878.5	572.4	5.3%
Total	46,015.1	4,248.5	9.2%	43,995.7	3,394.6	7.7%	41,323.4	3,635.3	8.8%
Total interest-earning assets									
Soles	53,298.6	4,764.6	8.9%	56,248.7	3,711.8	6.6%	49,059.8	3,699.0	7.5%
Foreign Currency	30,695.7	1,106.7	3.6%	31,118.2	893.8	2.9%	28,350.0	966.0	3.4%
Total	83,994.2	5,871.3	7.0%	87,366.9	4,605.6	5.3%	77,409.7	4,665.0	6.0%
Taxable interest income	—	4,261.2	—	—	3,353.0	—	—	3,591.0	—
Non-taxable interest income	—	1,610.1	—	—	1,252.6	—	—	1,074.0	—
Interest-bearing liabilities:									
Deposits and obligations									
Soles	28,143.4	(782.9)	(2.8%)	29,976.5	(311.7)	(1.0%)	26,945.7	(462.3)	(1.7)%
Foreign Currency	19,954.4	(158.4)	(0.8%)	19,191.5	(93.1)	(0.5%)	15,487.2	(116.2)	(0.8)%
Total	48,097.7	(941.3)	(2.0%)	49,168.0	(404.9)	(0.8%)	42,433.0	(578.5)	(1.4)%
Due to banks and correspondents ⁽²⁾									
Soles	7,231.3	(214.4)	(3.0%)	8,078.3	(136.1)	(1.7%)	6,508.8	(146.7)	(2.3)%
Foreign Currency	717.2	(20.5)	(2.9%)	865.1	(20.4)	(2.4%)	1,058.7	(35.0)	(3.3)%
Total	7,948.5	(234.8)	(3.0%)	8,943.5	(156.5)	(1.7%)	7,567.5	(181.7)	(2.4)%
Bonds, notes and other obligations									
Soles	2,400.3	(169.2)	(7.0%)	2,552.0	(207.7)	(8.1%)	2,459.5	(162.6)	(6.6)%
Foreign Currency	5,643.0	(316.8)	(5.6%)	5,664.0	(288.9)	(5.1%)	4,907.3	(269.5)	(5.5)%
Total	8,043.2	(486.0)	(6.0%)	8,216.0	(496.6)	(6.0%)	7,366.8	(432.1)	(5.9)%
Total Interest-bearing liabilities:									
Soles	37,775.0	(1,166.4)	(3.1%)	40,606.8	(655.5)	(1.6%)	35,914.0	(771.6)	(2.1)%
Foreign Currency	26,314.5	(495.7)	(1.9%)	25,720.6	(402.4)	(1.6%)	21,453.2	(420.7)	(2.0)%
Total	64,089.5	(1,662.1)	(2.6%)	66,327.4	(1,057.9)	(1.6%)	57,367.3	(1,192.3)	(2.1)%

(1) As of and for the years ended December 31, 2022, 2021 and 2020, IFS did not maintain any of the following categories on its balance sheets: (i) federal funds sold, (ii) securities purchased with agreements to resell, (iii) federal funds purchased, (iv) securities sold under agreements to repurchase, or (v) commercial paper.

(2) Includes inter-bank funds

The following tables set forth, by currency of denomination, average balances for our non-interest earning assets and non-interest bearing liabilities and shareholders' equity for the periods indicated.

	For the year ended December 31,		
	2022	2021	2020
	(S/ in millions)	(S/ in millions)	(S/ in millions)
	Average Balance	Average Balance	Average Balance
Impairment allowance for loans			
<i>Soles</i>	(1,958.6)	(2,279.4)	(2,035.2)
Foreign Currency	(83.6)	(214.6)	(309.2)
Total	(2,042.3)	(2,494.0)	(2,344.4)
Investment Property			
<i>Soles</i>	1,255.5	1,188.2	1,015.5
Foreign Currency	—	—	—
Total	1,255.5	1,188.2	1,015.5
Property, furniture and equipment, net			
<i>Soles</i>	809.1	811.6	901.0
Foreign Currency	—	—	—
Total	809.1	811.6	901.0
Accounts receivable and other assets, net			
<i>Soles</i>	1,562.4	1,676.1	1,040.8
Foreign Currency	287.8	295.5	591.6
Total	1,850.2	1,971.6	1,632.4
Intangibles and goodwill, net			
<i>Soles</i>	1,322.7	1,034.8	1,019.0
Foreign Currency	—	—	—
Total	1,322.7	1,034.8	1,019.0
Due from customers on acceptances			
<i>Soles</i>	—	—	—
Foreign Currency	65.1	94.0	44.1
Total	65.1	94.0	44.1
Deferred Income Tax asset, net			
<i>Soles</i>	191.5	258.6	203.0
Foreign Currency	—	—	—
Total	191.5	258.6	203.0
Total non-interest-earning assets:			
<i>Soles</i>	3,182.5	2,689.9	2,144.2
Foreign Currency	269.3	174.9	326.5
Total	3,451.8	2,864.8	2,470.7

	For the year ended December 31,		
	2022	2021	2020
	(S/ in millions, except for percentages)		
	Average Balance	Average Balance	Average Balance
Non-interest-bearing liabilities:			
Due from customers on acceptances			
<i>Soles</i>	—	—	—
Foreign Currency	65.1	94.0	44.1
Total	65.1	94.0	44.1
Accounts payable, provisions and other liabilities			
<i>Soles</i>	1,804.7	1,945.7	1,579.3
Foreign Currency	1,225.7	713.0	616.9
Total	3,030.4	2,658.7	2,196.2
Insurance contract liabilities			
<i>Soles</i>	6,696.0	6,876.3	7,346.4
Foreign Currency	4,100.2	4,965.3	4,410.7
Total	10,796.2	11,841.6	11,757.1
Deferred Income Tax Liability, net			
<i>Soles</i>	34.6	0.6	0.7
Foreign Currency	—	—	—
Total	34.6	0.6	0.7
Total non-interest-bearing liabilities:			
<i>Soles</i>	8,535.2	8,822.6	8,926.3
Foreign Currency	5,391.0	5,772.3	5,071.7
Total	13,926.2	14,594.8	13,998.0

Changes in Net Interest and Similar Income and Net Interest and Similar Expense: Volume and Rate Analysis

The following table sets forth, by currency of denomination, changes in our interest revenue and expenses between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates from the year ended December 31, 2022 to the year ended December 31, 2021 and from the year ended December 31, 2021 to the year ended December 31, 2020. Volume and rate variances have been calculated based on movements in average quarterly balances and changes in nominal interest rates, average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	December 31, 2022/2021 ⁽¹⁾			December 31, 2021/2020 ⁽¹⁾		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Changes in:			Changes in:		
	Rate	Volume	Net Change	Rate	Volume	Net Change
	(S/ in millions)					
Interest-earning assets:						
Cash and due from banks⁽²⁾						
<i>Soles</i>	99.8	(82.3)	17.5	12.3	15.8	28.1
Foreign Currency	109.6	2.1	111.6	(18.1)	0.4	(17.7)
Total	209.4	(80.2)	129.1	(5.8)	16.2	10.4
Investments						
<i>Soles</i>	231.4	94.6	326.0	88.6	81.1	169.7
Foreign Currency	30.8	(74.2)	(43.4)	(64.1)	65.4	1.4
Total	262.2	20.4	282.6	24.5	146.5	171.0

	December 31, 2022/2021 ⁽¹⁾			December 31, 2021/2020 ⁽¹⁾		
	Increase (Decrease) Due to Changes in:			Increase (Decrease) Due to Changes in:		
	Rate	Volume	Net Change (\$/ in millions)	Rate	Volume	Net Change
Loans						
<i>Soles</i>	614.5	94.8	709.3	(367.1)	182.2	(184.)
Foreign Currency	85.1	59.5	144.7	(83.5)	27.6	(55.9)
Total	699.6	154.3	853.9	(450.6)	209.8	(240.7)
Total interest-earning assets:						
<i>Soles</i>	945.7	107.0	1,052.7	(266.3)	279.1	12.9
Foreign Currency	225.5	(12.5)	212.9	(165.6)	93.4	(72.2)
Total	1,171.2	94.5	1,265.7	(431.9)	372.6	(59.3)
Interest-bearing liabilities: Deposits and obligations						
<i>Soles</i>	(522.1)	51.0	(471.2)	182.1	(31.5)	150.6
Foreign Currency	(59.2)	(6.1)	(65.2)	41.1	(18.0)	23.1
Total	(581.3)	44.9	(536.4)	223.1	(49.5)	173.7
Due to banks and correspondents						
<i>Soles</i>	(103.4)	25.1	(78.3)	37.1	(26.4)	10.6
Foreign Currency	(4.3)	4.2	(0.1)	10.0	4.6	14.6
Total	(107.7)	29.3	(78.4)	47.1	(21.9)	25.2
Bonds, notes and other obligations						
<i>Soles</i>	27.9	10.7	38.6	(37.6)	(7.5)	(45.1)
Foreign Currency	(29.2)	1.2	(28.0)	19.2	(38.6)	(19.4)
Total	(1.3)	11.9	10.6	(18.4)	(46.1)	(64.5)
Total Interest-bearing liabilities:						
<i>Soles</i>	(597.7)	86.8	(510.9)	181.6	(65.5)	116.1
Foreign Currency	(92.6)	(0.7)	(93.3)	70.3	(52.0)	18.3
Total	(690.3)	86.1	(604.2)	251.8	(117.5)	134.3

- (1) As of and for the years ended December 31, 2022, 2021 and 2020, IFS did not maintain any of the following categories on its balance sheets:
(i) federal funds sold, (ii) securities purchased with agreements to resell, (iii) federal funds purchased, (iv) securities sold under agreements to repurchase, or (v) commercial paper.
(2) Includes inter-bank funds.

Interest-Earning Assets: Net Interest Margin and Yield Spread

The following table set forth for each of the periods indicated, by currency of denomination, our levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread, all on a nominal basis.

	For the year ended December 31,		
	2022	2021	2020
Average interest-earning assets			
<i>Soles</i>	53,298.6	56,248.7	49,059.8
Foreign Currency	30,695.7	31,118.2	28,350.0
Total	83,994.3	87,366.9	77,409.8
Net interest income⁽¹⁾			
<i>Soles</i>	3,598.2	3,056.3	2,927.4
Foreign Currency	611.0	491.4	545.3
Total	4,209.2	3,547.7	3,472.8

	For the year ended December 31,		
	2022	2021	2020
Gross yield⁽²⁾			
<i>Soles</i>	8.9%	6.6%	7.5%
Foreign Currency	3.6%	2.9%	3.4%
Total	7.0%	5.3%	6.0%
Net interest margin⁽³⁾			
<i>Soles</i>	6.8%	5.4%	6.0%
Foreign Currency	2.0%	1.6%	1.9%
Total	5.0%	4.1%	4.5%
Yield spread⁽⁴⁾			
<i>Soles</i>	5.9%	5.0%	5.4%
Foreign Currency	1.7%	1.3%	1.4%
Total	4.4%	3.7%	3.9%

(1) “Net interest income” is defined as interest and similar income less interest and similar expense.

(2) “Gross yield” is defined as interest and similar income divided by average interest-earning assets.

(3) “Net interest margin” is defined as net interest and similar income divided by average interest-earning assets.

(4) “Yield spread”, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

Investment Portfolio

The following table sets forth our financial investment portfolio by type on the dates indicated. For more information on our financial investment portfolio as of December 31, 2022 and 2021, see Note 5 to our audited annual consolidated financial statements appearing elsewhere in this Annual Report on Form 20-F.

	As of December 31,					
	2022		2021		2020	
	S/ in millions	%	S/ in millions	%	S/ in millions	%
Debt instruments measured at fair value through other comprehensive income	16,716.5	74.6%	17,629.8	72.9%	17,902.4	74.7%
Investments at amortized cost	3,231.1	14.4%	3,225.2	13.3%	2,650.9	11.1%
Investments at fair value through profit or loss	1,933.0	8.6%	2,706.2	11.2%	2,042.8	8.5%
Equity instruments measured at fair value through other comprehensive income	512.9	2.3%	623.7	2.6%	1,373.5	5.7%
Total	22,393.5	100.0%	24,184.9	100.0%	23,969.6	100.0%
Plus: Accrued interest	394.1		362.3		307.5	
Total investments, net	22,787.6		24,547.3		24,277.1	

The following tables set forth the maturities of our financial investment portfolio as of December 31, 2022, before accrued interest.

Maturities of Investment Portfolio - Yields

	1 year or less	Weighted Average Yield ⁽¹⁾	1-5 years	Weighted Average Yield ⁽¹⁾	5-10 years	Weighted Average Yield ⁽¹⁾	Over 10 years	Weighted Average Yield ⁽¹⁾	Total
Instruments measured at fair value through other comprehensive income:									
Bonds	278.6	135.6%	1,268.2	7.7%	1,848.5	6.8%	5,233.8	6.7%	8,629.0
Peruvian sovereign and global Bonds	5.9	0.0%	2,220.9	6.4%	1,278.7	8.1%	3,103.3	7.3%	6,608.8
Negotiable bank certificates issued by the Central Reserve Bank of Peru	1,478.7	25.8%	—	—	—	—	—	—	1,478.7
Total Instruments measured at fair value through other comprehensive income	1,763.2	161.5%	3,489.1	14.1%	3,127.2	15.0%	8,337.0	14.0%	16,716.5
Investments at amortized cost:									
Peruvian sovereign Bonds	494.9	0.0%	1,084.1	4.6%	741.4	7.8%	910.7	8.6%	3,231.1
Total Investments at amortized cost	494.9	0.0%	1,084.1	4.6%	741.4	7.8%	910.7	8.6%	3,231.1
Total investments	2,258.1	161.5%	4,573.2	18.7%	3,868.6	22.8%	9,247.7	22.5%	19,947.7
%	10.1%	—	20.4%	—	17.3%	—	41.3%	—	89.1%

(1) The weighted average yield for each range of maturity is calculated by dividing the annual interest income by the book value of the debt securities.

Loan Portfolio

The following table sets forth our loans by type of loan, at the dates indicated.

	As of December 31,					
	2022		2021		2020	
	S/ in millions	%	S/ in millions	%	S/ in millions	%
Loan Portfolio						
Loans	35,977.7	76.5%	35,490.2	79.4%	34,718.3	80.6%
Credit cards	6,239.3	13.3%	4,814.8	10.8%	4,379.9	10.2%
Leasing	1,174.5	2.5%	1,111.0	2.5%	1,211.3	2.8%
Discounted notes	894.6	1.9%	572.3	1.3%	468.7	1.1%
Factoring receivables	1,011.5	2.2%	867.8	1.9%	572.0	1.3%
Advances and overdrafts	38.8	0.1%	41.0	0.1%	39.4	0.1%
Refinanced loans	322.9	0.7%	236.5	0.5%	287.1	0.7%
Past-due and under legal collection loans	1,366.0	2.9%	1,554.7	3.5%	1,405.2	3.3%
Total gross loans	47,025.4	100.0%	44,688.2	100.0%	43,081.9	100.0%
Accrued interest from performing loans	527.6	—	404.9	—	445.1	—
Impairment allowance for loans	(2,027.9)	—	(2,064.9)	—	(2,984.9)	—
Unearned interest and interest collected in advance	(22.1)	—	(22.6)	—	(22.8)	—
Total direct loans, net	45,503.0	—	43,005.6	—	40,519.4	—

Loans by Classification

The following table shows the composition of our loan portfolio by classification for the periods indicated.

	As of December 31,					
	2022		2021		2020	
	S/ in millions	%	S/ in millions	%	S/ in millions	%
Commercial loans	21,412.1	45.5%	22,118.9	49.5%	22,001.6	51.1%
Consumer loans	14,967.8	31.8%	12,514.5	28.0%	11,416.2	26.5%
Mortgage loans	9,286.9	19.7%	8,552.3	19.1%	7,721.3	17.9%
Small and micro-business loans	1,358.5	2.9%	1,502.5	3.4%	1,942.9	4.5%
Total direct gross loans⁽¹⁾	47,025.4	100.0%	44,688.2	100.0%	43,081.9	100.0%

(1) Includes refinanced loans and past due and under legal collection loans for all periods reported.

Loans by Currency

The following table presents our loan portfolio divided by currency at the dates indicated.

	As of December 31,					
	2022		2021		2020	
	S/ in millions	%	S/ in millions	%	S/ in millions	%
Foreign currency denominated	13,481.9	28.7%	12,088.9	27.1%	10,755.1	25.0%
Sol denominated	33,543.5	71.3%	32,599.4	72.9%	32,326.8	75.0%
Total gross loans	47,025.4	100.0%	44,688.2	100.0%	43,081.9	100.0%

As of December 31, 2022, 2021 and 2020, we did not have foreign loans that exceeded 1% of our total consolidated assets.

Maturity Composition of Our Portfolio of Loans

The following tables set forth an analysis of our portfolio of loans as of December 31, 2022, 2021 and 2020 by type and by the time remaining to maturity. Loan amounts are presented before deduction of allowances for loan losses.

	As of December 31, 2022 ⁽¹⁾							
	1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years but less than 15 years	More than 15 years	Past-due loans	Total
	(S/ in millions)							
Loans	2,979.8	3,432.0	7,688.4	16,061.5	5,522.5	293.5	1,366.0	37,343.7
Credit cards	1,206.4	1,223.6	1,711.9	2,097.4	—	—	—	6,239.3
Leasing	73.4	60.2	475.6	554.7	10.7	—	—	1,174.5
Discounted notes	399.0	412.0	83.6	—	—	—	—	894.6
Factoring receivables	240.0	565.3	206.2	—	—	—	—	1,011.5
Advances and overdrafts	38.8	—	—	—	—	—	—	38.8
Refinanced loans	8.5	15.2	54.4	203.1	37.4	4.3	—	322.9
Total gross loans	4,945.9	5,708.3	10,220.2	18,916.6	5,570.6	297.9	1,366.0	47,025.4

As of December 31, 2021 ⁽¹⁾								
	1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years but less than 15 years	More than 15 years	Past-due loans	Total
	(S/ in millions)							
Loans	2,049.3	4,114.6	8,069.1	15,818.4	5,240.4	198.4	1,554.7	37,044.9
Credit cards	893.4	915.6	1,379.3	1,622.7	3.7	—	—	4,814.8
Leasing	39.3	113.9	390.1	548.4	19.2	—	—	1,111.0
Discounted notes	196.5	328.6	47.2	—	—	—	—	572.3
Factoring receivables	121.7	454.3	291.8	—	—	—	—	867.8
Advances and overdrafts	41.0	—	—	—	—	—	—	41.0
Refinanced loans	4.2	8.9	44.7	141.8	30.7	6.1	—	236.5
Total gross loans	3,345.5	5,935.9	10,222.3	18,131.4	5,294.0	204.5	1,554.7	44,688.2

As of December 31, 2020 ⁽¹⁾								
	1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years but less than 15 years	More than 15 years	Past-due loans	Total
	(S/ in millions)							
Loans	2,016.0	2,804.7	7,712.0	17,259.9	4,778.6	147.0	1,405.2	36,123.5
Credit cards	586.2	730.9	1,360.6	1,654.8	47.4	—	—	4,379.9
Leasing	80.5	109.8	369.5	618.7	32.8	—	—	1,211.3
Discounted notes	189.0	237.3	42.4	—	—	—	—	468.7
Factoring receivables	167.0	318.7	86.3	—	—	—	—	572.0
Advances and overdrafts	39.4	—	—	—	—	—	—	39.4
Refinanced loans	5.0	12.1	56.7	186.3	22.7	4.2	—	287.1
Total gross loans	3,083.1	4,213.5	9,627.6	19,719.7	4,881.5	151.2	1,405.2	43,081.9

(1) Includes the balance of disbursements made by Interbank within the “Reactiva Perú” program. The balance of these loans as of December 31, 2022, December 31, 2021 and December 31, 2020 amounted to S/2,299.9 million, S/4,896.1 million and S/6,615.8, respectively.

Classification of Our Loan Portfolio - Analysis of Substandard and Past Due Loans

The following tables provide the classification of our loans as of December 31, 2022, 2021 and 2020, respectively, calculated under the requirements of IFRS 9:

As of December 31, 2022				
	Stage 1	Stage 2	Stage 3	Total
	(S/ in millions)			
Direct and indirect Loans				
Not impaired				
High grade	39,559.3	1,513.8	—	41,073.1
Standard grade	4,295.0	874.8	—	5,169.7
Sub-standard grade	778.7	1,000.3	—	1,779.0
Past due but not impaired	1,124.6	1,150.1	—	2,274.7
Impaired				
Individually impaired	—	—	55.2	55.2
Collectively impaired	—	—	1,161.0	1,161.0
Total gross loans	45,757.5	4,539.0	1,216.2	51,512.7

	As of December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
(S/ in millions)				
Direct and indirect Loans				
Direct loan portfolio	41,798.1	4,037.2	1,190.1	47,025.4
Indirect loan portfolio	3,959.4	501.8	26.1	4,487.3
Total gross loans	45,757.5	4,539.0	1,216.2	51,512.7

	As of December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
(S/ in millions)				
Direct and indirect Loans				
Not impaired				
High grade	37,337.4	775.7	—	38,113.1
Standard grade	4,487.6	371.8	—	4,859.4
Sub-standard grade	1,952.2	1,274.7	—	3,226.9
Past due but not impaired	729.7	862.4	—	1,592.0
Impaired				
Individually impaired	—	—	54.0	54.0
Collectively impaired	—	—	1,283.3	1,283.3
Total gross loans	44,506.8	3,284.6	1,337.2	49,128.7
Direct loan portfolio	40,522.5	2,853.6	1,312.2	44,688.2
Indirect loan portfolio	3,984.4	431.0	25.1	4,440.5
Total gross loans	44,506.8	3,284.6	1,337.2	49,128.7

Direct and indirect Loans	As of December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
	(S/ in millions)			
Not impaired				
High grade	32,994.4	1,728.9	—	34,723.3
Standard grade	4,458.7	1,603.3	—	6,062.0
Sub-standard grade	692.7	1,169.7	—	1,862.5
Past due but not impaired	790.3	1,781.9	—	2,572.1
Impaired				
Individually impaired	—	—	30.3	30.3
Collectively impaired	—	—	2,443.7	2,443.7
Total gross loans	38,936.0	6,283.8	2,474.0	47,693.8
Direct loan portfolio	34,893.3	5,744.7	2,443.9	43,081.9
Indirect loan portfolio	4,042.8	539.1	30.1	4,611.9
Total gross loans	38,936.0	6,283.8	2,474.0	47,693.8

Impairment Allowance for Loans

The following tables show the allocation for our impairment allowance for loans as of December 31, 2022, 2021, and 2020:

	As of December 31,					
	2022		2021		2020	
	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%
Commercial loans	282.4	13.7%	383.2	18.2%	294.7	9.7%
Consumer loans	1,622.4	78.6%	1,401.7	66.6%	2,413.4	79.3%
Mortgage loans	61.6	3.0%	155.2	7.4%	188.0	6.2%
Small and micro-business loans	96.9	4.7%	165.1	7.8%	146.5	4.8%
Total⁽¹⁾	2,063.4	100.0%	2,105.2	100.0%	3,042.6	100.0%

- (1) Includes impairment allowance for indirect loans amounting to S/35.5 million as of December 31, 2022, S/40.3 million as of December 31, 2021 and S/57.7 million as of December 31, 2020. See Note 6(d.2) to our audited annual consolidated financial statements.

The following table shows the changes in our impairment allowance for loans for the periods indicated.

	For the years ended December 31,		
	2022	2021 (S/ in millions)	2020
Balance as of January 1	2,105.2	3,042.6	1,434.5
Provision	830.6	381.6	2,393.9
Recoveries of written-off loans	155.1	182.0	106.4
Written-off loans and sales	(1,021.5)	(1,525.1)	(926.0)
Translation result and others	(6.0)	24.2	33.7
Balance as of December 31,	2,063.4	2,105.2	3,042.6
Allowances for indirect loans	35.5	40.3	57.7
Allowances for direct loans	2,027.9	2,064.9	2,984.9
Total allowances for loan losses	2,063.4	2,105.2	3,042.6
Allowances for Loan Losses at end of Period as a Percentage of Total Loans	4.4%	4.7%	7.1%
Ratios of Charge-Offs to Average Balance			
Commercial loans	0.1%	0.0%	0.1%
Consumer loans	1.8%	3.0%	2.1%
Mortgage loans	0.0%	0.0%	0.0%
Small and micro business loans	0.2%	0.2%	0.1%

The ratio of allowances for loan losses to average loans was 4.4% in 2022 compared to 4.7% in 2021. The lower ratio was mainly explained by lower allowances for direct loans in addition to growth in the average balance of loans.

Lower allowances for direct loans were explained by increase in provision requirements in consumer loans and mortgages. These effects were partially offset by higher allowances for loans in commercial and small and micro-business loans.

The following tables show the changes in our impairment allowance for loans (direct and indirect) by line of business for the period indicated.

	For the Year Ended December 31, 2022				
	Commercial loans	Mortgage loans	Consumer loans (S/ in millions)	Small and micro-business loans	Total
Balance as of January 1	383.2	155.2	1,401.7	165.1	2,105.2
Provision	(34.1)	(90.1)	966.9	(12.1)	830.6
Recovery of written-off loans	5.9	—	140.4	8.7	155.1
Written-off loans and sales	(68.4)	(2.3)	(886.2)	(64.7)	(1,021.5)
Translation result and others	(4.4)	(1.2)	(0.4)	—	(6.0)
Balance as of	282.4	61.6	1,622.4	96.9	2,063.4

	For the Year Ended December 31, 2021				
	Commercial loans	Mortgage loans	Consumer loans (S/ in millions)	Small and micro-business loans	Total
Balance as of January 1	294.7	188.0	2,413.4	146.5	3,042.6
Provision	98.6	(36.1)	225.6	93.5	381.6
Recovery of written-off loans	1.4	—	175.3	5.3	182.0
Written-off loans and sales	(27.4)	(2.4)	(1,414.9)	(80.3)	(1,525.1)
Translation result and others	15.9	5.7	2.3	0.2	24.2
Balance as of	383.2	155.2	1,401.7	165.1	2,105.2

	For the Year Ended December 31, 2020				
	Commercial loans	Mortgage loans	Consumer loans (S/ in millions)	Small and micro-business loans	Total
Balance as of January 1	185.6	121.7	1,058.6	68.6	1,434.5
Provision	118.0	63.7	2,112.9	99.4	2,393.9
Recovery of written-off loans	1.8	—	100.8	3.9	106.4
Written-off loans and sales	(27.8)	(4.4)	(868.1)	(25.7)	(926.0)
Translation result and others	17.2	6.9	9.3	0.3	33.7
Balance as of	294.7	188.0	2,413.4	146.5	3,042.6

Composition of Deposits and Obligations

The following tables provide information on the composition of our deposits obligations for the periods indicated.

	2022		As of December 31,			
	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%
Demand deposits						
<i>Soles</i>	7,467.3	15.4%	7,943.1	16.2%	8,836.1	18.7%
Foreign currency	6,357.6	13.1%	6,490.1	13.3%	4,996.1	10.6%
Total	13,824.8	28.5%	14,433.2	29.5%	13,832.3	29.3%
Savings deposits						
<i>Soles</i>	12,395.3	25.5%	13,665.4	27.9%	12,212.6	25.9%
Foreign currency	8,516.4	17.5%	8,876.4	18.2%	5,639.7	12.0%
Total	20,911.7	43.1%	22,541.8	46.1%	17,852.3	37.9%
Time deposits						
<i>Soles</i>	8,285.3	17.1%	6,060.4	12.4%	7,977.8	16.9%
Foreign currency	4,581.4	9.4%	4,893.8	10.0%	5,557.2	11.8%
Total	12,866.7	26.5%	10,954.2	22.4%	13,535.0	28.7%
Others						
<i>Soles</i>	695.6	1.4%	713.8	1.5%	1,492.6	3.2%
Foreign currency	231.9	0.5%	254.9	0.5%	437.1	0.9%
Total	927.5	1.9%	968.7	2.0%	1,929.7	4.1%
Total deposits						
<i>Soles</i>	28,843.5	59.4%	28,382.7	58.0%	30,519.2	64.7%
Foreign currency	19,687.2	40.6%	20,515.2	42.0%	16,630.1	35.3%
Total	48,530.7	100.0%	48,897.9	100.0%	47,149.3	100.0%

As of December 31, 2022, 2021 and 2020, we did not have individual material deposits by foreign depositors that exceeded 10% of our total Deposits and Obligations.

The following table provides information on the composition of our domestic and foreign deposits, by average balances and average nominal rate, for the periods indicated.

		For the year ended December 31,		
		2022	2021	2020
		(S/ in millions)		
Deposits in Domestic Offices				
Demand deposits				
Average balance				
Soles		8,127.6	8,966.5	8,069.7
Foreign currency		4,552.9	4,348.0	3,858.5
Total		12,680.5	13,314.5	11,928.2
Average nominal rate				
Soles		3.2%	0.4%	0.8%
Foreign currency		0.5%	0.1%	0.3%
Total		2.2%	0.3%	0.6%
Savings deposits				
Average balance				
Soles		12,832.2	13,025.1	9,570.5
Foreign currency		8,562.4	7,156.7	5,053.0
Total		21,394.6	20,181.9	14,623.5
Average nominal rate				
Soles		1.0%	0.7%	1.0%
Foreign currency		0.4%	0.2%	0.2%
Total		0.7%	0.5%	0.7%
Time deposits				
Average balance				
Soles		6,469.5	6,876.7	7,892.6
Foreign currency		2,758.7	3,653.5	3,275.1
Total		9,228.2	10,530.2	11,167.8
Average nominal rate				
Soles		4.6%	1.1%	2.5%
Foreign currency		1.1%	0.3%	0.8%
Total		3.6%	0.8%	2.0%
Others				
Average balance				
Soles		714.1	1,108.2	1,413.0
Foreign currency		243.1	358.6	430.4
Total		957.1	1,466.8	1,843.4
Average nominal rate				
Soles		6.6%	5.0%	4.9%
Foreign currency		4.1%	1.8%	1.7%
Total		6.0%	4.2%	4.1%
Deposits in Foreign Offices				
Demand deposits				
Average balance				
Soles		—	—	—
Foreign currency		2,004.8	1,990.8	1,194.6
Total		2,004.8	1,990.8	1,194.6
Average nominal rate				
Soles		0.0%	0.0%	0.0%
Foreign currency		0.0%	0.0%	0.0%
Total		0.0%	0.0%	0.0%
Time deposits				
Average balance				

	For the year ended December 31,		
	2022	2021	2020
<i>Soles</i>	—	—	—
Foreign currency	1,832.5	1,683.7	1,675.6
Total	1,832.5	1,683.7	1,675.6
Average nominal rate			
<i>Soles</i>	0.0%	0.0%	0.0%
Foreign currency	3.1%	1.9%	1.9%
Total	3.1%	1.9%	1.9%

Uninsured Deposits

Uninsured deposits are deposits that are in excess of local deposit insurance fund, see “Regulation and Supervision— Banking regulations and supervision - Deposit Insurance Fund”, calculated based on the respective local regulations, as well as deposits in uninsured accounts. As of December 31, 2022, 2021 and 2020 total estimated uninsured deposits were S/30,520.7 million, S/31,717.8 million and S/33,128.7 million, respectively.

The table below, shows the maturity of estimated uninsured time deposits as of December 31, 2022.

	For the year ended December 31, 2022 (S/ in millions)
<u>Uninsured time deposits</u>	
Within 3 months	5,034.7
From 3 to 6 months	2,145.1
From 6 to 12 months	2,621.2
Over 12 months	1,091.8
Total uninsured time deposits	10,892.7

	As of December 31, 2022				
	1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years
	(S/ in millions)				
<u>Maturity of Deposits</u>					
Demand deposits	13,824.8	—	—	—	—
Saving deposits	20,911.7	—	—	—	—
Time deposits	2,797.7	1,973.3	6,788.7	1,023.5	283.5
Total	37,534.3	1,973.3	6,778.7	1,023.5	283.5
Percentage of Total	78.8%	4.1%	14.3%	2.2%	0.6%

	As of December 31, 2021					Total
	1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years	
	(S/ in millions)					
Maturity of Deposits						
Demand deposits	14,433.2	—	—	—	—	14,433.2
Saving deposits	22,541.8	—	—	—	—	22,541.8
Time deposits	4,679.0	2,205.2	3,430.8	377.9	261.3	10,954.2
Total	41,654.0	2,205.2	3,430.8	377.9	261.3	47,929.2
Percentage of Total	86.9%	4.6%	7.2%	0.8%	0.5%	100.0%

	As of December 31, 2020					Total
	1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years	
	(S/ in millions)					
Maturity of Deposits						
Demand deposits	13,832.3	—	—	—	—	13,832.3
Saving deposits	17,852.3	—	—	—	—	17,852.3
Time deposits	6,983.1	2,208.2	3,531.5	539.6	272.6	13,535.0
Total	38,667.6	2,208.2	3,531.5	539.6	272.6	45,219.5
Percentage of Total	85.5%	4.9%	7.8%	1.2%	0.6%	100.0%

Short-Term Borrowings

The following tables provide information on the composition of our short-term borrowings for the periods indicated.

	As of December 31,					
	2022		2021		2020	
	(S/in millions)	Average rate	(S/in millions)	Average rate	(S/ in millions)	Average rate
Inter-bank funds	30.0	7.5%	—	0.0%	29.0	0.3%
Due to banks and correspondents	2,107.8	5.0%	822.1	2.5%	1,794.5	1.6%
Bonds, notes and other obligations	—	0.0%	—	0.0%	—	0.0%
Total	2,137.8	5.0%	822.1	2.5%	1,823.4	1.6%

	As of December 31,		
	2022	2021	2020
	(S/in millions except for percentages)		
Average balance	1,445.1	1,335.0	2,967.2
Maximum quarter-end balance	2,137.8	1,916.2	4,228.2
Weighted-average nominal interest rate	4.7%	1.6%	2.3%

ETHICS AND CORPORATE COMPLIANCE

IFS is firmly committed to promoting a world-class ethics and compliance program (the “Compliance Program”), ensuring a compliance culture within its subsidiaries, to maintain an ethical culture throughout its organizations. Thus, IFS has a corporate compliance policy (the “IFS Corporate Compliance Policy”) based on local and US regulations, international best practices, and our principles and values.

The Compliance Program aims to promote corporate policies and procedures of effective internal controls to prevent, detect and report inappropriate conducts, comply with laws and regulations, and mitigate reputational risk to maintain a sustainable business. In addition, this program is enhanced and strengthened by a sanction program and continuous mandatory training for all employees, including tailored training for the board of directors, front office, and compliance team members to prevent misconduct and reinforce compliance policies.

The Compliance Program is led by the Chief Compliance Officer (“CCO”), who reports directly to the board of directors and indirectly to the CEO and is responsible for overseeing the Compliance Program within the organization. Moreover, each subsidiary has a Compliance Officer who reports to the CCO and to their respective board of directors.

The Compliance Program has a risk-based approach, which focuses on mitigating the risk of misconduct that could negatively impact our reputation. This program includes the following policies:

Anti-Money Laundering / Anti-Terrorist Financing (“AML/ATF”)

IFS has implemented a risk-based AML/ATF program according to regulations pursuant to which each subsidiary operates, as well as international standards, and best practices, including the FATF.

In the context of the digital era, we are continuously working on incorporating knowledge-based systems and tools to help us prevent and detect money laundering and financing of terrorism by using customized algorithms.

The subsidiaries have implemented their policies and procedures in accordance with the IFS Corporate Compliance Policy and local regulation, approved by their respective boards of directors and reviewed on an annual basis, which includes but is not limited to:

- AML/AFT policy and procedures based on risk assessment.
- Customer Identification Program (“CIP”), Know Your Customer, and due diligence procedures including monitoring of the OFAC and International Sanctions List.
- Know your employee and vendor policy.
- Annual review of high-risk customers.

Anti-Corruption Program

IFS is committed to conducting its business in accordance with world-class ethics and compliance standards. As part of that commitment, IFS prohibits its directors, officers and employees from making any political contribution on its behalf or its subsidiaries. Our anti-corruption program contains policies and procedures that comply with the local and international anti-corruption laws, including the Foreign Corrupt Practices Act (“FCPA”).

Our program has been designed by understanding IFS’s business model and its risk profile. This program includes, but is not limited to, roles and responsibilities, guidelines, a zero-tolerance policy for any act of bribery or corruption, policies regarding gifts, conflicts of interest, donations, and hiring and appointing employees, officers, and directors, as well as violations reports, and sanctions.

The subsidiaries have implemented their respective anti-corruption programs based on the IFS Corporate Compliance Policy and local anti-bribery regulations.

Insider Trading

The IFS insider trading program prohibits any of its directors, officers, or employees who possess material, non-public information concerning IFS or its subsidiaries from buying or selling its securities or passing on such information to others who may be induced to buy or sell securities.

Consumer Data Privacy Program

In accordance with local regulations and best international practices, IFS is committed to ensuring that the processing of personal data is carried out in accordance with the purpose for which it has been provided, with the expressed consent of the clients.

This program includes compliance with the legal framework of Law No. 29733 Personal Data Protection Law and Supreme Decree No. 003-2013-JUS. In addition, the subsidiaries that are subject to this law, have implemented internal controls in accordance with the IFS Corporate Compliance Program.

IFS and its subsidiaries have a sanction program for non-compliance with data protection laws.

Fiscal Transparency

O.C.D.E. Common Report Standard (“CRS”)

IFS and its subsidiaries are CRS compliant, reporting to their respective Tax Authorities on an annual basis.

U.S. Foreign Account Tax Compliance Act (“FATCA”)

IFS and its subsidiaries are FATCA compliant and are all classified as Reporting Model 1. Intercorp is the lead of the Expanded Affiliated Group.

Dodd Frank

IFS, as a counterparty of U.S. banks for operations with derivatives, must adhere to the Dodd Frank Protocol. Such requirements include the settlement of certain operations through a clearinghouse and adherence to the International Swaps and Derivatives Association (“ISDA”) standards to comply, where applicable, with Dodd Frank regulations.

Whistleblower Hotline

IFS and its subsidiaries have implemented a whistleblower hotline that helps stakeholders report improper conduct, fraudulent practices, violations of internal policies, and unlawful and unethical conducts. These conducts can be reported through the website, e-mail, or phone call, and may be reported anonymously. Moreover, this hotline is managed by a third party to reinforce the confidentiality of the complaint.

ITEM 4A Unresolved Staff Comments

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Factors Affecting Our Results of Operations

Substantially all of our subsidiaries’ operations are conducted in Peru. Accordingly, our results of operations and financial condition are dependent on economic conditions, consumer spending and investment levels in Peru. During the 1980s, Peru experienced a severe economic crisis and high levels of inflation. Beginning in the 1990s, however, the Peruvian government implemented a series of structural reforms, which helped stabilize the Peruvian economy and foster continued GDP growth, lower inflation and interest rates, more stable currency and significantly improved public finances. Moreover, and as a result of the financial instability in 2008 and 2009, which was accompanied by a global economic downturn in many decades, and the worst crisis caused by the pandemic COVID-19, the Peruvian economy, while affected, was one of the few economies in Latin America to experience growth in 2009. Peru’s real GDP grew at a rate of 1.0% in 2009, supported by the Peruvian government’s fiscal stimulus programs.

Nonetheless, the country has experienced a slowdown in recent years, mainly explained by lower domestic demand, as a result of a lower growth in private investment. This slowdown was intensified due to several factors, such as (i) a strong El Niño phenomenon, which adversely affected agricultural production, transportation services, tourism and commercial activity, and resulted in a 1.5% drop in GDP growth in 2017; (ii) corruption scandals related to the activities of certain Brazilian and Peruvian companies in the construction sector, which resulted in suspension or delay of important infrastructure projects during 2018; and (iii) political

instability, as Peru has suffered a series of government institutional crises starting in 2018 due to, among other things, several corruption scandals involving prominent political figures, which have resulted in resignations and impeachment of various presidents since then, including most recently former President Jose Pedro Castillo in December 2022 following an attempted coup, as well as investigations of certain members of the judicial system and the public ministry who are now facing prosecution. Despite these factors and continued political corruption scandals, the Peruvian economy continued to outperform its peer countries in 2019, supported by solid macroeconomic fundamentals and strong fiscal and monetary policies.

In 2020, Peru experienced an 11.0% GDP contraction as a result of the impact of the COVID-19 pandemic, and in particular the impact of the lockdown and mobility restrictions implemented by the Peruvian government to contain the spread of the pandemic, which in turn resulted in (i) lower employment, (ii) postponement of investment projects, and (iii) restricted access to goods and services. As a result of the reductions in private consumption and gross fixed investment, domestic demand decreased 9.8% during the year.

At the beginning of 2021, Peru continued to struggle from the effects of the pandemic but started to recover over time as targeted lockdowns decreased and were eventually lifted and the vaccination program accelerated. The recovery was mainly driven by domestic demand-oriented sectors, improved trade terms, higher private consumption, and the base effect of such improvements as compared to 2020. Nevertheless, such improved economic landscape was negatively affected by the uncertainty that arose in the run up to the April 2021 presidential and congressional elections. These political events contributed to a slowdown in GDP growth, volatility of the exchange rate and weakening of the local currency, which in turn also affected inflation. As a result of these factors, the Peruvian GDP grew 13.3% in 2021.

In 2022, political uncertainty and social unrest caused an economic deceleration that drove GDP growth to 2.7%. Sectors such as mining, tourism and agriculture were the most affected ones. As a result, inflation increased up to 8.5% for the year ended December 31, 2022. To curb inflation, the Central Reserve Bank of Peru tightened its monetary policy by elevating the reference policy rate to 7.50% as of December 2022.

The table below sets forth additional details regarding Peru's recent economic performance.

	2022	2021	2020	2019	2018
Peruvian real GDP growth rate	2.7%	13.3%	(11.0)%	2.2%	4.0%
Domestic demand growth	2.3%	14.4%	(9.5)%	2.2%	4.2%
Private consumption growth	3.6%	11.7%	(9.8)%	3.2%	3.8%
Fixed private investment (real growth)	-0.5%	37.6%	(16.5)%	4.5%	4.1%
Reference interest rate	7.5%	2.5%	0.3%	2.3%	2.8%
Fiscal (deficit) (% of GDP)	-1.6%	(2.6)%	(8.9)%	(1.6)%	(2.3)%
Variation in Consumer Price Index ("CPI")	8.5%	6.4%	2.0%	1.9%	2.2%
Unemployment rate (Metropolitan Lima)	7.8%	10.7%	13.0%	6.6%	6.7%
Disposable income growth	0.6%	10.3%	(7.5)%	2.8%	3.9%
Public external debt as a percentage of Peruvian GDP	17.5%	19.5%	14.9%	8.5%	8.8%
Net international reserves (U.S.\$ in millions)	71,883	78,495	74,707	68,316	60,121

Sources: Central Reserve Bank of Peru and INEI.

In this context, Peru continues to have its sovereign debt rated investment grade by S&P, Fitch and Moody's. The Peruvian government's conservative fiscal policy, coupled with the Central Reserve Bank of Peru's responsible management of inflation and international reserves has helped Peru to maintain its investment grade ratings by Moody's (Baal), S&P (BBB+) and Fitch (BBB). Peru's credit ratings are subject to periodic review and may be revised or lowered in the future.

Furthermore, in its most recent forecast as of December, the Central Reserve Bank of Peru has estimated real GDP growth of 2.9% for 2023 and 3.0% for 2024, as compared to a 2.7% increase registered in 2022 and a 13.3% increase registered in 2021. Based on Peru's strong macroeconomic base, during 2021, the government began to phase out its various expansionary fiscal and monetary policies initially deployed to mitigate the impact of COVID-19 on the Peruvian economy and population. Moreover, during 2022, the Central Reserve Bank of Peru deployed contractive monetary policies to offset inflation.

Interest Rates

In general, increases in prevailing interest rates result in more interest revenue from loans. An increase of prevailing interest rates may, however, adversely affect Interbank as a result of reduced overall demand for loans and greater risk of default by its clients. In addition, relatively high interest rates affect Interbank's funding costs, and can adversely affect spreads on its loan portfolio if Interbank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can

reduce Interbank's revenue from its loan portfolio. This revenue decrease may be offset by an increase in the volume of loans resulting from higher demand and/or a decrease in Interbank's funding costs. As a result of the COVID-19 pandemic, on April 9, 2020, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from 2.25% to 0.25%. This measure has affected both interest income and interest expense. Moreover, the Central Reserve Bank of Peru, similar to other monetary authorities around the world, started to increase its reference rate to mitigate the impacts of inflation in Peru. As of December 31, 2022, the reference interest rate was 7.50%.

In May 2021, the Central Reserve Bank of Peru set the methodology to determine maximum interest rates applicable to three types of loans: (i) ordinary consumer credit; (ii) consumer loans equivalent to two UIT (*Unidad Impositiva Tributaria*) or less; and, (iii) credit for small and micro businesses, as ruled by Law 31143. Maximum interest rates are to be set at two times the average rate of consumer loans during the period between two and seven months prior to becoming effective. The interest rate cap was first effective for the period between May and October 2021 at a level of 83.4% for loans denominated in *soles* and 68.4% for loans denominated in U.S. dollars. For the period between November 2022 and April 2023, the interest rate cap was 87.9% for loans denominated in *soles* and 68.3% for loans denominated in U.S. dollars. The interest rate cap does not represent a major disruption to Interbank's results.

Increases in interest rates negatively affect the value of Interseguro's fixed income portfolio. However, higher rates allow Interseguro to reinvest new annuities at a higher yield. At the same time, increases in interest rates result in an increase in the discount rate Interseguro uses to calculate its reserve requirements, which has the effect of reducing Interseguro's required technical reserves. Conversely, if interest rates fall, Interseguro's portfolio will have a lower average interest rate, resulting in Interseguro having to record higher technical reserves.

Similar to Interbank, an increase in prevailing interest rates may adversely affect Inteligo as a result of reduced overall demand for loans, as well as lower interest margins if Inteligo is unable to pass on higher funding costs to its clients. On the other hand, a decrease in interest rates may reduce Inteligo's revenue from its loan portfolio. Furthermore, a portion of Inteligo's revenues corresponds to earnings from its investment portfolio and is therefore exposed to interest rates fluctuations that may affect revenue from fixed-income instruments.

Increases in interest rates result in additional interest income from Inteligo's variable-rate investments, but may also result in capital losses on its fixed-rate investments.

Likewise, increases in interest rates in Izipay result in lower transactional volumes because of higher cost of debt for the customers. Also, in this context, Izipay's funding strategy may be affected because of higher financial cost.

Inflation

Our performance may be impacted by inflation, because substantially all of our assets are not adjusted for the effects of inflation. During the 1980s, Peru experienced hyperinflation, negative economic growth and substantial currency devaluation. Inflation rates in Peru began to decrease in the 1990s and in the last 14 years Peru had one of the lowest average inflation rates in the region, partly due to the monetary policy implemented by the Central Reserve Bank of Peru and partly due to the conservative fiscal policy of the Peruvian government. In 2002, in order to maintain low inflation rates, the Central Reserve Bank of Peru established an annual inflation target of 2.5% within a range of one percentage point. In 2007, the target was lowered to 2%, within a range of one percentage point. The Central Reserve Bank of Peru has maintained its target inflation range ever since. The inflation rate in Peru, as measured by changes in the Metropolitan Lima consumer price index published by the INEI, was 12.2% in 2018, 1.9% in 2019, 2.0% in 2020, 6.4% in 2021 and 8.5% in 2022. In its most recent forecast as of December 2022, the Central Reserve Bank of Peru has estimated Peru's inflation to be 3.0% in 2023 and 2.4% in 2024.

Depreciation and Appreciation of the Sol

The *sol* floats freely against other currencies. Nevertheless, the Central Reserve Bank of Peru participates in the market (buying or selling *soles*) in order to avoid any large fluctuations in the exchange rate because of the effects that it could have on the Peruvian economy, which remains partly dollarized. Because a significant portion of our subsidiaries' assets and liabilities are denominated in U.S. dollars and our consolidated financial statements are prepared in *soles*, the results reflected in our consolidated financial statements are affected by fluctuations in the exchange rates between the *sol* and the U.S. dollar.

In 2015, the *sol* depreciated significantly against the U.S. dollar and remained relatively stable until the beginning of 2020. However, during 2020, the *sol* rapidly depreciated against the U.S. dollar as a result of the COVID-19 pandemic, which in 2021 and 2022 continued to depreciate due to political uncertainty in Peru, global market volatility and the rising inflation. In this context, any future changes in the value of the *sol* against the U.S. dollar and other foreign currencies could adversely affect our financial condition and results of operations to the extent that our subsidiaries maintain a gap between foreign denominated assets and liabilities.

The Peruvian government adopted a policy to encourage the de-dollarization of the Peruvian economy. This policy included promoting the development of a *sol* capital market and local currency yield curves. The proportion of outstanding loans in the banking system denominated in U.S. dollars has fallen from 51.0% as of December 31, 2011 to 27.4% as of December 31, 2022, according to figures published by the SBS. The percentage of deposits in the banking system denominated in U.S. dollars was approximately 47.3% as of December 31, 2011 compared to 40.6% as of December 31, 2022. Interbank's proportion of loans in *soles* increased from 53.2% as of December 31, 2011 to 74.1% as of December 31, 2022, while deposits in *soles* increased from 56.8% as of December 31, 2011 to 64.8% as of December 31, 2022.

As of December 31, 2022, 67.9% of Interseguro's investment portfolio was invested in *soles* and 32.1% was invested in U.S. dollars. According to Interseguro's investment policy, it allocates the currency of its investment portfolio to mitigate potential currency volatility between its investment assets and its insurance liabilities as observed since the commencement of the COVID-19 outbreak.

Substantially all of Inteligo's financial assets and liabilities are denominated in U.S. dollars.

Moreover, Izipay's transactions may be affected by the exchange rate volatility.

Monetary Policy

In April 2010, as a result of significant economic growth, the Central Reserve Bank of Peru began tightening its monetary policy, raising the reference rate. This tightening policy had the goal of mitigating speculative capital inflows and cooling the expansion of credit.

However, since the beginning of 2017, the Central Reserve Bank of Peru started loosening its monetary policy. From January 2017 to December 2020, the reference rate decreased from 4.25% to 0.25%. On March 19, 2020, the Central Reserve Bank of Peru reduced its reference rate by 100 basis points to 1.25%. Furthermore, on April 9, 2020, the Central Reserve Bank of Peru took several measures as a result of the COVID-19 pandemic, including reducing the reference interest rate by another 100 basis points from 1.25% to 0.25%. In response to rising inflationary concerns, in August 2021, the Central Reserve Bank of Peru started tightening its monetary policy, similar to other monetary authorities around the world. As of December 31, 2022, the reference interest rate was 7.50%.

Regulatory Changes

In April 2016, a new law entered in force which allows retirees to withdraw 95.5% of their pension funds as a one-time transaction. As a second stage of this law, in October 2016, retirees were allowed to withdraw their pension fund in several transactions whenever desired. This regulatory change resulted in a 36% yearly contraction for the Peruvian insurance system in purchases of regular and private annuities from 2015 to 2016, according to the SBS. Interseguro was negatively affected by the law, with annuities collected of S/337.8 million in 2016, a 38% reduction compared to 2015.

However, as of December 2022, the annuities market has continued to stabilize as a result of the introduction of private annuities, a type of annuity created to fill the vacuum left by the law. This product, pioneered by Interseguro in October 2016 and soon followed by other providers, helped the industry recover a portion of the lost market. In 2022, private annuities accounted for 6.0% of the premiums collected in 2022 for the insurance industry. For Interseguro, private annuities represented 27.2% of its S/659.4 million in collections in annuities as of December 31, 2022.

COVID-19 and Subsequent Adjustments to the Expected Loss Model

Due to the risks and uncertainties originated by the COVID-19 pandemic during 2020, as discussed in our Annual Report on Form 20-F for the year ended December 31, 2020 filed with SEC on April 26, 2021 and in our Annual Report on Form 20-F for the year ended December 31, 2021, filed with the SEC on April 25, 2022, and which continued throughout 2021, as well as the economic and political uncertainty in Peru, rising inflation and global financial market volatility, Interbank assessed whether to include a series of expert judgments with the purpose of calculating the expected loss pursuant to the requirement established by IFRS 9.

We made adjustments to the expected loss model to include in the calculation the effects of the uncertainty and risks generated by current events as of December 31, 2022. In connection with those adjustments, two expert judgments were established to stress test the possibility of default from customers due to the political situation in Peru, as follows:

- (a) Stress of the probability of default (PD) for loans in Stage 1 and Stage 2; and
- (b) Stress for clients in Stage 3

Adoption of New Standards and Disclosures

Generally, we have only adopted standards, interpretations or amendments that were effective in each year. Therefore, standards, interpretations or amendments that become effective in 2023 or later have not been early adopted.

On January 1, 2022, we adopted the following standards, interpretations, or amendments: (i) in connection with costs of fulfilling a contract, an amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, (ii) amendments to IFRS 3 “Business Combinations”, (iii) in connection with proceeds before intended use of property, plant and equipment, an amendment to IFRS 16 “Leases”, (iv) in connection with a subsidiary as a first time adopter, an amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards”; and (v) in connection with fees in the “10 per cent” test for derecognition of financial liabilities, an amendment to IFRS 9 “Financial Instruments”. Such standards, interpretations or amendments have not had a significant impact on our consolidated financial statements. See Note 3.2 to our audited annual consolidated financial statements.

On January 1, 2021, we adopted the following standards, interpretations, or amendments: (i) in connection with the interest rate benchmark reform, amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, and IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts”, and IFRS 16 “Leases”, – Phase 2; and (ii) in connection with COVID-19 related rent concessions beyond June 30, 2021, an amendment to IFRS 16 “Leases”. Such standards, interpretations or amendments have not had a significant impact on our consolidated financial statements.

Since January 1, 2020, we adopted the following standards, interpretations, or amendments: (i) Amendments to IFRS 3 “Business Combinations”, (ii) Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, (iii) Conceptual Framework for Financial Reporting issued on March 29, 2018 and (iv) Amendments to IFRS 16 “Leases”. Such standards, interpretations or amendments did not have a significant impact on our consolidated financial statements.

Critical accounting estimates and judgments

In preparing our audited annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), we apply judgment and make estimates and assumptions that may involve significant uncertainty at the time they are made. We regularly reassess those estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, and we update them as necessary. Changes in estimates and assumptions may have a significant effect on our consolidated financial statements. Furthermore, our actual results may differ significantly from our estimates, which could result in significant losses to us or our subsidiaries, beyond what we anticipated or provided for.

Key areas involving a high degree of judgment and areas where estimates and assumptions are significant to the consolidated financial statements include:

- the calculation of the impairment of the portfolio of loans and financial investments;
- the measurement of the fair value of the financial investments and investment properties;
- the assessment of the impairment of the goodwill;
- determination of terms and estimation of the applicable interest rate for lease agreements;
- the liabilities for insurance contracts;
- the measurement of the fair value of derivative financial instruments;
- the estimated useful life of intangible assets, property, furniture and equipment;
- the estimation of assets and liabilities for deferred income tax; and
- the estimation of provisions for litigation.

We believe that the judgments, estimates and assumptions we have made are appropriate under the circumstances and that our audited annual consolidated financial statements fairly present, in all material respects, the financial positions of IFS as of December 31, 2022 and 2021 and the results of our operations and cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with IFRS.

For more information about our critical accounting estimates and judgments, see:

- “Note 3 Significant accounting policies” to our audited annual consolidated financial statements for more information;
- “Note 3.6 Significant accounting judgments, estimates and assumptions” to our audited annual consolidated financial statements for more information on 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 audited annual consolidated financial statements;
- “Note 30.1 Credit Risk” and “Note 30.2 Market Risk management” for a discussion of risk and sensitivity of certain items;
- “Item 3. Key Information—Risk Factors” of this Annual Report on Form 20-F for more information.

Principal Line Items in Consolidated Income Statements

Below is a description of certain significant line items:

- interest and similar income includes interest from our loan portfolio plus interest and dividends from our investment portfolio and is composed of the following line items: (i) interest on loan portfolio, (ii) interest on financial investments, (iii) interest on due from banks and inter-bank funds, (iv) dividends on financial investments, and (v) other interest and similar income. See Note 19(a) to our audited annual consolidated financial statements;
- interest and similar expenses includes all financial expenses incurred to fund our operations and is composed of the following line items: (i) interest and fees on deposits and obligations, (ii) interest on bonds, notes and other obligations, (iii) interest and fees on obligations with financial institutions, (iv) deposit insurance fund fees, (v) interest on lease payments, and (vi) other interest and similar expenses. See Note 19(a) to our audited annual consolidated financial statements;
- impairment loss on loans, net of recoveries includes provisions recognized as expense, net of recoveries. See Note 6(d.1) and (d.2) to our audited annual consolidated financial statements;
- recovery (loss) due to impairment of financial investments includes impairment loss recognized as expense, net of recoveries. See Note 5(c) to our audited annual consolidated financial statements;
- fee income from financial services, net includes primarily commissions and other fees we charge to our customers, net from related expenses, and is composed of the following line items: (i) accounts maintenance, carriage, transfers, and debit and credit card fees, (ii) income from services (“acquirer and card issuer roles for Izipay”), (iii) funds management, (iv) banking services fees, (v) contingent loan fees, (vi) collection services, (vii) commission for loans rescheduling “Reactiva Perú” program, and (viii) brokerage and custody services. See Note 20(a) to our audited annual consolidated financial statements;
- other income includes: (i) gain from sale of written-off loans, (ii) other technical income from insurance operations, (iii) income from investments in associates, (iv) services rendered to third parties; (v) income from ATM rentals, and (vi) other income. See Note 21(a) to our audited annual consolidated financial statements;
- total net premiums earned minus claims and benefits includes: (i) net premiums earned, adjustment of technical reserves included, and (iii) net claims and benefits incurred for life insurance contracts and others. See Notes 22 and 23 to our audited annual consolidated financial statements; and

- other expenses include: (i) salaries and employee benefits, (ii) administrative expenses, (iii) depreciation and amortization, (iv) sundry technical insurance expenses and commission from insurance activities and (v) expenses related to rental income. See Notes 8(a), 9(a), 21(a) cost of sale of POS equipment, 24, and 25 to our audited annual consolidated financial statements.

Financial Condition as of December 31, 2022 Compared to December 31, 2021

The following table sets forth the principal components of our consolidated statement of financial position as of December 31, 2022 and December 31, 2021.

	As of December 31, 2022	As of December 31, 2021	Change	
	(S/ in millions)	(S/ in millions)	(S/in millions)	%
Assets				
Cash, due from banks and inter-banks funds	13,489.5	17,134.5	(3,644.9)	(21.3%)
Financial investments	22,787.6	24,547.3	(1,759.7)	(7.2%)
Loans, net of unearned interest	47,530.9	45,070.5	2,460.4	5.5%
Impairment allowance for loans	(2,207.9)	(2,064.9)	37.1	(1.8%)
Investment property	1,287.7	1,224.5	63.3	5.2%
Property, furniture and equipment, net	791.4	815.1	(23.7)	(2.9%)
Intangibles and goodwill, net	1,633.2	1,044.7	588.5	56.3%
Other assets	1,990.2	2,182.2	(192.1)	(8.8%)
Total assets	87,482.6	89,953.9	(2,471.3)	(2.7%)
Liabilities and equity				
Deposits and obligations	48,530.7	48,897.9	(367.2)	(0.8%)
Due to banks and correspondents and inter-bank funds	7,130.7	8,522.8	(1,392.2)	(16.3%)
Bonds, notes and other obligations	7,906.3	8,389.7	(483.4)	(5.8%)
Insurance contract liabilities	10,602.4	11,958.1	(1,355.7)	(11.3%)
Other liabilities	3,266.6	2,630.0	636.6	24.2%
Total liabilities	77,436.7	80,398.5	(2,961.9)	(3.7%)
Equity, net				
Equity attributable to IFS's shareholders	9,991.2	9,504.0	487.1	5.1%
Non-controlling interest	54.8	51.3	3.5	6.7%
Total equity, net	10,046.0	9,555.4	490.6	5.1%
Total liabilities and equity net	87,482.6	89,953.9	(2,471.3)	(2.7%)

Our assets were S/87,482.6 million as of December 31, 2022, a 2.7% decrease from S/89,953.9 million as of December 31, 2021. This was mainly driven by a decrease of 21.3% in cash, due to from banks and inter-banks funds, 7.2% in financial investments and 1.8% in impairment allowance for loans. These factors were partially offset by growth of 5.5% in loans, net of unearned interest.

The decrease in cash, due to from banks and inter-banks funds resulted mainly from lower deposits at the Central Reserve Bank of Peru. The decrease in financial investments resulted from lower volumes of sovereign bonds, Central Reserve Bank of Peru Certificates of Deposits ("CDBCR") and corporate bonds. The decrease in impairment allowance for loans occurred mainly at Interbank. The increase in loans, net of unearned interest was mainly the result of higher retail loans balances at Interbank, which was primarily due to increases in consumer loans and mortgages. This increase was partially offset by lower commercial loan balances due to decreases in short and medium-term lending, as well as lower leasing operations, in both cases across all business segments.

Our liabilities reached S/77,436.7 million as of December 31, 2022, a 3.7% decrease from S/80,398.5 million as of December 31, 2021. This was mainly driven by a 16.3% decrease in due to banks and correspondents and inter-banks funds, 11.3% decrease in insurance contract liabilities, and 5.8% decrease in bonds, notes and other obligations.

Our net equity was S/10,046.0 million as of December 31, 2022, a 5.1% increase from S/9,555.4 million as of December 31, 2021, mainly as a result of higher retained earnings.

For more information of our liquidity, capital resources and commitments and obligations, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Results of Operations for the Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

The following table sets forth the principal components of our consolidated profit for the years ended December 31, 2022 and 2021.

	For the year ended December 31,			
	2022	2021	Change	
	(S/ in millions)		(S/ in millions)	%
Interest and similar income	5,871.3	4,605.6	1,265.7	27.5%
Interest and similar expenses	(1,662.1)	(1,057.9)	(604.2)	57.1%
Net interest and similar income	4,209.2	3,547.7	661.5	18.6%
Impairment loss on loans, net of recoveries	(830.6)	(381.6)	(449.0)	117.7%
Recovery (loss) due to impairment of financial investments	(12.8)	30.9	(43.6)	(141.3%)
Net interest and similar income after impairment loss	3,365.9	3,197	168.9	5.3%
Fee income from financial services, net	1,137.4	823.8	313.6	38.1%
Other income	542.4	905.6	(363.2)	(40.1%)
Total net premiums earned minus claims and benefits	(191.8)	(272.1)	80.3	(29.5%)
Total other expenses	(2,683.9)	(2,262.8)	(421.1)	18.6%
Income before translation result and income tax	2,170.0	2,391.6	(221.6)	(9.3%)
Translation result	(36.8)	(89.3)	52.5	(58.8%)
Income Tax	(462.5)	(502.1)	39.6	(7.9%)
Net profit for the year	1,670.6	1,800.2	(129.5)	(7.2%)
Attributable profit to:				
IFS’ shareholders	1,660.6	1,790.2	(129.6)	(7.2%)
Non-controlling interest	10.1	10.0	0.1	0.5%

Our net profit was S/1,670.6 million for the year ended December 31, 2022, a 7.2% decrease as compared to 2021. The deterioration in net profit was mainly driven by a significant increase of S/449.0 million in impairment loss on loans and decrease of S/363.2 million in other income, an increase of S/421.1 million in other expenses, and a decrease of S/43.6 million in loss due to impairment of financial investments. These factors were partially offset by a S/661.5 million increase in net interest and similar income, an increase of S/313.6 in net fee income from financial services, and lower income tax.

Impairment loss on loans, net of recoveries increased from S/381.6 million as of December 31, 2021 to S/830.6 million as of December 31, 2022 mainly due to more than two-fold, compared to the previous year, in which there was a reversion of provisions due to the COVID-19 pandemic. The increase in provision expenses was mainly related to higher requirements in the retail and loan book, partially offset by lower requirements in the commercial loan book, associated with a deterioration of the macroeconomic outlook in Peru. The decrease in other income was mainly due to negative performance in our wealth management segment mainly supported by net gain of foreign exchange transactions and on financial assets at fair value through profit or loss at Interbank.

The increase in other expenses is mainly due to the extraordinary income of S/222.5 million due to Izipay’s acquisition at fair value adjustment of the participation held by Interbank in Izipay, in addition to higher personnel and administrative expenses, as well as higher salaries and employee benefits across all four subsidiaries. The increase in administrative expenses was mainly related to marketing and credit card expenses, and IT services at Interbank.

The increase in net interest and similar income was mainly due to a slightly higher return of the fixed income portfolio at Interseguro and higher interest and similar expenses at Inteligo. This increase was partially offset by an increase in net interest and similar income at Interbank.

The decrease in net fee income from financial services was mainly due to lower fees at Inteligo, partially offset by higher commissions across most products and services at Interbank.

Our ROE was 17.7% in 2022, lower than the 19.3% reported in 2021, mainly due to an increase in impairment loss on loans, net of recoveries and a decrease in other income and net fee income from financial services, partially offset by an increase in net interest and similar income.

Results of Operations by Segment

The following table presents an overview of certain consolidated income statement data for each of our segments for the years ended December 31, 2022 and 2021.

	Banking		Insurance		Wealth Management		Payments (1)		Holding and eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Interest and similar income	4,774.4	3,636.8	940.9	803.0	155.1	154.3	1.6	—	(0.7)	11.5	5,871.3	4,605.6
Interest and similar expenses	(1,476.9)	(893.1)	(130.5)	(117.5)	(50.3)	(39.8)	(1.3)	—	(3.1)	(7.5)	(1,662.1)	(1,057.9)
Net interest and similar income	3,297.4	2,743.7	810.4	685.4	104.8	114.5	0.3	—	(3.8)	4.0	4,209.2	3,547.7
Impairment loss on loans, net of recoveries	(832.9)	(379.0)	—	—	2.4	(2.5)	—	—	—	—	(830.6)	(381.6)
Recovery (loss) due to impairment of financial investments	(0.7)	(0.5)	—	33.2	(12.0)	(1.6)	—	—	—	(0.2)	(12.8)	30.9
Net interest and similar income after impairment loss	2,463.8	2,364.2	810.4	718.6	95.2	110.3	0.3	—	(3.8)	3.9	3,365.9	3,197.0
Fee income from financial services, net	797.7	677.5	(7.2)	(6.8)	163.3	197.0	258.7	—	(75.2)	(43.8)	1,137.4	823.8
Other income	475.4	552.5	45.9	234.7	(244.5)	136.1	36.0	—	229.5	(17.6)	542.4	905.6
Total net premiums earned minus claims and benefits	—	—	(191.8)	(272.0)	—	—	—	—	—	—	(191.8)	(272.1)
Total other expenses	(1,930.8)	(1,787.9)	(399.0)	(350.3)	(145.5)	(143.4)	(232.8)	—	24.1	18.8	(2,683.9)	(2,262.8)
Income (loss) before translation result and income tax	1,806.1	1,806.2	258.4	324.2	(131.5)	299.9	62.3	—	174.6	(38.8)	2,170.0	2,391.6
Translation result	(22.8)	7.2	(10.4)	(51.5)	(7.1)	(7.6)	2.3	—	1.2	(37.5)	(36.8)	(89.3)
Income tax	(409.2)	(453.2)	—	—	(2.8)	(8.8)	(23.6)	—	(27.0)	(40.1)	(462.5)	(502.1)

	Banking		Insurance		Wealth Management		Payments (1)		Holding and eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net profit (loss) for the year	1,374.1	1,360.3	248.0	272.7	(141.4)	283.5	41.1	—	148.8	(116.4)	1,670.7	1,800.2
Attributable to:												
IFS' shareholders	1,374.1	1,360.3	248.0	272.7	(141.4)	283.5	41.1	—	138.8	(126.4)	1,660.6	1,790.2
Non-controlling interest	—	—	—	—	—	—	—	—	10.1	10.0	10.1	10.0

(1) Reflects information for Izipay since the acquisition of the remaining 50% equity interest in Izipay in April 2022.

The discussion below covers each of our reported segments and corresponds to information before adjustments and eliminations for consolidation, as of and for the years ended December 31, 2022 and 2021, in accordance with IFRS.

Banking

Interbank's net results were profit of S/1,374.1 million for the year ended December 31, 2022, compared to net profit of S/1,360.3 million for the year ended December 31, 2021. The main factors that contributed to this result were the lower income tax due to the deterioration in profitability, in addition to a 20.2% increase in net interest and similar income, a 17.8% increase in net fee income from financial services and a 14.0% increase in other income. These factors were partially offset by the 119.7% increase in impairment loss on loans and an 8.0% increase in other expenses.

Interbank's ROE was 19.8% for the year ended December 31, 2022, representing a slight decline in profitability compared to the 21.0% recorded for the year ended December 31, 2021.

Interest and Similar Income

The following table presents the components of interest and similar income for our banking segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Interest and similar income				
Interest on loan portfolio	4,171.6	3,330.2	841.4	25.3%
Interest on financial investments	447.5	266.8	180.8	67.8%
Interest on due from banks and inter-bank funds	155.3	39.9	115.4	289.5%
Total	4,774.4	3,636.8	1,137.6	31.3%
Nominal average rate	7.2%	5.3%	—	—

Interest and similar income increased 31.3% due to a 25.3% increase in interest on loan portfolio, a 67.8% increase in interest on financial investment and a 289.5% increase in interest on due from banks and inter-bank funds.

The increase in interest on loan portfolio was mainly due to a 150 basis point increase in the average rate, as well as a 4.7% increase in average volume. The higher average rate on loans, from 7.9% in 2021 to 9.4% in 2022, was due to yield increases in both retail and commercial segments. In retail loans rates increased on other consumer loans and mortgages. In the commercial portfolio, rates increased on all types of loans. The higher average volume of loans was attributable to a 14.4% increase in retail loans, partially offset by a 4.1% decrease in commercial loans. In the retail portfolio, average volumes grew due to a 8.6% increase in mortgages, partially offset by a 18.4% increase in the average balance of consumer loans. In the commercial portfolio, the lower average volume was mainly due to a 12.1% decrease in short and medium-term loans, as well as 4.9% in leasing operations, partially offset by a 26.4% increase in trade finance loans.

Interest due from banks and inter-bank funds increased by S/115.4 million, or 289.5%, primarily as a result of 29.8% decline in the average volume and a 110 basis point increase in the nominal average rate. The decrease in the average volume was explained by lower deposits at the Central Reserve Bank of Peru.

The increase in interest on financial investments was primarily the result of an increase in average volumes, and by a 140 basis point increase in the average yield. The increase in the average volume was mainly the result of higher average balances of CDBCR and corporate bonds from non-financial institutions and sovereign bonds, partially offset by lower positions in global bonds and corporate bonds from financial institutions. The increase in the nominal average rate, from 2.8% in 2021 to 4.2% in 2022, was mainly explained by higher returns on all types of securities, especially CDBCR and corporate bonds from financial institutions.

As a result of the above, the nominal average yield on interest-earning assets increased 190 basis points, from 5.3% for the year ended December 31, 2021 to 7.2% for the year ended December 31, 2022.

Interest and Similar Expenses

The following table presents the components of interest and similar expenses for our banking segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Interest and Similar Expenses				
Interest and fees on deposits and obligations	(901.2)	(369.8)	(531.4)	143.7%
Interests on bonds, notes and other obligations	(358.3)	(374.6)	16.2	(4.3%)
Interest and fees on obligations with financial institutions and others	(217.4)	(148.7)	(68.7)	46.2%
Total	(1,476.9)	(893.1)	(583.9)	65.4%
Nominal average rate	2.5%	1.5%	—	—

Interest and similar expense increased 65.4% mainly due to a 143.7% increase in interest on deposits and obligations, and a 46.2% increase in interest on due to banks and correspondents, partially offset by a 4.3% decrease in interest on bonds, notes and other obligations.

Interest and fees on deposits and obligations increased mainly due to a 120 basis point increase in the average cost, from 0.8% in 2021 to 2.0% in 2022 due to higher interest rate environment which resulted in a increase in rates payable on institutional, retail and commercial deposits, partially offset by 2.8% decrease in average volumes across all client segments. By currency, average balances of soles-denominated deposits increased 24.7% while average dollar-denominated deposits increased 29.1%.

Interest and fees on obligations with financial institutions and others increased from 46.2% for the year ended December 31, 2022 as compared to 2021, mainly due to a 120 basis points decrease in the average cost mainly due to higher rates payable on all types of funding, especially that provided by correspondent banks abroad and inter-bank funds, partially offset by 12.6% decrease in the average volume. The decrease in the average volume was due to lower funding provided by the Central Reserve Bank of Peru and COFIDE.

Interest on bonds, notes and other obligations decreased mainly due to 2.3% decrease in the average volume, mainly attributable to a 10 basis point decrease in the nominal average cost. These effects were mostly attributable to the maturity of local subordinated bonds for S/ 137.9 million in June 2022.

The average cost of funds decreased 100 basis points, from 1.5% for the year ended December 31, 2021 to 2.5% for the year ended December 31, 2022, in line with the higher implicit cost of interest-bearing liabilities.

Impairment Loss on Loans, Net of Recoveries

The following table presents the components of impairment loss on loans, net of recoveries for our banking segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Impairment loss on loans, net of recoveries	(832.9)	(379.0)	(453.9)	119.7%
Past-due loan ratio (at period end)	3.0%	3.6%	—	—
Provision expense as a percentage of average total loans	1.9%	0.9%	—	—
Coverage ratio ⁽¹⁾	173.5%	159.4%	—	—
Impairment allowance for loans	2,027.5	2,062.1	—	—

(1) Coverage ratio is calculated by dividing allowances for loan losses as a percentage of past due loans.

Impairment loss on loans, net of recoveries increased from S/379.0 million for the year ended December 31, 2021, in which there was a reversion of provisions due to the COVID-19 pandemic, to S/832.9 million for the year ended December 31, 2022 mainly reflecting the increase in provision expenses was mainly related to higher requirements in the retail and loan book, partially offset by lower requirements in the commercial loan book, associated with a deterioration of the macroeconomic outlook in Peru.

Interbank's coverage ratio increased from 159.4% for the year ended December 31, 2021 compared to 173.5 % for the year ended December 31, 2022, as a result of the aforementioned factors.

Fee Income from Financial Services, Net

The following table presents the components of fee income from financial services, net for our banking segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Income				
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card	707.3	561.0	146.3	26.1%
Commissions for banking services	322.8	299.8	23.0	7.7%
Fees from indirect loans	70.0	65.0	5.1	7.8%
Collection services fees	61.0	53.2	7.8	14.7%
Others	48.3	60.4	(12.1)	(20.1%)
Total	1,209.4	1,039.3	170.1	16.4%
Expenses				
Credit cards	(164.7)	(128.6)	(36.2)	28.1%
Debtor's life insurance premiums	(97.4)	(102.8)	5.5	(5.3%)
Fees paid to foreign banks	(24.9)	(31.8)	6.8	(21.6%)
Others	(124.7)	(98.7)	(26.0)	(26.4%)
Total	(411.7)	(361.9)	(49.9)	13.8%
Net	797.7	677.5	120.2	17.8%

The S/120.2 million, or 17.8 %, increase in net fee income from financial services for the year ended December 31, 2022 as compared to the year ended December 31, 2021, was mainly due to increases in commissions received across most products and services primarily attributable to the base effect of lower commissions from products and services in 2021 due to decreased business activity as a result of the COVID-19 pandemic.

Other Income

The following table presents the components of other income for our banking segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Net gain on foreign exchange transactions	380.2	423.0	(42.9)	(10.1%)
Net gain on sale of financial investments	(12.3)	100.9	(113.2)	(112.2%)
Net gains on financial assets at fair value through profit or loss	(5.9)	(56.4)	50.5	(89.5%)
Other	113.5	85.0	28.5	33.5%
Other income	475.4	552.5	(77.1)	(14.0%)

Other income decreased by 14% for the year ended December 31, 2022 as compared to the year ended December 31, 2021, mainly due to an decrease in net gain on foreign exchange transactions, as well as lower net results on financial assets at fair value through profit or loss, both effects associated with higher currency volatility.

Other Expenses

The following table presents the components of other expenses for our banking segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Salaries and employee benefits	(656.6)	(618.5)	(38.1)	6.2%
Administrative expenses	(931.0)	(832.8)	(98.2)	11.8%
Depreciation and amortization	(257.2)	(245.4)	(11.8)	4.8%
Other	(86.0)	(91.2)	5.2	(5.7%)
Total other expenses	(1,930.8)	(1,787.9)	(142.9)	8.0%

Other expenses increased 8.0% for the year ended December 31, 2022 as compared to the year ended December 31, 2021, mainly as a result of higher administrative expenses. The increase in administrative expenses was mainly due to higher marketing and credit card expenses and IT services.

Our efficiency ratio was 40.4% for the year ended December 31, 2022 as compared to 42.7% recorded for the year ended December 31, 2021.

Income Before Translation Result and Income Tax

Results before translation result and income tax were S/1,806.1 million for the year ended December 31, 2022, representing an decline compared to the S/1,806.2 million gain recorded for the year ended December 31, 2021, for the reasons discussed above. This result was partially offset by lower effective tax rate in our banking segment.

Insurance

Interseguro's profit attributable to shareholders for the year ended December 31, 2022 was S/248.0 million compared to a S/272.7 million profit for the year ended December 31, 2021 mainly due to a S/91.8 million increase in net interest and similar income, primarily due to a S/188.8 million decrease in other income, as well as a S/48.7 million increase in other expenses and for a S/33.2 million lower impairment recovery. These effects were partially offset by a S/80.2 million increase in total premiums earned minus claims and benefits, as well as a S/41.1 million increase in translation result.

Net Interest and Similar Income

The following table presents the components of net interest and similar income for our insurance segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
Interest and similar income	940.9	803.0	137.9	17.2%
Interest and similar expense	(130.5)	(117.5)	(12.9)	11.0%
Net interest and similar income	810.4	685.4	125.0	18.2%

Net interest and similar income increased 18.2% mainly due to a S/125.0 million increase in interest and similar income primarily attributable to S/137.9 million higher interest and similar income, partially offset by a S/12.9 million higher interest and similar expense.

Other Income, Net

The following table presents the components of other income for our insurance segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
Net gain (loss) on sale of financial investments	(6.4)	145.7	(152.1)	n.m
Net gain (loss) on financial assets at fair value through profit or loss	(82.3)	0.2	(82.5)	n.m
Rental income	65.5	57.4	8.1	14.1%
Net gain on investment property valuation	19.1	22.0	(2.8)	(12.8%)
Other	49.9	9.4	40.6	n.m
Other income, net	45.9	234.7	(188.8)	(80.4%)

n.m. means not meaningful.

Other income decreased S/188.8 million, mainly due to S/152.1 million decrease in net gain on sale of financial investments, S/82.5 million decrease in net gain (loss) of financial assets at fair value through profit or loss in rental income and S/2.8 million decrease in net gain on valuation of real estate investments. These factors were partially offset by S/40.6 million increase in other income and S/8.1 million increase in rental income.

Recovery (Loss) due to Impairment of Financial Investments

Recovery (loss) due to impairment of financial investments was negligible for the year ended December 31, 2022, compared to a gain of S/33 million in the previous year, attributable to the greater volatility in the financial markets compared to 2021.

Total Net Premiums Earned Minus Claims and Benefits

The following table presents the components of total premiums earned minus claims and benefits for our insurance segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Premiums assumed	1,027.3	1,051.4	(24.2)	(2.3%)
Premiums ceded to reinsurers	(13.9)	(10.9)	(3.1)	28.3%
Adjustment of technical reserves	(345.1)	(395.3)	50.1	(12.7%)
Net claims and benefits incurred for life insurance contracts and others	(860.0)	(917.3)	57.4	(6.3%)
Total net premiums earned minus claims and benefits	(191.8)	(272.0)	80.3	(29.5%)

n.m. means not meaningful.

Total net premiums earned minus claims and benefits were S/191.8 million for the year ended December 31, 2022, compared to S/272.0 million for the year ended December 31, 2021. These results were primarily due to a S/57.4 million decrease in net claims and benefits incurred and a S/50.1 million decrease in adjustment of technical reserves, partially offset by S/27.3 million decrease in net premiums.

Net Premiums

Net premiums represent the difference between premiums assumed and premiums ceded to reinsurers. The following table presents net premiums by business line for our insurance segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Annuities ⁽¹⁾	486.3	622.8	(136.3)	(21.9%)
Individual Life	218.2	176.5	41.7	23.6%
Retail Insurance	308.7	241.3	67.5	28.0%
Credit Life Insurance	175.7	131.5	44.2	33.6%
Mandatory Traffic Accident (SOAT)	62.1	51.0	11.1	21.8%
Card Protection	36.3	33.1	3.2	9.7%
Others	34.6	25.7	8.9	34.6%
Net Premiums⁽²⁾	1,013.4	1,040.6	(27.2)	(2.6%)

(1) Annuities include premiums from pension-related insurance (disability and survivorship).

(2) Temporary Private Annuities are not included as premiums assumed. Net premiums are premiums assumed net of premiums ceded.

Net premiums decreased 2.6% mainly due to decreases of (i) S/136.3 million in annuities primarily attributable to a market reduction of survivorship annuities, as a result of lower mortality due to the COVID-19 pandemic, (ii) increase S/41.7 million in individual life primarily explained by a 35% increase in the sales force headcount and continued growth in online sales, and (iii) S/67.5 million in retail insurance premiums primarily due to SOAT recovery and increases in sales from digital products such as car insurance and travel insurance.

Adjustment of Technical Reserves

The following table presents adjustment of technical reserves by business line for our insurance segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Annuities	(256.5)	(301.3)	44.8	(14.8%)
Individual Life	(58.2)	(76.3)	18.1	(23.8%)
Retail Insurance	(30.5)	(17.7)	(12.8)	72.3%
Adjustment of technical reserves	(345.1)	(395.3)	50.2	(12.7%)

n.m. means not meaningful.

Adjustment of technical reserves decreased 12.7% mainly due to a S/44.8 million decrease in annuities, S/18.1 million decrease in individual life, partially offset by S/12.8 million increase in retail insurance. The decrease in technical reserves was mostly related to lower premiums, partially offset by higher technical reserves for inflation indexed annuities due to an increase in the Peruvian inflation rate.

Net Claims and Benefits Incurred for Life Insurance Contracts and Others

The following table presents net claims and benefits incurred for life insurance contracts and others by business line for our insurance segment for the year ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Annuities ⁽¹⁾	(748.4)	(733.8)	(17.0)	2.3%
Individual Life	(10.9)	(28.2)	17.3	(61.4%)
Retail Insurance	(100.1)	(155.3)	55.2	(35.5%)
Credit Life Insurance	(39.8)	(112.4)	44.2	(52.6%)
Mandatory Traffic Accident (SOAT)	(25.9)	(17.9)	17.3	(40.0%)
Card Protection	(4.7)	(3.0)	1.4	(23.2%)
Others	(29.7)	(22.0)	(7.7)	34.9%
Net claims and benefits incurred⁽²⁾	(860.0)	(917.3)	57.3	(6.3%)

(1) Annuities include claims from pension-related insurance (disability and survivorship).

(2) Temporary Private Annuities are not included as benefits incurred.

The reduction in net claims and benefits incurred was mainly explained by decreases of S/ 55.2 million in retail insurance claims and S/ 17.3 million in individual life, both associated with higher claims in credit life insurance due to the COVID-19 mortality in Peru in 2021. These factors were partially offset by an increase of S/ 17.0 million in annuity benefits during the year ended December 31, 2022.

Other Expenses

The following table presents the components of other expenses for our insurance segment for the year ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
Salaries and employee benefits	(53.1)	(100.4)	47.4	(47.2%)
Administrative expenses	(61.0)	(64.4)	3.4	(5.3%)
Depreciation and amortization	(23.7)	(25.0)	1.4	(5.4%)
Expenses related to rental income	(7.8)	(4.4)	(3.5)	79.2%
Other	(253.4)	(156.1)	(97.3)	62.4%
Total other expenses	(399.0)	(350.3)	(48.7)	13.9%

Other expenses increased S/48.7 million for the year ended December 31, 2022 when compared to the year ended December 31, 2021, mainly due to increases of S/ 97.3 million third-party commissions, as well as S/ 3.5 million in expenses related to rental income. These factors were partially offset by a decrease of S/47.4 million in salaries and employee's benefits.

Wealth Management

Inteligo's net loss was S/141.4 million for the year ended December 31, 2022, a reversal from net profit of S/283.5 for the year ended December 31, 2021. This result was mainly attributable to decrease in other income due to weak investment results for the year, and 17.1% decrease in fee income from financial services, in part supported by the effect of a lower foreign exchange results in these two revenue lines.

Inteligo's ROE was 13.6% for the year ended December 31, 2022, lower than the 23.0% registered for the year ended December 31, 2021. This was mainly attributable to a decrease in shareholders' equity which in turn was mainly attributed to decreases in accumulated results and the effect on equity of a lower foreign exchange rate due to the appreciation of the *sol* against the U.S. dollar in 2022 as compared to 2021.

Interest and Similar Income

The following table presents the components of interest and similar income for our wealth management segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
Interest and similar income				
Interest on loan portfolios	77.4	64.4	12.9	20.1%
Interest on financial investments	61.8	84.1	(22.2)	(26.4%)
Interest due from banks and inter-bank funds	15.9	5.8	10.1	n.m
Total	155.1	154.3	0.8	0.5%
Nominal average rate	3.0%	2.9%	—	—

n.m. means not meaningful.

Interest and similar income increased 0.5% mainly due to a 26.4% decrease in interest on financial investments, partially offset by a 20.1% increase in interest on loan portfolios and increase in interest due from banks and inter-bank funds.

Interest on loan portfolios increased S/12.9 million mainly due to increase in the average rate despite an decrease in average loans outstanding. Interest on financial investments decreased S/22.2 million mainly due to lower dividends received from equity investments during 2022. Interest due from banks and inter-bank funds increased S/10.1 million, mainly attributable to an increase in the average rate of term deposits.

Interest and Similar Expenses

The following table presents the components of interest and similar expenses for our wealth management segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Interest and similar expenses				
Interest and fees on deposits and obligations	(43.9)	(35.6)	(8.2)	23.1%
Interests on bonds, notes and other obligations	(3.1)	(2.4)	(0.6)	25.8%
Interest and fees on obligations with financial institutions and others	(3.4)	(1.8)	(1.6)	90.1%
Total	(50.3)	(39.8)	(10.5)	26.3%
Nominal average rate	1.2%	1.0%	—	—

Interest and similar expenses increased S/10.5 million mainly due to increases of 25.8% in interest and fees on deposits and obligations and 90.1% in interest and fees on obligations with financial institutions and others.

Interest and fees on deposits and obligations increased S/8.2 million due to a increase in the average rate as a consequence of an increase in average non-interest-bearing deposits. Interest and fees on obligations with financial institutions and others increased S/1.6 million due to loan amortizations during the second half of 2022. Interest on bonds, notes and other obligations increased S/0.6 million primarily as a result of the effect of a lower foreign exchange rate on Inteligo's financial expenses related to leases as they are denominated in U.S. dollars.

Impairment Loss on Loans, Net of Recoveries

Inteligo's loan portfolio had no delinquencies for the years ended December 31, 2022 and 2021. Inteligo's impairment gain on loans was S/2.4 million for the year ended December 31, 2022.

Recovery (Loss) due to Impairment of Financial Investments

For the year ended December 31, 2022, Inteligo's impairment loss on financial investments was S/12.0 million, as compared to a S/1.6 million loss for the year ended December 31, 2021.

Fee Income from Financial Services, Net

The following table presents the components of fee income from financial services, net for our wealth management segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Income				
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card	2.9	1.6	1.3	78.9%
Funds management fees	154.1	186.9	(32.7)	(17.5%)
Brokerage and custody services fees	6.8	9.7	(2.8)	(29.3%)
Others	1.2	0.6	0.6	94.8%
Total	165.1	198.8	(33.7)	(17.0%)
Expenses				
Brokerage and custody services	(0.8)	(0.9)	0.1	(11.5%)
Others	(0.9)	(0.9)	(0.0)	4.2%
Total	(1.7)	(1.8)	0.1	(3.9%)
Net	163.3	197.0	(33.6)	(17.1%)

Fee income from financial services, net for the year ended December 31, 2022 was S/163.3 million, a S/33.6 million, or 17.1%, decrease compared to the year ended December 31, 2021. This decrease was mainly attributable to lower fund management fees and lower brokerage fees due to decreased trading volumes, triggered by higher price volatility.

Other Income

The following table presents the components of other income for our wealth management segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Net gain on sale of financial investments	(41.7)	42.1	(83.8)	n.m
Net gain on financial assets at fair value through profit or loss	(201.1)	96.7	(297.8)	n.m
Other	(1.6)	(2.7)	1.1	(40.2%)
Other Income	(244.5)	136.1	(380.5)	n.m

n.m. means not meaningful.

Other income decreased S/380.5 million for the year ended December 31, 2022, mainly attributable to negative mark-to-market valuations on investments.

Other Expenses

The following table presents the components of other expenses for our wealth management segment for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Change	
	2022	2021	(S/ in millions)	%
Salaries and employee benefits	(84.0)	(84.1)	0.1	(0.1%)
Administrative expenses	(45.1)	(41.5)	(3.6)	8.7%
Depreciation and amortization	(15.0)	(15.0)	(0.1)	0.5%
Other	(1.3)	(2.8)	1.5	(53.3%)
Total Other Expenses	(145.5)	(143.4)	(2.1)	1.4%

Total other expenses increased S/2.1 million, or 1.4%, for the year ended December 31, 2022 mainly due to a higher number of employees and higher administrative expenses.

Inteligo's efficiency ratio is calculated by dividing salaries and employee benefits plus administrative expenses plus depreciation and amortization by net interest and similar income plus net fee income from financial services plus other income. Our wealth management segment's efficiency ratio deteriorated from 31.6% for the year ended December 31, 2021, mainly due to lower revenues, despite the slight increase in expenses.

Payments

Since the date of its acquisition in April 2022, Izipay had consolidated revenues of S/595.4 million and consolidated net profit of S/41.1 million. As a reference, for the year ended December 31, 2022, including the period prior to its acquisition, Izipay had consolidated revenues of S/754.3 million and consolidated net profit of S/51.2 million.

The positive performance from Izipay during the year 2022 is mainly explained by growth in its net fee income from financial services, as a result of higher income from payments due to the increase of the number of merchants served and monetary transactions recorded, which grew 14% and 10%, respectively, during the last quarter of 2022. The positive results were partly impacted by higher administrative expenses attributed to an increase in customer acquisition, as well as higher salaries and benefits to employees, and depreciation and amortization charges given the sharp rise in business activity. Izipay's ROE was 26.7% for the period starting in April 2022, when it became a consolidated subsidiary, until December 31, 2022.

Financial Condition as of December 31, 2021 Compared to December 31, 2020

The following table sets forth the principal components of our consolidated statement of financial position as of December 31, 2021 and December 31, 2020.

	As of December 31, 2021	As of December 31, 2020	Change	
	(S/ in millions)		(S/ in millions)	%
Assets				
Cash, due from banks and inter-banks funds	17,134.5	18,783.6	(1,649.1)	(8.8)%
Financial investments	24,547.3	24,277.1	270.2	1.1%
Loans, net of unearned interest	45,070.5	43,504.3	1,566.2	3.6%
Impairment allowance for loans	(2,064.9)	(2,984.9)	919.9	(30.8)%
Investment property	1,224.5	1,044.0	180.5	17.3%
Property, furniture and equipment, net	815.1	844.4	(29.3)	(3.5)%
Intangibles and goodwill, net	1,044.7	1,042.6	2.2	0.2%
Other assets	2,182.2	1,724.9	457.3	26.5%
Total assets	89,953.9	88,236.0	1,717.9	1.9%
Liabilities and equity				
Deposits and obligations	48,897.9	47,149.3	1,748.7	3.7%
Due to banks and correspondents and inter-bank funds	8,522.8	9,689.8	(1,167.0)	(12.0)%
Bonds, notes and other obligations	8,389.7	7,778.8	610.9	7.9%
Insurance contract liabilities	11,958.1	12,501.7	(543.7)	(4.3)%
Other liabilities	2,630.0	2,162.5	467.5	21.6%
Total liabilities	80,398.5	79,282.1	1,116.5	1.4%
Equity, net				
Equity attributable to IFS's shareholders	9,504.0	8,908.1	595.9	6.7%
Non-controlling interest	51.3	45.8	5.5	12.0%
Total equity, net	9,555.4	8,953.9	601.4	6.7%
Total liabilities and equity net	89,953.9	88,236.0	1,717.9	1.9%

Our assets were S/89.9 billion as of December 31, 2021, a 1.9% increase from S/88.2 billion as of December 31, 2020. This was mainly driven by growth of 3.6% in loans, net of unearned interest, 1.1% in financial investments, and a 30.8% decrease in impairment allowance for loans. These factors were partially offset by 8.8% reduction in cash, due from banks and inter-banks funds.

The increase in loans, net of unearned interest was mainly the result of higher retail loans balances at Interbank, which was primarily due to increases in consumer loans and mortgages. This increase was partially offset by lower commercial loan balances due to decreases in short and medium-term lending, as well as lower leasing operations, in both cases across all business segments. The increase in financial investments resulted from higher volumes of sovereign bonds, Central Reserve Bank of Peru Certificates of Deposits ("CDBCR") and corporate bonds, while the decrease in cash and due from banks and inter-bank funds resulted mainly from lower deposits at the Central Reserve Bank of Peru. The decrease in impairment allowance for loans occurred mainly at Interbank.

Our liabilities reached S/80.4 billion as of December 31, 2021, a 1.4% increase from S/79.3 billion as of December 31, 2020. This was mainly driven by a 7.9% increase in bonds, notes and obligations and 3.7% in deposits and obligations, partially offset by a decrease of 12.0% in due to banks and correspondents and inter-banks funds and a 4.3% decrease in insurance contract liabilities. The increase in bonds, notes and other obligations was mainly attributable to a 10.1% depreciation in the foreign exchange rate as compared to 2020, partially offset by the execution of the optional redemption with respect to the S/110.0 million local subordinated bonds in September 2021. The annual growth in deposits and obligations was mainly explained by an increase in retail deposits, partially offset by decreases in institutional deposits and commercial deposits. The annual decrease in due to banks and correspondents and inter-bank funds was mainly the result of a decrease in long-term funding provided by the Central Reserve Bank of Peru and COFIDE, associated with a decrease in funds being distributed under the Reactiva Perú Program, in addition to lower long-term funds from correspondent banks abroad. These effects were partially offset by higher short-term funding provided by correspondent banks abroad and COFIDE.

Our net equity was S/9.6 billion as of December 31, 2021, a 6.7% increase from S/9.0 billion as of December 31, 2020, mainly as a result of higher retained earnings.

For more information of our liquidity, capital resources and commitments and obligations, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

The following table sets forth the principal components of our consolidated profit for the years ended December 31, 2021 and 2020.

	For the year ended December 31,			
	2021	2020	Change	
	(S/ in millions)		(S/ in millions)	%
Interest and similar income	4,605.6	4,665.0	(59.3)	(1.3)%
Interest and similar expenses	(1,057.9)	(1,192.3)	134.3	(11.3)%
Net interest and similar income	3,547.7	3,472.7	75.0	2.2%
Impairment loss on loans, net of recoveries	(381.6)	(2,393.9)	2,012.4	(84.1)%
Recovery (loss) due to impairment of financial investments	30.9	(32.9)	63.8	n.m.
Net interest and similar income after impairment loss	3,197	1,045.8	2,151.2	n.m.
Fee income from financial services, net	823.8	723.5	100.3	13.9%
Other income	905.6	776.7	128.9	16.6%
Total net premiums earned minus claims and benefits	(272.1)	(279.1)	7.0	(2.5)%
Total other expenses	(2,262.8)	(1,910.7)	(352.1)	18.4%
Income before translation result and income tax	2,391.6	356.3	2,035.3	n.m.
Translation result	(89.3)	(45.7)	(43.6)	95.3%
Income Tax	(502.1)	72.9	(575.0)	n.m.
Net profit for the year	1,800.2	383.5	1,416.7	n.m.
Attributable profit to:				
IFS’ shareholders	1,790.2	383.2	1,406.9	n.m.
Non-controlling interest	10.0	0.3	9.7	n.m.

n.m. means not meaningful.

Our net profit was S/1,800.2 million for the year ended December 31, 2021, a more than four-fold increase as compared to 2020. The recovery in net profit was mainly driven by a significant decrease of S/2,012.4 million in impairment loss on loans and growth of S/128.9 million in other income, S/100.3 million in net fee income from financial services, and S/75.0 million in net interest and similar income. These factors were partially offset by a S/352.1 million increase in other expenses, and higher income tax.

The increase in net interest and similar income was mainly due to a higher return of the fixed income portfolio at Interseguro and lower interest and similar expenses at Inteligo. This increase was partially offset by a slight decrease in net interest and similar income at Interbank.

Impairment loss on loans, net of recoveries decreased from S/2,393.9 million as of December 31, 2020 to S/381.6 million as of December 31, 2021 mainly due to the fact that those provisions recorded as of December 31, 2020 were determined considering certain post-model adjustments to capture the high uncertainty in the retail loan portfolio caused by the COVID-19 pandemic, while those provisions recorded as of December 31, 2021 were determined in light of improved credit and payment behavior during 2021. The increase in net fee income from financial services was mainly due to higher commissions across most products and services at Interbank and higher fees at Inteligo. The increase in other income was mainly due to positive performance across all three subsidiaries mainly supported by net gain of foreign exchange transactions and on financial assets at fair value through profit or loss at Interbank.

The increase in other expenses is mainly due to higher administrative expenses, as well as higher salaries and employee benefits across all three subsidiaries. the increase in administrative expenses was mainly related to marketing and credit card expenses, and IT services at Interbank and the increase in salaries and employee benefits was associated with higher employee profit sharing at Interbank, in addition to promotions and recruitment of new employees, together with the effect of a higher foreign exchange rate in the cost base at Inteligo.

Our ROE was 19.3% in 2021, higher than the 4.5% reported in 2020, mainly due to a decrease in impairment loss on loans, net of recoveries and an increase in other income and net fee income from financial services, as well as in net interest and similar income.

Results of Operations by Segment

The following table presents an overview of certain consolidated income statement data for each of our segments for the years ended December 31, 2021 and 2020.

	Banking		Insurance		Wealth Management		Holding and eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(\$/ in millions)									
Interest and similar income	3,636.8	3,836.4	803.0	655.0	154.3	163.4	11.5	10.2	4,605.6	4,665.0
Interest and similar expenses	(893.1)	(1,053.4)	(117.5)	(84.0)	(39.8)	(51.7)	(7.5)	(3.3)	(1,057.9)	(1,192.3)
Net interest and similar income	2,743.7	2,783.1	685.4	571.0	114.5	111.8	4.0	6.9	3,547.7	3,472.7
Impairment loss on loans, net of recoveries	(379.0)	(2,393.9)	—	—	(2.5)	(0.0)	—	—	(381.6)	(2,393.9)
Recovery (loss) due to impairment of financial investments	(0.5)	0.2	33.2	(33.8)	(1.6)	0.7	(0.2)	—	30.9	(32.9)
Net interest and similar income after impairment loss	2,364.2	389.3	718.6	537.2	110.3	112.5	3.9	6.9	3,197.0	1,045.8
Fee income from financial services, net	677.5	619.8	(6.8)	(6.1)	197.0	164.0	(43.8)	(54.3)	823.8	723.5
Other income(1)	552.5	444.1	234.7	201.7	136.1	106.6	(17.6)	24.4	905.6	776.7
Total net premiums earned minus claims and benefits	—	—	(272.0)	(279.1)	—	—	—	—	(272.1)	(279.1)
Total other expenses	(1,787.9)	(1,533.5)	(350.3)	(286.0)	(143.4)	(128.0)	18.8	36.9	(2,262.8)	(1,910.7)
Income (loss) before translation result and income tax	1,806.2	(80.2)	324.2	167.7	299.9	255.0	(38.8)	13.9	2,391.6	356.3
Translation result	7.2	(6.0)	(51.5)	(26.6)	(7.6)	(3.8)	(37.5)	(9.3)	(89.3)	(45.7)
Income tax	(453.2)	80.5	—	—	(8.8)	(8.0)	(40.1)	0.4	(502.1)	72.9
Net profit (loss) for the year	1,360.3	(5.7)	272.7	141.1	283.5	243.1	(116.4)	5.0	1,800.2	383.5
Attributable to:										
IFS' shareholders	1,360.3	(5.7)	272.7	141.1	283.5	243.1	(126.4)	4.7	1,790.2	383.3
Non-controlling interest	—	—	—	—	—	—	10.0	0.3	10.0	0.3

The discussion below covers each of our reported segments and corresponds to information before adjustments and eliminations for consolidation, as of and for the years ended December 31, 2021 and 2020, in accordance with IFRS

Banking

Interbank's net results were profit of S/1,360.3 million for the year ended December 31, 2021, compared to net loss of S/5.7 million for the year ended December 31, 2020. The main factors that contributed to this result were the 84.2% decrease in impairment loss on loans, the 24.4% increase in other income and the 9.3% increase in net fee income from financial services. These factors were partially offset by higher income tax due to the recovery in profitability and a 16.6% increase in other expenses, in addition to a 1.4% decrease in net interest and similar income.

Interbank's ROE was 21.0% for the year ended December 31, 2021, representing a strong recovery in profitability compared to the 2.0% recorded for the year ended December 31, 2020.

Interest and Similar Income

The following table presents the components of interest and similar income for our banking segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Interest and similar income				
Interest on loan portfolio	3,330.2	3,570.0	(239.9)	(6.7)%
Interest on financial investments	266.8	239.0	27.8	11.6%
Interest on due from banks and inter-bank funds	39.9	27.4	12.5	45.5%
Total	3,636.8	3,836.4	(199.6)	(5.2)%
Nominal average rate	5.3%	6.3%	—	—

Interest and similar income decreased 5.2% due to a 6.7% decrease in interest on loan portfolio, partially offset by a 45.5% increase in interest on due from banks and inter-bank funds, and 11.6% increase in interest on financial investments.

The decrease in interest on loan portfolio was mainly due to a 110 basis point decrease in the average rate, partially offset by a 6.5% increase in average volume. The lower average rate on loans, from 9.0% in 2020 to 7.9% in 2021, was due to yield reductions in all client segments partly reflecting the effects of low-return loans offered to several commercial clients as part of the Reactiva Perú Program. In retail loans rates decreased on other consumer loans and mortgages. In the commercial portfolio, rates decreased on all types of loans. The higher average volume of loans was attributable to a 12.3% increase in commercial loans and an 0.8% increase in retail loans. In the commercial portfolio, the higher average volume was mainly due to a 14.3% increase in short and medium-term loans, attributable to disbursement of loans under the Reactiva Perú Program, as well as a 10.4% increase in trade finance loans. In the retail portfolio, average volumes grew due to a 10.9% increase in mortgages, partially offset by a 5.2% decrease in the average balance of consumer loans.

Interest due from banks and inter-bank funds increased by S/12.5 million, or 45.5%, primarily as a result of 23.8% growth in the average volume and a relatively stable nominal average rate. The increase in the average volume was explained by higher deposits at the Central Reserve Bank of Peru, partially offset by a lower average balance of inter-bank funding and reserve funds.

The increase in interest on financial investments was primarily the result of an increase in average volumes, partially offset by a 50 basis point decrease in the average yield. The increase in the average volume was mainly the result of higher average balances of sovereign bonds, CDBCR and global bonds. The decrease in the nominal average rate, from 3.3% in 2020 to 2.8% in 2021, was mainly explained by lower returns on all types of securities, especially CDBCR and corporate bonds from financial institutions.

As a result of the above, the nominal average yield on interest-earning assets decreased 100 basis points, from 6.3% for the year ended December 31, 2020 to 5.3% for the year ended December 31, 2021.

Interest and Similar Expenses

The following table presents the components of interest and similar expenses for our banking segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Interest and Similar Expenses				
Interest and fees on deposits and obligations	(369.8)	(536.0)	166.2	(31.0)%
Interests on bonds, notes and other obligations	(374.6)	(344.7)	(29.8)	8.7%
Interest and fees on obligations with financial institutions and others	(148.7)	(172.6)	23.9	(13.9)%
Total	(893.1)	(1,053.4)	160.3	(15.2)%
Nominal average rate	1.5%	2.0%	—	—

Interest and similar expense decreased 15.2% mainly due to a 31.0% decrease in interest on deposits and obligations, and a 13.9% decrease in interest on due to banks and correspondents, partially offset by an 8.7% increase in interest on bonds, notes and other obligations.

Interest and fees on deposits and obligations decreased mainly due to a 50 basis point reduction in the average cost, from 1.3% in 2020 to 0.8% in 2021 due to lower interest rate environment which resulted in a decrease in rates payable on institutional, retail and commercial deposits, partially offset by 14.4% increase in average volumes across all client segments. By currency, average balances of soles-denominated deposits increased 11.1% while average dollar-denominated deposits increased 21.4%.

Interest and fees on obligations with financial institutions and others decreased from 2.4% for the year ended December 31, 2020 to 1.7% for the year ended December 31, 2021, mainly due to a 70 basis point decrease in the average cost mainly due to lower rates payable on all types of funding, especially that provided by correspondent banks abroad and inter-bank funds, partially offset by 18.5% increase in the average volume. The increase in the average volume was due to higher funding provided by the Central Reserve Bank of Peru and COFIDE.

Interest on bonds, notes and other obligations increased mainly due to 10.5% increase in the average volume, mainly attributable to a 10.6% decrease in the average foreign exchange rate for the year ended December 31, 2020.

The average cost of funds decreased 50 basis points, from 2.0% for the year ended December 31, 2020 to 1.5% for the year ended December 31, 2021, in line with the lower cost of interest-bearing liabilities.

Impairment Loss on Loans, Net of Recoveries

The following table presents the components of impairment loss on loans, net of recoveries for our banking segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(\$/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Impairment loss on loans, net of recoveries	(379.0)	(2,393.9)	2,014.9	(84.2)%
Past-due loan ratio (at period end)	3.6%	3.4%	—	—
Provision expense as a percentage of average total loans	0.9%	6.1%	—	—
Coverage ratio ⁽¹⁾	131.1%	181.5%	—	—
Impairment allowance for loans	2,062.1	2,984.7	—	—

(1) Coverage ratio is calculated by dividing allowances for loan losses as a percentage of past due loans.

Impairment loss on loans, net of recoveries decreased from S/2,393.9 million for the year ended December 31, 2020 to S/379.0 million for the year ended December 31, 2021 mainly reflecting the fact that those provisions recorded as of December 31, 2020 were determined considering certain post-model adjustments to capture the high uncertainty in the retail loan portfolio caused by the COVID-19 pandemic, while those provisions recorded as of December 31, 2021 were determined in light of improved credit and payment behavior during 2021. This decrease in impairment loss on loans was partially offset by higher provision requirements in the commercial portfolio, mainly related to loan exposures to SMEs.

Interbank's coverage ratio decreased from 181.5% for the year ended December 31, 2020 compared to 131.1% for the year ended December 31, 2021, as a result of the aforementioned factors.

Fee Income from Financial Services, Net

The following table presents the components of fee income from financial services, net for our banking segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Income				
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card	561.0	473.8	87.2	18.4%
Commissions for banking services	299.8	293.4	6.4	2.2%
Fees from indirect loans	65.0	52.5	12.5	23.7%
Collection services fees	53.2	41.3	11.9	28.8%
Others	60.4	38.3	22.2	57.9%
Total	1,039.3	899.3	140.1	15.6%
Expenses				
Credit cards	(128.6)	(105.8)	(22.8)	21.6%
Debtor's life insurance premiums	(102.8)	(101.8)	(1.1)	1.0%
Fees paid to foreign banks	(31.8)	(15.1)	(16.7)	110.3%
Others	(98.7)	(56.8)	(41.9)	73.9%
Total	(361.9)	(279.4)	(82.4)	29.5%
Net	677.5	619.8	57.6	9.3%

The S/57.6 million, or 9.3%, increase in net fee income from financial services for the year ended December 31, 2021 as compared to the year ended December 31, 2020, was mainly due to increases in commissions received across most products and services primarily attributable to the base effect of lower commissions from products and services in 2020 due to decreased business activity as a result of the COVID-19 pandemic.

Other Income

The following table presents the components of other income for our banking segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
Net gain on foreign exchange transactions	423.0	318.4	104.6	32.8%
Net gain on sale of financial investments	100.9	103.8	(2.9)	(2.8)%
Net gains on financial assets at fair value through profit or loss	(56.4)	(38.1)	(18.3)	48.1%
Other	85.0	60.0	25.0	41.6%
Other income	552.5	444.1	108.4	24.4%

Other income increased by 24.4% for the year ended December 31, 2021 as compared to the year ended December 31, 2020, mainly due to an increase in net gain on foreign exchange transactions, partially offset by lower net results on financial assets at fair value through profit or loss, both effects associated with higher currency volatility.

Other Expenses

The following table presents the components of other expenses for our banking segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
Salaries and employee benefits	(618.5)	(594.4)	(24.2)	4.1%
Administrative expenses	(832.8)	(656.6)	(176.2)	26.8%
Depreciation and amortization	(245.4)	(234.5)	(11.0)	4.7%
Other	(91.2)	(48.1)	(43.1)	89.5%
Total other expenses	(1,787.9)	(1,533.5)	(254.4)	16.6%

Other expenses increased 16.6% for the year ended December 31, 2021 as compared to the year ended December 31, 2020, mainly as a result of higher administrative expenses and salaries and employee benefits. The increase in administrative expenses was mainly due to higher marketing and credit card expenses and IT services. The increase in salaries and employee benefits was due to higher employee profit sharing, which in turn was due to the increase in net profit. Investments in digital ventures also played a significant role in the increase in our other expenses.

Our efficiency ratio was 42.7% for the year ended December 31, 2021 as compared to 38.6% recorded for the year ended December 31, 2020.

Income Before Translation Result and Income Tax

Results before translation result and income tax were S/1,806.2 million for the year ended December 31, 2021, representing an improvement compared to the S/80.2 million loss recorded for the year ended December 31, 2020, for the reasons discussed above. This result was partially offset by higher income tax in our banking segment.

Insurance

Interseguro's profit attributable to shareholders for the year ended December 31, 2021 was S/272.7 million compared to a S/141.1 million profit for the year ended December 31, 2020 mainly due to a S/114.4 million increase in net interest and similar income, primarily due to higher returns on the fixed income portfolio, a S/67.0 million recovery from prior impairment of financial investments and S/33.0 million increase in other income. These effects were partially offset by a S/64.3 million increase in other expenses, as well as a S/24.9 million decrease in translation result.

Net Interest and Similar Income

The following table presents the components of net interest and similar income for our insurance segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
Interest and similar income	803.0	655.0	148.0	22.6%
Interest and similar expense	(117.5)	(84.0)	(33.5)	39.9%
Net interest and similar income	685.4	571.0	114.4	20.0%

Net interest and similar income increased 22.6% mainly due to a S/148.0 million increase in interest and similar income primarily attributable to higher return of the fixed income portfolio, which was partially offset by a S/33.5 million decrease in interest and similar expenses.

Other Income, Net

The following table presents the components of other income for our insurance segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
Net gain (loss) on sale of financial investments	145.7	105.0	40.7	38.7%
Net gain (loss) on financial assets at fair value through profit or loss	0.2	39.2	(39.0)	(99.4)%
Rental income	57.4	39.5	17.9	45.4%
Net gain on investment property valuation	22.0	5.4	16.5	n.m.
Other	9.4	12.5	(3.1)	(25.0)%
Other income, net	234.7	201.7	33.0	16.4%

n.m. means not meaningful.

Other income increased S/33.0 million, mainly due to a S/40.7 million increase in net gain on sale of financial investments, a S/17.9 million increase in rental income and a S/16.5 million increase in net gain on valuation of real estate investments. These factors were partially offset by a S/39.0 million decrease in net gain on financial assets at fair value.

Recovery (Loss) due to Impairment of Financial Investments

Recovery due to impairment of financial investments was S/33.2 million as compared to a S/33.8 million loss for the year ended December 31, 2020, a S/67.0 million reversal of provisions for impairment on a fixed income investment that was downgraded in 2020 due to the COVID-19 pandemic and was upgraded to B in the first quarter of 2021 from CCC+.

Total Net Premiums Earned Minus Claims and Benefits

The following table presents the components of total premiums earned minus claims and benefits for our insurance segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
Premiums assumed	1,051.4	625.9	425.5	68.0%
Premiums ceded to reinsurers	(10.9)	(10.2)	(0.7)	6.9%
Adjustment of technical reserves	(395.3)	(100.8)	(294.5)	n.m.
Net claims and benefits incurred for life insurance contracts and others	(917.3)	(794.1)	(123.3)	15.5%
Total net premiums earned minus claims and benefits	(272.0)	(279.1)	7.0	(2.5)%

n.m. means not meaningful.

Total net premiums earned minus claims and benefits were S/272.0 million for the year ended December 31, 2021, compared to S/279.1 million for the year ended December 31, 2020. These results were primarily due to a S/424.8 million increase in net premiums, partially offset by increases of S/294.5 million in adjustment of technical reserves and S/123.3 million in net claims and benefits incurred.

Net Premiums

Net premiums represent the difference between premiums assumed and premiums ceded to reinsurers. The following table presents net premiums by business line for our insurance segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
Annuities ⁽¹⁾	622.8	256.9	366.0	142%
Individual Life	176.5	134.5	42.0	31%
Retail Insurance	241.3	224.4	16.8	8%
Credit Life Insurance	131.5	132.9	(1.4)	(1)%
Mandatory Traffic Accident (SOAT)	51.0	45.2	5.8	13%
Card Protection	33.1	32.7	0.4	1%
Others	25.7	13.6	12.1	89%
Net Premiums⁽²⁾	1,040.6	615.8	424.8	69%

(1) Annuities include premiums from pension-related insurance (disability and survivorship).

(2) Temporary Private Annuities are not included as premiums assumed. Net premiums are premiums assumed net of premiums ceded.

Net premiums increased 69.0% mainly due to increases of (i) S/366.0 million in annuities primarily attributable to a market expansion of survivorship annuities, as a result of higher mortality due to the COVID-19 pandemic, (ii) S/42.0 million in individual life primarily explained by a 28% increase in the sales force headcount and continued growth in online sales, and (iii) S/16.8 million in retail insurance premiums primarily due to SOAT recovery and increases in sales from digital products such as car insurance and travel insurance.

Adjustment of Technical Reserves

The following table presents adjustment of technical reserves by business line for our insurance segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Annuities	(301.3)	(43.3)	(257.9)	596%
Individual Life	(76.3)	(62.0)	(14.4)	23%
Retail Insurance	(17.7)	4.5	(22.2)	(493%)
Adjustment of technical reserves	(395.3)	(100.8)	(294.5)	292%

Adjustment of technical reserves increased more than three-fold mainly due to a S/257.9 million increases in annuities, S/22.2 million increase in retail insurance and S/14.4 million increase in individual life. The increase in technical reserves was mostly related to (i) increased sales, particularly for annuities, and (ii) higher technical reserves for inflation-indexed annuities due to an increase in the inflation rate.

Net Claims and Benefits Incurred for Life Insurance Contracts and Others

The following table presents net claims and benefits incurred for life insurance contracts and others by business line for our insurance segment for the year ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Annuities ⁽¹⁾	(733.8)	(668.0)	(65.8)	10%
Individual Life	(28.2)	(15.1)	(13.1)	87%
Retail Insurance	(155.3)	(111.0)	(44.3)	40%
Credit Life Insurance	(112.4)	(78.2)	(34.2)	44%
Mandatory Traffic Accident (SOAT)	(17.9)	(13.0)	(4.9)	38%
Card Protection	(3.0)	(0.9)	(2.1)	232%
Others	(22.0)	(18.9)	(3.1)	17%
Net claims and benefits incurred⁽²⁾	(917.3)	(794.1)	(123.2)	16%

(1) Annuities include claims from pension-related insurance (disability and survivorship).

(2) Temporary Private Annuities are not included as benefits incurred.

Net claims and benefits incurred for life insurance contracts and others increased S/123.2 million, mostly explained by higher claims in credit life insurance related to the COVID-19 mortality in Peru, as well as by increases of S/65.8 million in annuity benefits and S/13.1 million in individual life claims.

Other Expenses

The following table presents the components of other expenses for our insurance segment for the year ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Salaries and employee benefits	(100.4)	(75.5)	(24.9)	33.0%
Administrative expenses	(64.4)	(39.5)	(24.9)	63.0%
Depreciation and amortization	(25.0)	(25.6)	0.6	(2.2)%
Expenses related to rental income	(4.4)	(2.0)	(2.4)	n.m.
Other	(156.1)	(143.4)	(12.6)	8.8%
Total other expenses	(350.3)	(286.0)	(64.3)	22.5%

n.m. means not meaningful.

Other expenses increased S/64.3 million for the year ended December 31, 2021 when compared to the year ended December 31, 2020, mainly due to a S/24.9 million increase in administrative expenses and S/24.9 million increase in salaries and employee benefits.

Wealth Management

Inteligo's net profit was S/283.5 million for the year ended December 31, 2021, a 16.6% increase compared to the year ended December 31, 2020. This result was mainly attributable to 27.7% increase in other income due to strong investment results for the year, and 20.1% increase in fee income from financial services, in part supported by the effect of a higher foreign exchange results in these two revenue lines.

Inteligo's ROE was 23.0% for the year ended December 31, 2021, lower than the 28.0% registered for the year ended December 31, 2020. This was mainly attributable to an increase in shareholders' equity which in turn was mainly attributed to increases in accumulated results and the effect on equity of a higher foreign exchange rate due to the depreciation of the *sol* against the U.S. dollar in 2021 as compared to 2020.

Interest and Similar Income

The following table presents the components of interest and similar income for our wealth management segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Interest and similar income				
Interest on loan portfolios	64.4	65.3	(0.9)	(1.3)%
Interest on financial investments	84.1	91.2	(7.2)	(7.9)%
Interest due from banks and inter-bank funds	5.8	6.9	(1.0)	(15.1)%
Total	154.3	163.4	(9.1)	(5.6)%
Nominal average rate	2.9%	4.1%		

Interest and similar income decreased 5.6% mainly due to a 7.9% decrease in interest on financial investments, a 1.3% decrease in interest on loan portfolios, and a 15.1% decrease in interest due from banks and inter-bank funds.

Interest on loan portfolios decreased S/0.9 million mainly due to a decrease in the average rate despite an increase in average loans outstanding. Interest on financial investments decreased S/7.2 million mainly due to lower dividends received from equity investments during 2021. Interest due from banks and inter-bank funds decreased S/1.0 million, mainly attributable to a decrease in the average rate of term deposits.

Interest and Similar Expenses

The following table presents the components of interest and similar expenses for our wealth management segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Interest and similar expenses				
Interest and fees on deposits and obligations	(35.6)	(46.0)	10.3	(22.5)%
Interests on bonds, notes and other obligations	(2.4)	(2.1)	(0.4)	17.1%
Interest and fees on obligations with financial institutions and others	(1.8)	(3.6)	1.8	(51.0)%
Total	(39.8)	(51.7)	11.8	(22.9)%
Nominal average rate	1.0%	1.6%		

Interest and similar expenses decreased 22.9% mainly due to decreases of 22.5% in interest and fees on deposits and obligations and 51.0% in interest and fees on obligations with financial institutions and others.

Interest and fees on deposits and obligations decreased S/10.3 million due to a decrease in the average rate as a consequence of an increase in average non-interest-bearing deposits. Interest and fees on obligations with financial institutions and others decreased S/1.8 million due to loan amortizations during the second half of 2021. Interest on bonds, notes and other obligations increased S/0.4 million primarily as a result of the effect of a higher foreign exchange rate on Inteligo's financial expenses related to leases as they are denominated in U.S. dollars.

Impairment Loss on Loans, Net of Recoveries

Inteligo's loan portfolio had no delinquencies for the years ended December 31, 2021 and 2020. Inteligo's impairment loss on loans was S/2.5 million for the year ended December 31, 2021.

Recovery (Loss) due to Impairment of Financial Investments

For the year ended December 31, 2021, Inteligo's impairment loss on financial investments was S/1.6 million, as compared to a S/0.7 million gain for the year ended December 31, 2020

Fee Income from Financial Services, Net

The following table presents the components of fee income from financial services, net for our wealth management segment for the years ended December 31, 2021 and 2020.

	For the year ended			
	December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Income				
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card	1.6	1.1	0.6	50.7%
Funds management fees	186.9	152.5	34.4	22.6%
Brokerage and custody services fees	9.7	7.9	1.8	22.1%
Others	0.6	4.0	(3.4)	(84.8)%
Total	198.8	165.4	33.3	20.2%
Expenses				
Brokerage and custody services	(0.9)	(0.6)	(0.4)	61.2%
Others	(0.9)	(0.9)	—	(0.5)%
Total	(1.8)	(1.5)	(0.4)	23.9%
Net	197.0	164.0	33.0	20.1%

n.m. means not meaningful.

Fee income from financial services, net for the year ended December 31, 2021 was S/197.0 million, a S/33.0 million, or 20.1%, increase compared to the year ended December 31, 2020. This increase was mainly attributable to higher fund management fees and higher brokerage fees due to increased trading volumes, triggered by higher price volatility and client appetite for investing or rebalancing portfolios.

Other Income

The following table presents the components of other income for our wealth management segment for the years ended December 31, 2021 and 2020.

	For the year ended			
	December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)			
Net gain on sale of financial investments	42.1	(23.4)	65.5	n.m.
Net gain on financial assets at fair value through profit or loss	96.7	134.9	(38.2)	(28.3)%
Other	(2.7)	(5.0)	2.2	(44.9)%
Other Income	136.1	106.6	29.5	27.7%

n.m. means not meaningful.

Other income increased S/29.5 million for the year ended December 31, 2021, mainly attributable to positive mark-to-market valuations on investments.

Other Expenses

The following table presents the components of other expenses for our wealth management segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		Change	
	2021	2020	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Salaries and employee benefits	(84.1)	(75.0)	(9.0)	12.1%
Administrative expenses	(41.5)	(37.9)	(3.6)	9.6%
Depreciation and amortization	(15.0)	(14.5)	(0.5)	3.4%
Other	(2.8)	(0.6)	(2.2)	n.m.
Total Other Expenses	(143.4)	(128.0)	(15.4)	12.0%

n.m. means not meaningful.

Total other expenses increased S/15.4 million, or 12.0%, for the year ended December 31, 2021 compared to the year ended December 31, 2020, mainly due to increased salaries and employee benefits, associated with promotions and recruitment of new employees, in addition to the effect of a higher foreign exchange rate in the cost base due to the depreciation of the *sol* against the U.S. dollar in 2021 as compared to 2020.

Inteligo's efficiency ratio is calculated by dividing salaries and employee benefits plus administrative expenses plus depreciation and amortization by net interest and similar income plus net fee income from financial services plus other income. Our wealth management segment's efficiency ratio improved from 33.3% for the year ended December 31, 2020 to 31.6% for the year ended December 31, 2021, mainly due to higher revenues, despite the slight increase in expenses.

B. Liquidity and Capital Resources

Our primary source of liquidity is dividends received from our subsidiaries and an issuance of senior debt and our primary use of funds is the payment of dividends to our shareholders and interest payments associated with the indebtedness described below.

As of December 31, 2022, our outstanding indebtedness included the following:

- U.S.\$300,000,000 aggregate principal amount of 4.125% senior notes due 2027 issued pursuant to the indenture, dated October 19, 2017 among the Registrant, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg transfer and paying agent.

The following discussion of liquidity and capital resources is on a segment basis. See "Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividends and dividends policy".

Interbank

The following table presents Interbank's primary sources of funds as of December 31, 2022 and 2021:

	As of December 31, 2022	As of December 31, 2021	Change	
	(S/ in millions)	(S/ in millions)	(S/ in millions)	%
			(S/ in millions)	%
Total deposits and obligations	44,597.9	44,966.3	(368.5)	(0.8%)
Due to banks and correspondents and inter-bank funds	6,756.6	8,112.7	(1,356.1)	(16.7%)
Bonds, notes and other obligations	6,571.5	6,939.0	(367.4)	(5.3%)
Total	57,926.0	60,018.0	(2,092.0)	(3.5%)

In our banking segment, our primary sources of funds have traditionally consisted of deposits and obligations, which amounted to S/44,597.9 million as of December 31, 2022. Interbank's deposits include retail and commercial deposits, generated mainly through its digital channels, financial stores distribution network, and its relationships with commercial clients.

Interbank is required to maintain deposits with the Central Reserve Bank of Peru, as legal reserve, in an amount determined by the percentage of deposits and other liabilities owed to its clients. For a description of the legal reserve (*encaje*) regulations, see “Item 4. Information on the Company—Business Overview—Regulation and Supervision—Banking Regulation and Supervision—Reserve Requirements from the Central Reserve Bank of Peru”.

At times, Interbank has utilized Peru’s short-term interbank loans market to satisfy liquidity needs. The Central Reserve Bank of Peru’s discount window, which makes short-term loans to banks at premium rates, is another potential short-term funding source; although, Interbank has used it infrequently. As part of Interbank’s liquidity management, it sometimes enters into repos on Central Reserve Bank of Peru certificates of deposit, which are a cost and tax efficient source of funds in Peruvian currency.

Amounts due to banks and correspondents of Interbank (including both short and long-term amounts) decreased S/1,356.1 million, or 16.7%, to S/6,756.6 million as of December 31, 2022 from S/8,112.7 million as of December 31, 2021, as a result of a reduction in the long-term funding provided by the Central Reserve Bank of Peru and COFIDE, associated with a decrease in funds available for the Reactiva Perú Program, in addition to an increase in long-term funds from correspondent banks abroad.

Interbank has issued senior, senior-subordinated, junior-subordinated, mortgage and leasing bonds in the Peruvian and international capital markets.

Outstanding Indebtedness of Interbank

As of December 31, 2022, Interbank’s outstanding indebtedness included the following:

- U.S.\$300.0 million aggregate principal amount of 6.625% subordinated notes due 2029 issued by Interbank on March 18, 2014, and an early redemption date (Call Date) on March 19, 2024.
- U.S.\$200.0 million aggregate principal amount of 3.375% senior notes due 2023 (the “2023 notes”) issued by Interbank on January 18, 2018. Interbank executed an exchange offer that resulted in a further issuance of U.S.\$284.9 million of its 2023 notes. The total aggregate amount is U.S.\$484.9 million as of December 31, 2022. Furthermore, the exchange did not generate a substantial change in the terms and conditions of the financial liability; therefore, no new financial obligation was recognized. The transactional costs associated with these exchanged bonds will continue to be amortized based on the new issuance schedule.
- U.S.\$400.0 million principal amount of 3.250% senior notes due 2026 issued by Interbank on October 4, 2019, in connection with a tender offer for its 5.750% senior notes due 2020. Following the tender offer, Interbank redeemed the remaining 5.750% senior notes due 2020.
- S/312.0 million principal amount of 5.000% senior notes due 2026 issued by Interbank on October 1, 2019.
- U.S.\$300.0 million aggregate principal amount of 4.000% subordinated notes due 2030 issued by Interbank on July 8, 2020, and an early redemption date (Reset Date or Call Date) on July 8, 2025.
- U.S.\$30.0 million loan under a credit facility agreement between Interbank and Caixabank dated as of August 2024. The credit facility agreement does not include clauses regarding the compliance of financial ratios.
- U.S.\$30.0 million loan under a credit facility agreement between Interbank and JP Morgan Chase dated as of October 2024. The credit facility agreement does not include clauses regarding the compliance of financial ratios.
- U.S.\$15.0 million loan under a credit facility agreement between Interbank and Banco Estado from Chile dated as of January 2025. The credit facility agreement does not include clauses regarding the compliance of financial ratios.
- U.S.\$10.0 million loan under a credit facility agreement between Interbank and Bank of China Peru dated as of November 2024. The credit facility agreement includes standards clauses regarding the compliance of administrative matters.

Additionally, as of December 31, 2022, the following represents individual amounts of local debt from a total amount of U.S.\$128.7 million, which includes local subordinated bonds of S/340.7 million (U.S.\$89.3 million) which qualify as second tier equity (“Tier 2”) in the determination of the regulatory capital, according to SBS, S/150 million (U.S.\$39.3 million) of local corporate inflation-linked bonds at the nominal exchange rate of S/3.814 as of December 31, 2022.

These bonds do not have specific guarantees:

- S/150.0 million aggregate principal amount of 5.81% fixed rate subordinated notes due 2023 issued by Interbank on January 11, 2013. The issuance does not have specific guarantees and, according to SBS regulation, qualify as Tier 2 in the determination of the regulatory capital, as described in our audited financial statements and related notes.
- U.S.\$50.0 million aggregate principal amount of 7.50% fixed rate subordinated notes due 2023 issued by Interbank on December 13, 2013. The issuance does not have specific guarantees and, according to SBS regulation, qualify as Tier 2 in the determination of the regulatory capital, as described in our audited financial statements and related notes.
- S/150.0 million aggregate principal amount of VAC + 3.41% corporate inflation-linked bonds due 2029 issued by Interbank on March 26, 2019, as described in our audited financial statements and related notes.

Additionally, on June 25, 2022, Interbank redeemed a subordinated bond for a nominal outstanding amount of S/137.9 million and an annual fixed rate of 6.91%. Interbank issued those bonds on June 25, 2012, for 10 years.

Additional outstanding indebtedness is mainly related to short term bank facilities for working capital and general purposes.

As of the date of this Annual Report on Form 20-F, Interbank complies with all the covenants described above and not subject to any other such obligations.

Interseguro

Interseguro's primary source of funds is premiums collected, carry from fixed income investments, dividends on equity investments and real estate leases.

Interseguro has issued subordinated bonds in the Peruvian market. As of December 31, 2022, Interseguro had S/247.9 million in bonds outstanding compared to S/259.2 million for 2021. Additionally, Interseguro works with credit lines for promissory notes and letters of guarantee. As of December 31, 2022, the outstanding balance for lines with three major banks in Peru was U.S.\$61.0 million.

Inteligo

The following table presents Inteligo's primary sources of funds as of December 31, 2022 and 2021:

	As of December 31, 2022	As of December 31, 2021	Change	
	(S/ in millions)		(S/ in millions)	%
Total deposits and obligations	4,098.8	4,171.8	(73.0)	(1.7%)
Due to banks and correspondents and inter-bank funds	53.9	183.4	(129.5)	(70.6%)
Total	4,152.8	4,355.3	(202.5)	(4.6%)

In our wealth management segment, the primary source of funds has consisted of deposits and obligations, which amounted to S/4,098.8 million as of December 31, 2022. Inteligo Bank's deposits are retail deposits, from its private wealth clients. Retail deposits provide Inteligo with a low-cost, diverse and stable source of funding. Amounts due to banks and correspondents consist of the credit facilities provided to Inteligo Bank.

Deposits and obligations decreased S/73.0 million or 1.7% from December 31, 2021 to December 31, 2022, mainly attributable to migrations from cash positions to investments. Funds due to banks and correspondents decreased S/ 129.5 million or 70.6% from December 31, 2021 to December 31, 2022, mainly explained by the termination of Inteligo Bank's credit line with Credit Suisse.

Outstanding Indebtedness of Inteligo

As of December 31, 2022, Inteligo's outstanding indebtedness included the following:

- U.S.\$14 million loan under a credit facility between Inteligo Bank and Banque J. Safra Sarasin SA. The credit agreement includes standard clauses regarding eligible collateral.

Izipay

The following table presents Izipay's primary sources of funds as of December 31, 2022:

	As of December 31, 2022 (S/ in millions)
Cash and cash equivalents	111.1
Net cash provided by operating activities	97.4
Net cash used in investing activities	(109.6)
Net cash provided by (used in) financing activities	(18.8)
Total	80.1

In our payments segment, the primary source our principal sources of liquidity are our cash and cash equivalents.

As of December 31, 2022, we had S/111.1 million of cash and cash equivalents, customer funds cash and cash equivalents. Customer funds cash and cash equivalents are used to meet the obligations set aside for customers.

Outstanding Indebtedness of Izipay

As of December 31, 2022, Izipay's outstanding indebtedness included the following:

- U.S.\$ 18.6 million loan under a credit facility between Izipay and Scotiabank Perú SAA, Banco Internacional del Perú and Banco de Crédito del Perú. The framework agreement for the facility includes standard clauses regarding eligible collateral, compliance with covenants and other administrative matters.
- S/0.4 million financial leasing.
- S/31.0 million loans with local banks.

Regulatory Capital

We are not required to establish a regulatory capital for statutory purposes. However, Interbank and Interseguro are required to maintain minimum regulatory capital pursuant to guidelines issued by the SBS, and Inteligo Bank is required to maintain minimum regulatory capital pursuant to guidelines issued by the Central Bank of The Bahamas. Izipay does not have mandatory capital requirements.

Interbank

As of December 31, 2022, the minimum regulatory capital as a percentage of risk-weighted assets for Interbank was 9.8% and its ratio of regulatory capital to total risk weighted assets was 15.1%, the highest among the four largest banks in Peru, according to the SBS. As of December 31, 2021, the minimum regulatory capital as a percentage of risk-weighted assets for Interbank was 9.0% and its ratio of regulatory capital to total risk weighted assets was 15.9%, the highest among the four largest banks in Peru, according to the SBS. As of December 31, 2020, the minimum regulatory capital as a percentage of risk-weighted assets for Interbank was 10.7% and its ratio of regulatory capital to total risk weighted assets was 17.0%, the highest among the four largest banks in Peru, according to the SBS. See Note 16(f) to our audited annual consolidated financial statements and “Item 4. Information on the Company—Business Overview—Regulation and Supervision” section in this Annual Report on Form 20-F for a discussion of regulatory capital requirements applicable to Interbank.

The following tables present Interbank’s regulatory capital as of December 31, 2022, 2021 and 2020, in accordance with SBS GAAP, as required by the Peruvian Banking and Insurance Law.

	As of December 31, 2022	As of December 31, 2021	Change	
	(S/ in (millions))		(S/ in millions)	%
Paid-in-capital	5,441.9	4,961.8	480.2	9.7%
Legal and special reserves	1,166.0	1,045.9	120.0	11.5%
Treasury stock	(33.9)	(33.9)	—	—
Earnings pending capitalization ⁽¹⁾	458.1	299.9	158.2	52.7%
Shares of IFS ⁽²⁾	(1.4)	(1.5)	0.1	(4.3%)
Others	(14.3)	(10.1)	(4.2)	41.4%
Total Tier 1	7,016.4	6,262.1	754.3	12.0%
Subordinated bonds	2,288.4	2,462.1	(173.7)	(7.1%)
Generic allowances for loan losses	465.7	423.1	42.7	10.1%
Shares of IFS ⁽²⁾	(1.4)	(1.5)	0.1	(4.3%)
Others	(14.3)	(10.1)	(4.2)	41.4%
Total Tier 2	2,738.4	2,873.5	(135.1)	(4.7%)
Total Regulatory Capital	9,754.8	9,135.6	619.2	6.8%
Risk-weighted assets	64,690.1	57,570.3	7,119.8	12.4%
Regulatory capital as a percentage of risk-weighted assets	15.1%	15.9%		

(1) Corresponds to retained earnings to be capitalized as directed by the board of directors.

(2) Corresponds to 24,324 IFS shares held by Interbank as of December 31, 2022.

	As of December 31, 2021	As of December 31, 2020	Change	
	(S/ in (millions))		(S/ in millions)	%
Paid-in-capital	4,961.8	4,723.4	238.4	5.0%
Legal and special reserves	1,045.9	1,019.5	26.5	2.6%
Treasury stock	(33.9)	(33.9)	—	n.m.
Earnings pending capitalization ⁽¹⁾	299.9	231.9	68.0	29.3%
Unrealized gains in investments available-for-sale	—	—	—	n.m.
Subordinated bonds	—	—	—	n.m.
Shares of IFS ⁽²⁾	(1.5)	(1.1)	(0.4)	38.7%
Others	(10.1)	(9.0)	(1.1)	11.8%
Total Tier 1	6,262.1	5,930.7	331.4	5.6%
Subordinated bonds	2,462.1	2,393.5	68.5	2.9%
Generic allowances for loan losses	423.1	428.1	(5.0)	(1.2%)
Shares of IFS ⁽²⁾	(1.5)	(1.1)	(0.4)	38.7%
Others	(10.1)	(9.0)	(1.1)	11.8%
Total Tier 2	2,873.5	2,811.5	62.0	2.2%
Total Regulatory Capital	9,135.6	8,742.1	393.5	4.5%
Risk-weighted assets	57,570.3	51,451.8	6,118.5	11.9%
Regulatory capital as a percentage of risk-weighted assets	15.9%	17.0%		

(1) Corresponds to retained earnings to be capitalized as directed by the board of directors.

(2) Corresponds to 24,324 IFS shares held by Interbank as of December 31, 2021.

n.m. means not meaningful.

Interseguro

Interseguro is required to maintain a minimum regulatory capital, also known as solvency equity, pursuant to guidelines issued by the SBS. The capital requirement is the sum of solvency equity and the guarantee fund. Solvency equity is determined by the level of risk and the risk profile assumed by an insurance company in Peru in accordance with SBS regulations. The guarantee fund is equivalent to 35% of solvency equity. See Note 16(f) to our audited annual consolidated financial statements and “Item 4. Information on the Company—Business Overview—Regulation and Supervision” in this Annual Report on Form 20-F for a discussion of regulatory capital requirements applicable to Interseguro.

The following tables present Interseguro’s solvency ratio as of December 31, 2022, 2021 and 2020 in accordance with SBS GAAP as required by the Peruvian Banking and Insurance Law.

	As of December 31, 2022	As of December 31, 2021	Change	
	(S/ in millions)		(S/ in millions)	%
Regulatory capital	1,338.2	1,387.7	(49.5)	(3.6%)
Less:				
Solvency equity (solvency margin) ⁽¹⁾	714.9	672.6	42.3	6.3%
Guarantee fund ⁽²⁾	250.2	235.4	14.8	6.3%
Required capital	965.1	907.9	57.1	6.3%
Surplus	373.2	479.8	(106.6)	(22.2%)
Solvency Ratio⁽³⁾	138.7%	152.8%		

	As of December 31, 2021	As of December 31, 2020	Change	
	(S/ in millions)		(S/ in millions)	%
Regulatory capital	1,387.7	1,359.4	28.3	2.1%
Less:				
Solvency equity (solvency margin) ⁽¹⁾	672.6	607.8	64.7	10.6%
Guarantee fund ⁽²⁾	235.4	212.7	22.6	10.6%
Required capital	907.9	820.6	87.3	10.6%
Surplus	479.8	538.8	(59.1)	(11.0%)
Solvency Ratio⁽³⁾	152.8%	165.7%		

- (1) Corresponds to an amount determined by the level of risk and the risk profile assumed by an insurance company in Peru in accordance with SBS regulations.
- (2) Equal to 35% of solvency margin.
- (3) Solvency ratio for Interseguro is calculated in accordance with SBS guidelines. See “Item 4. Information on the Company—Business Overview—Regulation and Supervision—Insurance Regulation and Supervision—Solvency Requirements and Regulatory Capital”.

Inteligo Bank

The following tables present Inteligo Bank’s risk-weighted assets under the prior standard and regulatory capital as a percentage of risk-weighted assets as of December 31, 2022, 2021 and 2020, respectively.

	As of December 31, 2022	As of December 31, 2021	Change	
	(U.S. \$/ in millions)		(\$/ in millions)	%
Total eligible capital	195.8	287.2	(85.9)	(31.8%)
Total risk-weighted assets	959.2	1,177.3	(218.1)	(18.5%)
Capital ratio	20.4%	24.4%		

	As of December 31, 2021	As of December 31, 2020	Change	
	(U.S. \$/ in millions)		(\$/ in millions)	%
Total eligible capital	287.2	270.7	16.5	6.1%
Total risk-weighted assets	1,177.3	953.0	224.3	23.5%
Capital ratio	24.4%	28.4%		

In August 2022, the Central Bank of Bahamas released the Bahamas Capital Regulations 2022. The new regulation set a new capital ratio limit and introduced changes to the credit and operational risk equivalent assets and deductions of high-risk assets from the capital base. According to the new regulation, the Central Bank of Bahamas requires the Inteligo Bank to maintain a capital ratio of not less than 12%. Under this new regulation, Inteligo Bank's capital ratio at December 31, 2022 was 16.5%. This ratio is not displayed on the tables above because it is not comparable with the ratio of the prior standard. In 2018, the Central Bank of The Bahamas published two discussion papers focused on minimum disclosures (Pillar III of the Basel II framework) and the net stable funding ratio and the liquidity coverage ratio (main components of Basel III), but its liquidity framework will be implemented after the completion of the capital framework.

Risk-weighted assets are the sum of (i) the total amount of credit risk weighted assets and indirect loans, (ii) 10 times the regulatory capital allocated to cover market risk, only if the bank's market risk position is higher than (a) 5% of the total on- and off-balance sheet assets, or (b) U.S.\$100 million, and (iii) 12.5 times the regulatory capital allocated to cover operational risk. As of December 31, 2022, Inteligo Bank's ratio of regulatory capital to total risk-weighted assets was 20.4%.

In Peru, Inteligo SAB is regulated by the SMV, which is responsible for determining the minimum capital requirement for the companies under its supervision. As of December 31, 2022, the capital requirement for brokerage houses is the sum of (i) the minimum regulatory capital required of S/2.3 million; and (ii) the regulatory capital allocated to cover operational risks. As of December 31, 2022, Inteligo SAB held capital exceeding S/21.7 million.

Izipay

In Peru, Izipay is regulated by Central Bank of Perú.

Commitments and Contractual Obligations

We enter into various commitments and contractual obligations that may require future cash payments, respectively.

The following tables summarize our commitments and contractual obligations as of December 31, 2022 and 2021, respectively:

As of December 31, 2022	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(S/ in millions)				
Deposits and obligations	47,223.8	956.0	67.5	283.5	48,530.7
Inter-bank funds	30.0	—	—	—	30.0
Due to banks and correspondents	2,433.5	3,220.1	288.8	1,158.3	7,100.6
Bonds, notes and other obligations	2,296.5	—	2,903.4	2,706.4	7,906.3
Due from customers on acceptances	45.8	—	—	—	45.8
Accounts payable, provisions and other liabilities	3,026.4	—	—	—	3,026.4
Lease liabilities	36.6	47.5	22.0	6.5	112.6
Total⁽¹⁾	55,092.5	4,223.7	3,281.7	4,154.6	66,752.4

As of December 31, 2021	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(S/ in millions)				
Deposits and obligations	48,258.8	335.2	42.7	261.3	48,897.9
Inter-bank funds	—	—	—	—	n.m.
Due to banks and correspondents	1,068.8	5,324.3	1,163.7	966.0	8,522.9
Bonds, notes and other obligations	249.6	2,261.4	1,895.7	3,982.9	8,389.7
Due from customers on acceptances	152.4	—	—	—	152.4
Accounts payable, provisions and other liabilities	2,242.7	—	—	—	2,242.7
Lease liabilities	46.4	61.4	29.5	97.6	234.9
Total⁽¹⁾	52,018.7	7,982.4	3,131.6	5,307.8	68,440.5

(1) For insurance contract liabilities as of December 31, 2022 and 2021, see Note 14 of our audited annual consolidated financial statements.
n.m. means not meaningful.

All contractual obligations included in these tables are recognized as liabilities on our consolidated statement of financial position and represent principal payments on an undiscounted basis without including payment of future interest.

Off-Balance Sheet Arrangements

Our subsidiaries Interbank, Interseguro, Inteligo and Izipay have various contractual arrangements, such as contingent operations, that are not recognized as liabilities in our audited annual consolidated financial statements but are required to be recorded as off-balance sheet items. See Note 18 to our audited annual consolidated financial statements.

We enter into contingent operations to generate fees from guarantees, stand-by letters of credit, import and export letters of credit, due from bank acceptances and foreign currency forward obligations.

Off-Balance Sheet Arrangements as of December 31, 2022 and 2021

The following table presents our consolidated off-balance sheet arrangements as of December 31, 2022 and 2021.

	As of December 31,		Change	
	2022	2021	(S/ in millions)	%
	(S/ in millions)			
Contingent credits—Indirect loans				
Guarantees and standby letters	4,001.8	4,150.1	(148.3)	(3.6%)
Import and export letters of credit	485.5	290.4	195.2	67.2%
	4,487.3	4,440.5	46.9	1.1%
Derivatives—Notional amounts Held for trading				
Forward currency contracts—buy	1,977.3	3,925.5	(1,948.1)	(49.6%)
Forward currency contracts—sell	4,057.8	4,390.3	(332.5)	(7.6%)
Foreign currency forward contracts on currencies other than sol	292.9	316.0	(23.1)	(7.3%)
Interest rate swaps	2,424.6	2,969.0	(544.5)	(18.3%)
Currency swaps	2,672.5	4,162.3	(1,489.8)	(35.8%)
Cross currency swap	224.5	234.7	(10.2)	(4.3%)
Foreign currency options	80.2	1.8	78.3	n.m
Held as hedges Cash flow hedges:				
Interest rate swaps	—	—	—	—
Cross currency swap	2,579.2	2,358.0	221.2	9.4%
	14,309.0	18,357.6	(4,048.7)	(22.1%)
Responsibilities under credit lines agreements	14,758.7	12,182.2	2,576.5	21.1%
Total	33,555.0	34,980.3	(1,425.3)	(4.1%)

n.m. means not meaningful.

Guarantees and standby letters decreased by S/148.3 million, or 3.6%, from S/4,150.1 million as of December 31, 2021 to S/4,001.8 million as of December 31, 2022. Import and export letters of credit increased S/195.2 million.

Foreign currency forwards, including purchase and sale agreements decreased S/23.1 million from S/316.0 million as of December 31, 2021 to S/292.9 million as of December 31, 2022. We also use derivative financial instruments as hedges. See Note 10(b) to our audited annual consolidated financial statements for derivative financial instruments valuation.

Responsibilities under credit line agreements increased S/2,576.5 million for the year ended December 31, 2022, compared to the amount registered as of December 31, 2021. These credit line agreements are cancellable at any time by Interbank.

Off-Balance Sheet Arrangements as of December 31, 2021 and 2020

The following table presents our consolidated off-balance sheet arrangements as of December 31, 2021 and 2020.

	As of December 31,		Change	
	2021	2020	(S/ in millions)	%
Contingent credits—Indirect loans				
Guarantees and standby letters	4,150.1	4,445.1	(295.0)	(6.6)%
Import and export letters of credit	290.4	166.9	123.5	74.0%
	4,440.5	4,611.9	(171.5)	(3.7)%
Derivatives—Notional amounts Held for trading				
Forward currency contracts—buy	3,925.5	2,317.1	1,608.3	69.4%
Forward currency contracts—sell	4,390.3	947.3	3,443.1	n.m.
Foreign currency forward contracts on currencies other than sol	316.0	396.7	(80.6)	(20.3)%
Interest rate swaps	2,969.0	4,382.5	(1,413.5)	(32.3)%
Currency swaps	4,162.3	2,520.8	1,641.6	65.1%
Cross currency swap	234.7	213.1	21.5	10.1%
Foreign currency options	1.8	22.7	(20.9)	(92.0)%
Held as hedges Cash flow hedges:				
Interest rate swaps	—	—	—	n.m.
Cross currency swap	2,358.0	2,140.0	218.0	10.2%
	18,357.6	12,940.2	5,417.5	41.9%
Responsibilities under credit lines agreements	12,182.2	9,953.6	2,228.7	22.4%
Total	34,980.3	27,505.7	7,474.6	27.2%

n.m. means not meaningful.

Guarantees and standby letters decreased by S/295.0 million, or 6.6%, from S/4,445.1 million as of December 31, 2020 to S/4,150.1 million as of December 31, 2021. Import and export letters of credit increased S/123.5 million.

Foreign currency forwards, including purchase and sale agreements decreased S/80.6 million from S/396.7 million as of December 31, 2020 to S/316.0 million as of December 31, 2021. We also use derivative financial instruments as hedges. See Note 10(b) to our audited annual consolidated financial statements for derivative financial instruments valuation.

Responsibilities under credit line agreements increased S/2,228.7 million for the year ended December 31, 2021, compared to the amount registered as of December 31, 2020. These credit line agreements are cancellable at any time by Interbank.

Capital Expenditures Program

We have made significant investments and, in particular, in our banking segment. In fact, Interbank has made substantial investments in recent years targeting both digital and physical infrastructure.

Interbank believes that it is building the foundations to capture current and future market opportunities and continue to grow. It has a capital expenditure plan to ensure the accomplishment of its medium-term strategic plan, as it believes that not only operating efficiency and proximity to its customers, but also digital transformation and innovation, are key competitive advantages. We are investing intensely in our transformation and our technology capital expenditures are double that the one in made in 2015.

While we budget for investments across our subsidiaries, Interbank accounts for the substantial majority of our capital expenditures budget. We budget for year long periods. Interbank's budget for capital expenditures for the next three years is approximately S/900 million. Of this budget, approximately 84% is related to technology expenditures including investments in our digital platform, aligned with technology as a main pillar at IFS. Some of the key technological expenditures include:

- significant improvements in our digital platform, including new functionalities aimed to enhance User Experience (UX), in both retail and commercial segments;
- further improvement in advanced analytical capabilities and personalization approach to better understand our customers through data and analytics, artificial intelligence, machine learning, deep learning, among others, to enrich our understanding of Peruvian clients and strengthen our data driven organization approach;

- research and development of digital solutions, including products, services, and processes in a fast-changing and competitive environment; and
- strengthen cybersecurity standards to protect our customers.

Interseguro has invested in technology and projects to support its rapidly expanding operations. It has implemented an operations system in order to support Interseguro's planned growth in individual life and retail insurance products, a CRM platform, robotic process automation (RPA) to automate processes and look for operational efficiency, in addition to improving such processes and freeing up resources. Interseguro also has introduced its new 100% digital products and solutions such as Rumbo, car insurance, travel insurance, Vida Free and Vida Cash. Interseguro has also implemented and digitized the process of analysis of needs for life insurance products, which allows the company to issue insurance policies without a physical application form.

Additionally, Interseguro continues improving business intelligence capabilities such as Datalake which allows the consolidation of information from different Interseguro systems to generate a unique customer base for the creation of predictive models.

In our wealth management segment, Inteligo SAB and Inteligo Peru Holdings implemented a new core system "SAP Business One" to automate back-office activities like accounting, budgeting and purchasing. Inteligo Bank has continued working on complementing its IT infrastructure and further developing of its technology platform, which will allow it to leverage its existing CRM platform and develop stronger business intelligence capabilities.

In our payments segment, Izipay constantly invests in technology in order to reinforce its network, including POS with Android operative system as well as hardware to increase its capacities and developing software in order to deliver new services to different types of clients. The capital expenditure investment from Izipay for the period 2022 was S/104.3 million.

C. Research and Development, Patents and Licenses, etc.

Not Applicable.

D. Trend Information

As of December 31, 2022, we had total assets of S/87.5 billion (approximately U.S.\$22.9 billion), total gross loans of S/47.5 billion (approximately U.S.\$12.5 billion), total deposits and obligations of S/7.1 billion (approximately U.S.\$1.9 billion) and shareholders' equity of S/10.0 billion (approximately U.S.\$2.6 billion).

Substantially all of our subsidiaries' operations are conducted in Peru. Accordingly, our results of operations and financial condition are dependent on economic conditions, consumer spending and investment levels in Peru.

The economic impacts of the COVID-19 pandemic were compounded by the slowdown that the Peruvian economy has experienced in recent years, which had already intensified due to several factors, including (i) a strong El Niño phenomenon, which adversely affected agricultural production, transportation services, tourism and commercial activity, and resulted in a 1.5% drop in GDP growth in 2017; (ii) corruption scandals related to the activities of certain Brazilian and Peruvian companies in the construction sector, which resulted in suspension or delay of important infrastructure projects during 2018; and (iii) political instability, as Peru has suffered a series of government institutional crises starting in 2018 due to, among other things, several corruption scandals involving prominent political figures, which have resulted in resignations and impeachment of various presidents since then, including most recently former President Jose Pedro Castillo in December 2022 following an attempted coup, as well as investigations of certain members of the judicial system and the public ministry who are now facing prosecution. Despite these factors and continued political corruption scandals, the Peruvian economy continued to outperform its peer countries in 2019, supported by solid macroeconomic fundamentals and strong fiscal and monetary policies.

In 2020, Peru experienced an 11.0% GDP contraction as a result of the impact of the COVID-19 pandemic, and in particular the impact of the lockdown and mobility restrictions implemented by the Peruvian government to contain the spread of the pandemic, which in turn resulted in (i) lower employment, (ii) postponement of investment projects, and (iii) restricted access to goods and services. As a result of the reductions in private consumption and gross fixed investment, domestic demand decreased 9.8% during the year.

At the beginning of 2021, Peru continued to struggle from the effects of the pandemic but started to recover over time as targeted lockdowns decreased and were eventually lifted and the vaccination program accelerated. The recovery was mainly driven by domestic demand-oriented sectors, improved trade terms, higher private consumption, and the base effect of such improvements as compared to 2020. Nevertheless, such improved economic landscape was negatively affected by the uncertainty that arose in the run up to the presidential and congressional elections that took place in April 2021. These political events contributed to a slowdown in GDP growth, volatility of the exchange rate and weakening of the local currency, which in turn also affected inflation. As a result of these factors, the Peruvian GDP grew 13.3% in 2021.

In 2022, Peru had an economic deceleration due political uncertainty and social unrest. This outlook affected directly the mining, tourism and agricultural sectors. As a consequence, inflation remained at 8.5% as of December 2022. To curb inflation, the Central Bank tightened its monetary policy by elevating the reference policy rate to 7.50% as of December 2022. As a result of these factors, the Peruvian GDP grew 2.7% in 2022. For more information, see “Item 5. Operating and Financial Review and Prospects—Operating Results—Trend Information” in our annual report for the year ended December 31, 2021, filed with the SEC on April 25, 2022 and in our annual report for the year ended December 31, 2022, filed with the SEC on April 24, 2023.

In the beginning of 2023, certain bank failures in the United States and the emergency sale of Credit Suisse significantly increased market volatility and caused turmoil in global capital markets. To date, we have not experienced any negative impact from such events, which we believe is due to the quality of our assets, and our strong capital and liquidity position. Nonetheless, similar developments in the financial industry in the future could potentially affect the Peruvian economy, and consequently, materially adversely affect our business.

The following are the most important trends, uncertainties and events that are reasonably likely to affect us or that would cause the financial information disclosed herein not to be indicative of or have a material adverse effect on our future operating results or financial condition:

- Our businesses and prospects rely on a market-oriented economy, and potential political changes following the upcoming elections may alter the current economic model and business environment.
- Our subsidiaries are subject to extensive regulation and supervision, and changes in existing regulations or the implementation of future regulations.
- The adoption of new international banking and insurance guidelines may cause our subsidiaries to require additional capital and could cause their cost of funds to increase.
- Intense competition from other banking, insurance and financial institutions, and from other players including providers of emerging financial technologies.
- Financial market volatility and market turmoil associated with the failure of two U.S. banks and the emergency sale of Credit Suisse or similar developments in the financial industry.
- Our loans, deposits, asset quality and our profits have all experienced substantial growth, benefitting from growth in the Peruvian economy. However, economic, social and political developments in Peru, including political instability, high profile corruption investigations, inflation and unemployment may cease to support our historically strong growth.
- Our capital and funding requirements as well as our client activity and our clients’ ability to repay loans could be affected by continued adverse developments and market uncertainties relating to the COVID-19 outbreak, which has resulted in significant and unexpected volatility in equity and credit markets.
- Cybersecurity events, earthquakes, other natural disasters, health epidemics (including the current COVID-19 pandemic) and other outbreaks could negatively affect our reputation and the operations of Interbank, Interseguro, Interfondos, Inteligo SAB and Izipay.
- The oceanic and atmospheric phenomenon *El Niño* may have a negative impact on the economy of Peru and on our results. Among other potential impacts, this phenomenon could affect Interbank’s loan activity and asset quality in the future, considering that (i) it may affect the overall payment capacity of Interbank borrowers, and (ii) Interbank loan agreements typically grant borrowers a grace period due to *El Niño*.

For more information regarding potential economic or regulatory factors that could affect our result of operations or financial condition, see “Item 3. Key Information—Risk Factors”, “Item 4. Information on the Company—Business Overview—Strategy”, “Item 5. Operating and Financial Review and Prospects—Operating Results” and “Forward-Looking Statements”.

E. Critical Accounting Estimates

For a summary regarding critical accounting estimates and judgments, please refer to “Item 5. Operating and Financial Review and Prospects – Operating Results—Critical accounting estimates and judgments”.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

General

Our business and affairs are managed by our board of directors in accordance with our articles of incorporation and Panamanian corporate law. Our articles of incorporation provide for a board of directors of no less than three members. Our current board of directors is comprised of seven directors and no alternates. The two-year term of our current board of directors appointed on March 31, 2022 will expire in March 2025.

If a director resigns or otherwise becomes unable to continue with its duties, a majority of our directors may appoint any other person to serve as director for the remaining term of the board.

The board of directors may establish one or more committees, to which it may delegate any or all of its responsibilities. Each committee shall be composed by two or more directors.

The board of directors typically meets in regularly scheduled quarterly meetings and when called by any dignitary (*dignatario*) or our Chief Executive Officer. Resolutions must be adopted by a majority of the directors present at the meeting.

Board of Directors

Our board of directors consists of seven members, three of whom are independent. The business address of our board of directors is Av. Carlos Villarán 140, 5th floor Urbanización Santa Catalina, La Victoria, Lima 13, Perú. The following table sets forth certain information about our current directors.

<u>Name</u>	<u>Position</u>	<u>Year of Birth</u>	<u>Year Appointed</u>
Carlos Tomás Rodríguez-Pastor Persivale	Chairman	1959	2007
Fernando Martín Zavala Lombardi	Secretary	1971	2019
Felipe Federico Roy Morris Guerinoni ⁽¹⁾	Treasurer	1953	2007
José Alfonso Bustamante y Bustamante ⁽¹⁾	Director	1941	2007
Lucía Cayetana Aljovín Gazzani	Director	1966	2019
Hugo Antonio Santa María Guzmán	Director	1963	2019
Guillermo Martínez Barros ⁽¹⁾	Director	1958	2019

(1) Independent director pursuant to Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

The following sets forth selected biographical information for each of the members of IFS’s board of directors.

Carlos Tomás Rodríguez-Pastor Persivale has served as IFS’ chairman since 2007. He also serves as Interbank’s chairman since 1995 and was Interbank’s interim Chief Executive Officer during 2010. In addition, Mr. Rodríguez-Pastor serves as Chairman of InterCorp Peru, Supermercados Peruanos, Tiendas Peruanas, Colegios Peruanos, InRetail Peru Corp. and Universidad Tecnológica del Perú, and as director of Inteligo Group Corp., Interseguro, Homecenters Peruanos and Financiera OH! S.A., among others. Mr. Rodríguez-Pastor received a bachelor’s degree in social science from the University of California at Berkeley and a master’s degree in business administration from the Amos Tuck School of Business at Dartmouth College.

Fernando Martin Zavala Lombardi has served as an IFS director since his appointment on April 2019, and has been serving Interbank as director since March 2019. Mr. Zavala also serves as CEO and director of InterCorp Peru Ltd. and Chairman of InRetail Pharma and Homecenters Peruanos, and director of InRetail Peru Corp., Inteligo Group Corp., Universidad Tecnológica del Perú, Colegios Peruanos, Interseguro, Tiendas Peruanas, Supermercados Peruanos, Financiera OH! S.A., Intertítulos, and Inteligo Bank. He previously served as CEO in Peru and Panama of the multinational company SABMiller, as General Manager of Indecopi and has been director of several companies in Peru, and several business guilds and NGOs as well. In the public sector, he has been Prime Minister and Minister of Economy and Finance, the latest twice. Mr. Zavala received a bachelor’s degree in economics from Universidad del Pacífico in Lima, a master’s degree in business management from Universidad de Piura, and a master’s in business administration from University of Birmingham in England.

Felipe Federico Roy Morris Guerinoni has served as one of IFS’ directors since 2007. Mr. Morris also serves as Chairman of Interseguro and Financiera OH!, as Vice-Chairman of Interbank and as Director of InterCorp Peru and Inteligo Bank. Mr. Morris received a bachelor’s degree in economics from the Universidad del Pacífico in Lima, a master’s degree in economics from the University of Pittsburgh and a master’s degree in finance from American University.

José Alfonso Bustamante y Bustamante has served as one of IFS’ and Interbank’s directors since March 2007. Mr. Bustamante is the President of the Board of CFI Holdings S.A. and also serves as a director of Agrícola Cerro Prieto S.A., Irrigadora Cerro Prieto S.A.C., Huaura Power Group S.A. and San Miguel Industrias Pet S.A. Mr. Bustamante was President of the Board of Telefónica del Perú and Banco Santander Central Hispano, formerly known as Bancosur, and of the Asociación de Bancos del Perú – ASBANC. In the public sector, Mr. Bustamante was the Prime Minister of Peru and Minister of Industry, Tourism, Integration and International Trade Negotiations (1993-1994) and was president of COPRI and Prom Perú during the same period. Mr. Bustamante received a bachelor’s degree in agricultural engineering from the Universidad Nacional Agraria La Molina in Lima and pursued his graduate studies at the University of Michigan, Ann Arbor.

Lucía Cayetana Aljovin Gazzani has served as one of IFS' directors since her appointment in April 2019 and has been serving as Interbank's director since July 2018. She has also served as Foreign Affairs Minister, Minister of Energy and Mines and Minister of Social Inclusion. Mrs. Aljovin is the President of the National Fishing Society, Vice President of CONFIEP and Vice President of the Arbitral Tribunal of AMCHAM Perú. Previously, she was a partner at Miranda & Amado law firm, a member of the board of directors of the Lima Stock Exchange and served as director of other Peruvian companies and nonprofit organizations. Mrs. Aljovin received a degree in Law from the Pontificia Universidad Católica del Perú and a master's degree in business administration from Universidad Adolfo Ibanez of Chile. She has also been a journalist and a professor at several Peruvian universities.

Hugo Antonio Santa María Guzmán has served as one of IFS' directors since his appointment in April 2019, and has been serving as Interbank director since November 2016. Mr. Santa María is partner, manager of economic studies, and chief economist of APOYO Consultoría, where he runs the Business Advisory Service (SAE, for its acronym in Spanish). SAE is the leading economic and business (analysis) service in Peru. He is currently a member of the board of directors of Virú S.A., InRetail Perú Corp. and Colegios Peruanos. Previously, he was a member of the boards of Banco Santander Peru, Grupo ACP, Compañía Minera Atacocha and the Consolidated Reserve Fund (investment fund of the Peruvian public pension system) and independent director and President of the board of Mibanco. Mr. Santa María has been a professor in graduate programs at Universidad del Pacífico, Universidad Peruana de Ciencias Aplicadas and Universidad de Piura. Mr. Santa María holds a bachelor's degree in economics from Universidad del Pacífico and Ph.D. from Washington University in St. Louis.

Guillermo Martínez Barros has served as one of IFS's directors since 2019. He has also served as a director of Interseguro since 2008. Mr. Martínez serves as director of Financiera OH! S.A., PrimAmérica S.A. in Chile and is a member of the Direction Committee of Centros de Salud Peruanos S.A.C. Mr. Martínez is also the chairman and owner of Inmobiliaria e Inversiones Siete Mares S.A. and the chairman of Scan S.A. and Ebench S.A. in Chile. Mr. Martínez received a bachelor's degree in business administration from the Universidad Católica de Chile, a master's degree in business administration from the University of Chicago and a master's degree in economics from the London School of Economics.

Executive Officers

The business address of our executive officers is Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Perú. The following table sets forth certain information about our executive officers. Each member of our management team serves for open-ended terms.

Name	Position	Year of Birth	Year Appointed
Luis Felipe Castellanos López Torres	Chief Executive Officer	1970	2013
Gonzalo José Basadre Brazzini	Deputy Chief Executive Officer	1970	2013
Michela Casassa Ramat	Chief Financial Officer	1973	2012
Liliana Elcira Vera Villacorta	Chief Accounting Officer	1974	2006
Juan Antonio Castro Molina	General Counsel	1971	2006
Carlos Tori Grande	Executive Vice President of Payments	1976	2022
Ernesto Giancarlo Ferrero Merino	Investor Relations Officer	1973	2014
Katia Mercedes Lung Won	Chief Compliance Officer	1968	2016
Peter Roekaert Embrechts	Internal Auditor	1967	2020
Zelma Acosta-Rubio Rodríguez	Chief Sustainability Officer	1965	2022

Luis Felipe Castellanos López Torres, Mr. Castellanos has served as IFS' Chief Executive Officer since April 2013 and as Interbank's Chief Executive Officer since January 2011. Mr. Castellanos is also one of Interseguro's directors since his appointment in April 2019. Mr. Castellanos joined Interbank in 2006 as the Chief Executive Officer of Interfondos. He has served as Interbank's Vice President for Retail Banking and Manager of the Mortgage and Real Estate Division. Previously, he was a Director in the investment banking division at Citigroup Global Markets in New York. Before joining Citigroup, Mr. Castellanos was responsible for the treasury department at Minera Yanacocha S.A. Mr. Castellanos received a bachelor's degree in business administration from the Universidad del Pacífico and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

Gonzalo José Basadre Brazzini has served as IFS' Deputy Chief Executive Officer since April 2013. Mr. Basadre is also the General Manager/Chief Executive Officer of Interseguro since 2012. Previously, he was the Vice President of Investments (Chief Investment Officer) of Interseguro. He received a bachelor's degree in business administration from the Universidad del Pacífico in Lima and a master's degree of business administration from Harvard University.

Michela Casassa Ramat has served as IFS' Chief Financial Officer and as Interbank's Chief Financial Officer since September 2012. Mrs. Casassa joined Interbank in September 2011 as Head of Strategic Planning. Prior to joining Interbank, she served as Head of Strategy for Corporate and Investment Banking at Banco de Crédito del Perú in Lima and Unicredit in Munich, and Head of Strategy for the International Division of Unicredit in Milan and Istanbul. She has also worked at The Boston Consulting Group in Milan and Citibank in Lima. Mrs. Casassa holds a bachelor's degree in business administration from the Universidad de Lima and a master's degree in business administration with a specialization in finance from the SDA Bocconi in Milan.

Liliana Elcira Vera Villacorta has served as IFS' Chief Accounting Officer since our formation. Ms. Vera served as Accounting Manager of Interbank from 2003 to 2011. From 1998 to 2002, Ms. Vera was a senior analyst at EY Peru. Ms. Vera received a degree in accounting from the Pontificia Universidad Católica del Perú and a master's degree in business administration from INCAE Business School.

Juan Antonio Castro Molina. Mr. Castro is Corporate Legal Vice President for InterCorp Group, and General Counsel for IFS since its incorporation. Mr. Castro also serves as member of the board of Universidad Tecnológica del Peru and other companies of the InterCorp Group. Mr. Castro was previously employed at Wilmer, Cutler, Pickering, Hale and Dorr in Washington D.C. and has also served as chief of staff to the Prime Minister of Peru (2001). Mr. Castro received a degree in law from the Pontificia Universidad Católica del Perú, a master's of laws degree from the University of Virginia where he attended as a Fulbright scholar, a master's degree in business administration from Universidad Adolfo Ibañez, and he has attended senior management programs at Harvard Business School and the Wharton School of Business at the University of Pennsylvania.

Carlos Tori Grande has served as IFS's Executive Vice President of Payments since June 2022, and as Interbank's Executive Vice President of Payments Ecosystem since August 2022. At Interbank, he has previously served as Vice President of Retail Banking and Channels since March 2021, as Vice President of Retail Banking since December 2016 and as Vice President for Distribution Channels since February 2014. In addition, Mr. Tori serves as a director of Servitebca and PMP. Mr. Tori joined Interbank in 2009 as Head of the Corporate Finance team. Previously, Mr. Tori had served as a director of Interfondos, Compañía de Servicios Conexos Expressnet and Pagos Digitales Peruanos. Prior to joining Interbank, Mr. Tori worked for Citigroup and BankBoston. Prior to 2009, he served as an Investment Banking Associate at Merrill Lynch's Financial Institutions Group. Mr. Tori received a bachelor's degree in business administration from Texas A&M University and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College. In addition, he attended the Advanced Management Program at Harvard Business School.

Ernesto Giancarlo Ferrero Merino, was appointed IFS' Investor Relations Officer in July 2014. Previously he served as Interbank's Head of Financial Management since February 2012. Mr. Ferrero joined Interbank in November 2010 as Deputy Head of Corporate Finance. Prior to joining Interbank, he served as Corporate and Investment Banking Vice President at BBVA Banco Continental and General Manager at BBVA Continental Bolsa. Mr. Ferrero holds a bachelor's degree in economics from the Universidad del Pacífico, as well as a master's degree in business administration from the Rotterdam School of Management at Erasmus University, The Netherlands.

Katia Mercedes Lung Won was appointed as IFS' Chief Compliance Officer in March 2016. She also serves as Chief Compliance Officer of Interbank since 2012. Prior to joining Interbank, Ms. Lung served as Vice President Project Manager for Suntrust Bank in Miami, Florida in the International Wealth Management Division and as Vice President BSA/AML Compliance Officer for BNP Paribas Agency and the General Security Principal (Broker Dealer) for BNP Paribas Investment Services. Ms. Lung holds a bachelor's degree in business administration from Florida International University (*Cum Laude*), and a master's degree in business administration from Nova Southeastern University, as well as a CP/AML FIBA and a Six Sigma Certification—Green Belt.

Peter Roekaert Embrechts was appointed as IFS' Internal Auditor in June 2020. Since September 2019 Mr. Roekaert has been in charge of SOX and internal control implementation at IFS and subsidiaries. Previously he served as Interbank's Head of Credit Risk Monitoring and Recovery – Commercial Banking since December 2006. Prior to that he was Deputy Head of Recovery – Commercial Banking since January 2004 and worked at Interbank's Corporate Banking Division since July 1996. Mr. Roekaert holds a bachelor's degree in economics from the Universidad del Pacífico, as well as a master's degree in business administration from the Johnson Graduate School of Management at Cornell University.

Zelma Acosta-Rubio Rodríguez has served as IFS' Chief Sustainability Officer since March 2022, as Interbank's General Counsel and Secretary of the Board of Directors since April 2007, and as Executive Vice President of Corporate and Legal Affairs since 2018. Mrs. Acosta-Rubio also serves as Chief Diversity Officer for InterCorp since 2018, as well as a director of several related companies of Interbank, including, La Fiduciaria S.A. (related under SBS rules) and Intertítulos. Previously, she served as Director at Compañía de Servicios Conexos Expressnet. Before joining Interbank, Mrs. Acosta-Rubio worked at Clifford Chance in London and Milbank, Tweed, Hadley & McCloy in New York. Mrs. Acosta-Rubio received a law degree from the Universidad Católica

Andres Bello in Caracas, a master's degree in comparative jurisprudence from New York University, a master's degree in international banking law from Morin Center for Banking and Financial Law at Boston University and a master's degree in business administration from the Management School at Universidad de Piura. In addition, she attended courses on governance and corporate social responsibility at Harvard Business School. Mrs. Acosta-Rubio is admitted to the New York State Bar.

Interbank

Board of Directors

Interbank's board of directors consists of ten members, six of whom are independent. The business address of Interbank's board of directors is Av. Carlos Villarán, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. The following table sets forth certain information about our directors as of the date of this Annual Report on Form 20-F.

Name	Position	Year of Birth	Year Appointed
Carlos Tomás Rodríguez-Pastor Persivale	Chairman	1959	1995
Ramón José Vicente Barúa Alzamora	Director	1946	1994
José Alfonso Bustamante y Bustamante ⁽¹⁾	Director	1941	2007
David Fischman Kalincausky ⁽¹⁾	Director	1958	2003
Carlos Miguel Heeren Ramos ⁽¹⁾	Lead Director	1968	2015
Felipe Federico Roy Morris Guerinoni	Director	1953	2000
Lucía Cayetana Aljovín Gazzani ⁽¹⁾	Director	1966	2018
Hugo Antonio Santa María Guzmán ⁽¹⁾	Director	1963	2016
Fernando Martín Zavala Lombardi	Director	1971	2019
Marcia Nogueira de Mello	Director	1965	2022

(1) Independent director pursuant to Peruvian regulations.

The following sets forth selected biographical information for each of the members of Interbank's board of directors.

Carlos Tomás Rodríguez-Pastor Persivale, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors".

Ramón José Vicente Barúa Alzamora has served as one of Interbank's directors since 1994. In addition, Mr. Barúa serves as a director of InRetail Pharma, Supermercados Peruanos, Real Plaza, Universidad Tecnológica del Perú, Financiera OH! S.A., Inteligo Group and Interseguro. He has also served as director of InterCorp Perú, IFS, Inretail Peru Corp., Tiendas Peruanas and Homecenters Peruanos and until 2019, he was the Chief Executive Officer of InterCorp Perú. Mr. Barúa received a bachelor's degree in industrial engineering from the Universidad Nacional de Ingeniería in Lima and a degree in economics from the Université Catholique de Louvain in Belgium.

José Alfonso Bustamante y Bustamante, See "Item 6. Directors, Senior Management and Employees—Directors and senior management—General—Board of Directors".

David Fischman Kalincausky has served as one of Interbank's directors since 2003. Mr. Fischman also serves as a director of Supermercados Peruanos. He has served for 17 years as Vice Chancellor of Administration of the Universidad Peruana de Ciencias Aplicadas (UPC) in Lima, of which he is also a funding member. Mr. Fischman is an international consultant on leadership and organizational culture issues. He holds a degree in civil engineering from Georgia Tech University and a master's degree in business administration from Boston University.

Carlos Heeren Ramos has served as one of Interbank's directors since 2015, appointed as Lead Director in 2020 and, as required by the SBS regulation, designated as the Director responsible to supervise the efficiency of the information security and cybersecurity system. In addition, he is CEO of UTEC (Universidad de Ingeniería y Tecnología) and TECSUP (Instituto Superior de Tecnología). He currently serves on the board of a number of companies as well as non-profit organizations. Prior to his current role, he was a partner in the largest consulting firm in Peru, Apoyo Consultoría, where he served as the head of management consulting. Additionally, he spent 12 years as a faculty member in the Graduate School of the Universidad del Pacífico. He obtained his bachelor's degree in economics at the Universidad del Pacífico, and obtained his master's degree in economics from the University of Texas at Austin.

Felipe Morris Guerinoni, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors".

Lucía Cayetana Aljovin Gazzani, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors”.

Hugo Antonio Santa María Guzmán, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors”.

Fernando Martín Zavala Lombardi, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors”.

Marcia Nogueira de Mello has served as one of Interbank’s directors since October 2022. She is co-founder and board member of Revolution Investimentos Ltda. and Volt Partners Investimentos Ltd., independent board member of PagSeguro Digital Ltd. and Leo Meios de Pagamentos Ltd., and member of the advisory board of Banco Letsbank S.A. (formerly Banco Smartbank S.A.). Previously, she served as CEO of Global Payments South America Brasil Serviços de Pagamentos, was member of the advisory board of DMCARD Administradora de Cartões de Crédito, commercial director of Elavon do Brasil Soluções de Pagamento S.A., country manager and sales director of Verifone do Brasil Ltda., director of channels, strategy and payment solutions at Companhia Brasileira de Meios de Pagamento S.A. (Cielo), and business development manager of EDS Electronic Data Systems do Brasil Ltda. (subsidiary of Hewlett-Packard—HP). Mrs. Nogueira received a degree in Computer Science from the Universidade Presbiteriana Mackenzie in Brazil

Executive Officers

The business address of Interbank’s executive officers is Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Perú. The following table sets forth certain information about Interbank’s executive officers as of the date of this Annual Report on Form 20-F.

Name	Position	Year of Birth	Year Appointed
Luis Felipe Castellanos López Torres	Chief Executive Officer	1970	2011
Michela Casassa Ramat	Chief Financial Officer	1973	2012
Gabriela Prado Bustamante	Vice President of Risk Management	1970	2008
Carlos Tori Grande	Vice President Payments Ecosystem	1976	2022
César Augusto Andrade Nicoli	Vice President of Retail Banking and Channels	1971	2022
Víctor Cárcamo Palacios	Vice President of Commercial Banking	1972	2016
Alfonso Díaz Tordoya	President of Operations and Technology	1979	2022
Giorgio Bernasconi Carozzi	Vice President of Capital Markets	1961	2009
Zelma Acosta-Rubio Rodríguez	Vice President of Corporate and Legal Affairs	1965	2007
Julio Del Valle Montero	Manager of Human Resources	1977	2019

Luis Felipe Castellanos López Torres, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers.”

Michela Casassa Ramat, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers.”

Gabriela Prado Bustamante has served as Interbank’s Executive Vice President of Risk Management since July 2008. Previously, Ms. Prado was responsible for Interbank’s Special Asset Management Division and from 2000 to 2004, Ms. Prado served as Manager of Interbank’s Risk Management Division, and responsible for monitoring customer performance. Prior to joining Interbank, Ms. Prado also worked for Santander’s Risk Management Division. Ms. Prado received a bachelor’s degree in business administration from the Universidad de Lima, and a graduate degree in business administration from the INCAE Business School. In addition, she attended the Management Development Program at the Universidad de Piura

Carlos Tori Grande, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers.”

César Augusto Andrade Nicoli has served as Interbank’s Executive Vice President of Retail Banking and Channels since August, 2022. He also served as Vice President of Operations and Technology since May 2015. Before joining Interbank, he served as Director of Sales Strategy at LAN Peru and LATAM Airlines Peru, Commercial Director at Telefonica Colombia and Commercial Vice President at Telefónica Peru. Mr. Andrade holds a bachelor’s degree in economics from the Universidad del Pacífico in Lima and a master’s degree in business administration from the Kellogg School of Management.

Víctor Cárcamo Palacios has served as Interbank’s Executive Vice President for Commercial Banking since January 2016. Previously, he served as Head of Corporate Finance and Head of Medium Enterprises Banking at Interbank. He also serves as Director of Intertítulos, Procesos de Medios de Pago and La Fiduciaria S.A.. Before joining Interbank, Mr. Cárcamo was the Executive Director of Capital Markets at Banco Santander in Mexico and Deputy Manager of Retail Products at Banco Santander in Argentina. Mr. Cárcamo holds a bachelor’s degree in economics from the Universidad de Lima and a master’s degree in business administration from the Universidad Adolfo Ibáñez in Chile. Mr. Cárcamo also completed the General Management Program at Harvard Business School.

Alfonso Díaz Tordoya has served as Interbank’s Vice President of Operations and Technology since August, 2022. Mr. Díaz also serves as a Director of Procesos de Medios de Pago and Cámara de Compensación Electrónica – CCE. He also served as Vice President of Digital Delivery & Partnerships, Head of Digital Alliances, Vice President of Distribution Channels and as Manager for the Digital Channels Division. Previously, he served as director at Interfondos, Servitebca and Compañía de Servicios Conexos Expressnet. Prior to joining Interbank, Mr. Díaz worked in management consulting at A.T. Kearney and in commercial banking at Citigroup Peru. Mr. Díaz is a Licensed Industrial Engineer from Universidad de Lima and holds a master’s degree in business administration from Harvard Business School.

Giorgio Bernasconi Carozzi has served as Interbank’s Executive Vice President for Capital Markets since March 2009. Prior to joining Interbank, Mr. Bernasconi served as Director in Strategy and Marketing, Global Markets and Distribution for Latin America and was responsible for Latin American capital markets at BBVA Bancomer in México. From 1997 to 2006, he was the Deputy General Manager for BBVA Banco Continental in Peru. He previously served as Treasury Vice President for Citibank Lima. Mr. Bernasconi has a bachelor’s degree in administration from the Pontificia Universidad Católica del Perú. In addition, he attended the Management Development Program at the Universidad de Piura, the Corporate Leadership and Management Program at the IESE Business School of the Universidad de Navarra, and the Senior Leaders Group Program at the Harvard Business School.

Zelma Acosta-Rubio Rodríguez, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers.”

Julio Del Valle Montero has served as Interbank’s Human Resources Manager since January 2019. Mr. Del Valle joined Interbank in 2007 and since then has led teams related to Process Transformation, Procurement and Facility Management. Previously, he worked as Senior Manager at BNSF Railway in Texas, United States. Mr. Del Valle holds a bachelor’s degree in industrial engineering from St. Mary’s University and a master’s degree in business administration from SMU Cox School of Business.

Interseguro

Board of Directors

Interseguro’s board of directors consists of eight principal members and one alternate member, three of whom are independent. The business address of Interseguro’s board of directors is Avenida Javier Prado Este No. 492, office No. 2601, San Isidro, Lima 27, Peru. The following table sets forth certain information about Interseguro’s directors as of the date of this Annual Report on Form 20-F.

Name	Position	Year of Birth	Year Appointed
Felipe Morris Guerinoni	Chairman	1953	1998
Juan Carlos Vallejo Blanco	Director	1964	2012
Carlos Tomás Rodríguez-Pastor Persivale	Director	1959	1998
Ramón José Vicente Barúa Alzamora	Director	1946	2000
Raúl Alberto Francisco Musso Vento ⁽¹⁾	Director	1954	2000
Fernando Martín Zavala Lombardi	Director	1971	2019
Luis Felipe Castellanos López Torres	Director	1970	2019
Guillermo Martínez Barros ⁽¹⁾	Director	1958	2008
Carlos Octavio Saco Vértiz Tudela ⁽¹⁾⁽²⁾	Alternate Director for Mr. Guillermo Martínez Barros	1961	2013

(1) Independent director pursuant to Peruvian regulations.

(2) Carlos Octavio Saco Vértiz is an alternate director.

The following sets forth selected biographical information for each of the members of Interseguro’s board of directors.

Felipe Morris Guerinoni, See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors”.

Juan Carlos Vallejo Blanco has served as one of Interseguro's directors since 2012. In addition, Mr. Vallejo is Chief Executive Officer of InRetail Peru Corp., and serves as director of Supermercados Peruanos, Makro Supermayorista, InRetail Pharma, Tiendas Peruanas, Homecenters Peruanos, Quicorp, Colegios Peruanos S.A., Financiera OH! S.A. and Inmobiliaria Milenia S.A. Mr. Vallejo served as Chief Executive Officer of Interseguro from 1998 until 2012. Mr. Vallejo received a bachelor's degree in industrial engineering from the Universidad de Chile and a master's degree in business administration from INCAE Business School in Costa Rica.

Carlos Tomás Rodríguez-Pastor Persivale, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors."

Ramón José Vicente Barúa Alzamora, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Interbank—Board of Directors."

Raul Alberto Francisco Musso Vento has served as one of Interseguro's directors since 2000 and is currently the Chief Executive Officer of Industrias Electro Químicas S.A. Mr. Musso served as a director of Urbi Mercados S.A. from 1999 to 2000, as the General Manager of LP Holding S.A. from 1998-1999 and as the Vice-President of Bankers Trust Company. Mr. Musso received a bachelor's degree in Economics from the Universidad del Pacifico and a master's degree in economics from the University of Pittsburgh.

Fernando Martín Zavala Lombardi, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors".

Luis Felipe Castellanos López Torres, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers"

Guillermo Martínez Barros, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors".

Carlos Octavio Saco Vértiz Tudela has served as an alternate director of Interseguro's since 2004. Mr. Saco-Vértiz has also served as a director of Financiera OH! S.A., Tiendas Peruanas S.A., Supermercados Peruanos S.A. and Homecenters Peruanos S.A. In addition, Mr. Saco-Vértiz is a Senior Partner at BBGS Saco-Vértiz & Landerer law firm. Mr. Saco-Vértiz received a law degree from the Pontificia Universidad Católica del Perú and graduated from the Senior Management Program (PAD) of the Universidad de Piura.

Executive Officers

The business address of Interseguro's executive officers is Av. Javier Prado Este No. 492. office No. 2601, San Isidro, Lima 27, Peru. The following table sets forth certain information about Interseguro's executive officers.

Name	Position	Year of Birth	Year Appointed
Gonzalo José Basadre Brazzini	Chief Executive Officer	1970	2012
Juan Carlos Motta Flores	Vice President, Operations	1963	2011
Juan Pablo Segura Vegas	Vice President, Legal, Administration and Finance	1972	2019
Luciana Camila Olachea Cadenillas	Vice President, Human Development	1977	2020
Percy Rolando Chávez Castillo	Vice President, Commercial	1971	2020
Ian Scofield Rodriguez- Arnaiz	Vice President, Mass Insurance, Digital and Analytics	1985	2022
Armando Vidal Gastañaga	Vice President, Investment	1983	2022
Sergio Jhasmany Soliz Bilbao	Vice President, Information Technology	1985	2022

Gonzalo José Basadre Brazzini, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers".

Juan Carlos Motta Flores has served as Interseguro's Vice President of Operations and Actuarial Studies since 2011. Before joining Interseguro, he was the Chief Executive Officer at Penta Seguros de Vida-Penta Hipotecario in Chile for 10 years, and previously he worked as Technical Manager at Consorcio Nacional de Seguros S.A., also in Chile. Mr. Motta holds a bachelor's degree in economics and a master's degree in economics from Universidad Católica de Chile.

Juan Pablo Segura Vegas has served as Interseguro's Vice President of Legal, Administration and Finance since 2019. Previously, Mr. Segura served as Interseguro's Vice President of Administration and Finance from 2016 to 2017. Prior to joining Interseguro, he was the Executive Director of Corporate Planning at Estee Lauder Companies in New York. He holds a bachelor's degree in business management from the Florida International University and a master's degree in business management from The University of North Carolina.

Luciana Camila Olaechea Cadenillas has served as Interseguro's Human Development Vice President since March 2020. Previously, Mrs. Olaechea served as Interseguro's Human Development Manager from April 2019 to February 2020. Before joining Interseguro, she served as Manager of Consulting in Management and Human Development, Human Development Manager of Digital Transformation, and Human Development Manager for Retail Banking at Banco de Crédito del Perú, where she remained for 11 years. Mrs. Olaechea holds a bachelor's degree in psychology from the Universidad de Lima, and a master's degree in human behavior from the Universidad de Ciencias Aplicadas.

Percy Rolando Chávez Castillo has served as Interseguro's Commercial Vice President since November 2020. Before his appointment as Vice President, Mr. Chávez worked as an Annuities Division Manager of Interseguro. He previously served as Territorial Manager of the Commercial Banking Division at Banbif and Regional Manager for the provincial stores division at Interbank. Mr. Chávez holds a bachelor's degree in economics from Universidad Nacional de la Plata in Argentina and a master's degree in marketing intelligence from Escuela Superior de Gestión Comercial y Marketing in Spain.

Ian Scofield Rodriguez- Arnaiz has served as Interseguro's Vice President, Mass Insurance, Digital and Analytics since August 2022. Before his appointment as Vice President, Mr. Scofield worked as Commercial Manager of Rímac Seguros. He had previously served as Insurance Manager at Banco Ripley and Commercial Division Manager at BNP Paribas Cardif. Mr. Scofield holds a bachelor's degree in Economics from Florida International University and a master's degree in business administration from IE Business School.

Armando Vidal Gastañaga has served as Interseguro's Vice President of Investments since August 2022. Before joining Interseguro, he held the position of Regional Head of Credit at SURA Investment Management. He also held the position of General Manager at Fondos Sura, and Investment Manager at AFP Integra. He holds a bachelor's degree in economics from Universidad del Pacífico, and a master's degree in business administration from IE Business School.

Sergio Jhasmany Soliz Bilbao has served as Interseguro's Vice President of Technology and Information since August 2022. Before joining Interseguro, Mr. Soliz served as Data & Digital Manager at Hipermercados Tottus Perú & Chile. He also served as Digital Manager at Belcorp Corporation and Head of Information Technology at Belcorp Chile. Mr. Soliz holds a bachelor's degree in Systems Engineering from Universidad Católica Boliviana and a master's degree in Software Engineering from Universidad Autónoma Gabriel Rene Moreno.

Inteligo

Board of Directors

Inteligo's board of directors consists of five members, none of whom are independent. The business address of Inteligo's board of directors is Calle 50 con Elvira Méndez, Piso 48 (P.H. Tower Financial Center), Panama City, Panama. The following table sets forth certain information about Inteligo's directors as of the date of this Annual Report on Form 20-F.

<u>Name</u>	<u>Position</u>	<u>Year of Birth</u>	<u>Year Appointed</u>
Roberto Hoyle McCallum	Chairman	1949	2014
Carlos Tomás Rodríguez-Pastor Persivale	Director	1959	2007
Ramón José Vicente Barúa Alzamora	Secretary	1946	2006
Fernando Zavala Lombardi	Vice President	1971	2019
Luis Felipe Castellanos	Director	1970	2019
Reynaldo Roisenvit Grancelli	Treasurer	1969	2020

The following sets forth selected biographical information for each of the members of Inteligo's board of directors.

Roberto Hoyle McCallum has served as Chairman of Inteligo Group since February 2014. He also serves as Chairman of Inteligo Bank Ltd., Chairman of Instituto Cultural Peruano Norteamericano (ICPNA), Director of Inteligo Sociedad Agente de Bolsa S.A., Director of inPeru, Director of Vida Peru, former director and member of the executive committee of Cámara de Comercio de Lima, former Chairman of the Bolsa de Valores de Lima, former Chairman of inPeru and former member of the Executive Committee of FIAB (Federación Iberoamericana de Bolsas). Mr. Hoyle has over 45 years of experience in international banking. He received a bachelor's degree in business administration and completed the Management Executive Program and the executive master's degree in business administration of the Universidad de Piura.

Carlos Tomás Rodríguez-Pastor Persivale, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors".

Ramón José Vicente Barúa Alzamora, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Interbank—Board of Directors".

Fernando Zavala Lombardi, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Board of Directors".

Luis Felipe Castellanos, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—General—Executive Officers."

Reynaldo Roisenvit Grancelli has served as Inteligo Group's Treasurer since 2020 and as Chief Executive Officer since February 2014. He also serves as Inteligo USA's sole Director and Chief Executive Officer and Director of Inteligo Bank since 2005. Mr. Roisenvit is also director of the Lima Stock Exchange, member of the Investment Committee of Interseguro and member of various committees, including Corporate Governance Committees, of Inteligo Bank. He previously served as Chief Executive Officer of Inteligo SAB, Deputy Chief Executive Officer of Inteligo SAB, Chief of Research of Interfip Bolsa, Chief Executive Officer of Interfip Bolsa, Products Manager of Private Banking at Interbank and Portfolio Manager of Global Investment Advisory Group at the Compass Group, in New York. Mr. Roisenvit received a bachelor's degree in economics from the Universidad de Lima and a master's degree in business administration from Columbia Business School.

Executive Officers

The business address of Inteligo's executive officers is Calle 50 con Elvira Méndez, Piso 48 (P.H. Tower Financial Center), Panama City, Panama. The following table sets forth certain information about Inteligo's executive officers.

Name	Position	Date of Birth	Year Appointed
Reynaldo Roisenvit Grancelli	Chief Executive Officer	1969	2014
Bruno Ferreccio Del Río	Deputy CEO	1976	2017
Victor Vinatea Cámara	Chief Operations Officer	1962	2017
Gianina Gotuzzo Oliva	General Counsel	1975	2017
Daniel Yagui Yoshimoto	Chief Financial Officer	1980	2020

Reynaldo Roisenvit Grancelli, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Inteligo—Board of Directors."

Bruno Ferreccio Del Río has served as Inteligo Bank's Chief Executive Officer since May 2019. Previously, he served as Inteligo SAB's Chief Executive Officer since July 2019 until September 2021 and as Deputy Chief Executive Officer of Inteligo SAB since April 2017, and before that as Chief Commercial Officer since December 2015. In addition, he served as Inteligo's Chief Financial Officer and as Inteligo SAB's Financial Vice President since April 2014. Before joining Inteligo in June 2010 as Inteligo SAB's Financial Manager and Chief of Products, Mr. Ferreccio was the Vice President of Futures and Derivates in Commodities at AAKOP LLC in New York, and Resident Engineer of HV S.A. CONTRATISTAS in Peru. He received a bachelor's degree in civil engineering from the University of Texas, Austin, a master's degree in business administration from the University of Michigan and completed the General Management Program at Harvard Business School.

Victor Vinatea Cámara has served as Inteligo's Chief Operations Officer since 2017. Mr. Vinatea has more than 30 years of banking experience. Before joining Inteligo, Mr. Vinatea held management positions in commercial and retail banking as well as in operations at different banking institutions in Peru. He has been director of La Fiduciaria and Intertítulos. Mr. Vinatea received a degree in business administration from ESAN and holds a master's degree in business administration in Direction from INCAE and Universidad Adolfo Ibáñez and has participated in international seminars related to banking at Harvard Business School.

Gianina Gotuzzo Oliva has served as Inteligo SAB's General Counsel since 2016 and Inteligo's General Counsel since 2017. She has also served as General Counsel of InRetail Perú Corp. and Legal Counsel of Intercorp Peru from 2010 to 2016. Mrs. Gotuzzo was previously a Senior Associate of Hernández & Cía. Mrs. Gotuzzo was a professor of corporate law at Pontificia Universidad Católica del Peru for seven years, where she received her law degree in 1999. Mrs. Gotuzzo holds an LL.M. from Cornell University and was admitted to the New York Bar in 2002.

Daniel Yagui Yoshimoto has served as Chief Executive Officer of Inteligo SAB and Inteligo Peru Holdings S.A.C. since September 2021. He also serves as Chief Financial Officer of Inteligo since August 17, 2020. He has over sixteen years of professional experience in multinational companies, including 10 years of experience in financial departments within several industries such as financial services, retail and consumer products, and over five years of experience leading business consulting projects performed in top companies in Peru, Argentina and Colombia. Mr. Yagui holds a master's degree in finance from Universidad Torcuato Di Tella in Argentina and a master's degree in business administration from Universidad Adolfo Ibáñez in Chile.

Procesos de Medios de Pago

Board of Directors

PMP's board of directors consists of seven members, one of whom is independent. The business address of PMP's board of directors is Calle Jorge Chavez 275, 7th Floor, Miraflores, Lima 18, Peru. The following table sets forth certain information about PMP's directors as of the date of this Annual Report on Form 20-F.

<u>Name</u>	<u>Position</u>	<u>Year of Birth</u>	<u>Year Appointed</u>
Carlos Tori Grande	Chairman	1976	2015
Michela Casassa Ramat	Director	1973	2022
Ivana Osoreo Balestra	Director	1970	2022
Víctor Carcamo Palacios	Director	1972	2022
Cesar Andrade Nicoli	Director	1971	2022
Juan Carlos Vallejo Blanco	Director	1964	2022
Bruno Alberto Funcke Ciriani ⁽¹⁾	Director	1967	2020

(1) Independent director pursuant to Peruvian regulations.

Carlos Tori Grande, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Interbank—Executive Officers".

Michela Casassa Ramat, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—General—Executive Officers."

Ivana Osoreo Balestra, has served as one of PMP's directors since 2022. She also serves as Director of Compañía de Servicios Conexos Expressnet since February 2019. In addition, since 2019, she has been the Central Chief of Strategy and Technological Transformation of Interbank, in which she previously had other positions such as Central Chief of Strategy and Retail Transformation (2018) and Division Chief of Architecture and Technological Transformation. Prior to joining Interbank, she was the Chief of Architecture and IT Standards, Operations Chief, Chief of Engineering and IT Development and Chief of Information Management at Banco de Crédito del Perú S.A. – BCP. Mrs. Osoreo holds a bachelor's degree in industrial engineering from Universidad de Lima, a master's degree in business administration from ESAN and a master's degree in IT Project Management from the George Washington University.

Víctor Cárcamo Palacios, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Interbank—Executive Officers."

Cesar Andrade Nicoli, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Interbank—Executive Officers."

Juan Carlos Vallejo Blanco, See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Intereguro—Board of Directors."

Bruno Alberto Funcke Ciriani, has served as one of PMP's directors since 2020. He is also currently the Chairman of the Board of Directors of Grupo Dresden. Previously, he has served as director of Capia Renta Fija S.A.C. (2016 – 2022), independent director of Hipermercados Tottus (2016 – 2021), Tiendas del Mejoramiento del Hogar S.A. (2016 – 2021) and Avla Perú Compañía de Seguros S.A. (2017 – 2018), and Chief Executive Officer of Banco Falabella Perú (2011 – 2016). Mr Funcke holds a bachelor's degree in administration from Universidad del Pacífico, and a master's degree in business administration from ESAN.

Executive Officers

The business address of PMP's executive officers is Calle Jorge Chavez 275, 7th Floor, Miraflores, Lima 18, Peru. The following table sets forth certain information about PMP's executive officers.

<u>Name</u>	<u>Position</u>	<u>Year of Birth</u>	<u>Year Appointed</u>
Luis Felipe Venturo Denegri	Chief Executive Officer	1970	2015
Jorge Luis Malaga Bekich	Chief Financial Officer	1982	2022
Demian Arturo Ballon Espinoza	Chief Operations Officer	1974	2021
Christian Ramon Alvarado Perez	Chief Marketing, Sales & Product Officer	1975	2016
Jorge Luis Valdivia Chavez	Chief Technology Officer	1962	2015
Paola Rosa Maria Rodriguez Rodriguez	Chief Executive Risks & Compliance Officer	1971	2016
Arnaldo Rivera Velez	Chief Human Resources Officer	1971	2015

Luis Felipe Venturo Denegri has been PMP's Chief Executive Officer since April 2015. Before joining PMP, he had occupied the position of Retail Banking Vice President at Banco Falabella from 2008 to 2014. He received a bachelor's degree in Science from Babson College, and a master's degree in Business Administration, Finance and Marketing from Kellogg Graduate School.

Jorge Luis Malaga Bekich has been PMP's Chief Financial Officer since April 2022. Before joining PMP, he had been the Strategy Manager in Financiera Oh! from 2017 until 2022, and Financial Planning and Treasury Manager in Banco Falabella Peru from 2011 to 2017. He received a bachelor's degree in Business and Finance from Universidad Peruana de Ciencias Aplicadas and a master's degree in Business Administration from Universidad de Piura.

Demian Arturo Ballon Espinoza has been PMP's Chief Operations Officer since October 2021, having previously been PMP's Manager of POS Network Operations since September 2020. From 2014 to 2019, Mr. Espinoza was the Controller and Chief Technology Officer at Pesquera Exalmar S.A.A. He received a bachelor's degree in Business Management from Universidad Ricardo Palma, and a master's degree in Corporate Finance from Universidad Peruana de Ciencias Aplicadas.

Christian Ramon Alvarado Perez has been PMP's Chief Marketing, Sales & Product Officer since November 2016. Previously, he had been the Chief of Markets and Marketing of Entel from 2012 to 2016. He received a bachelor's degree in Business Administration from Universidad del Pacifico, and a master's degree in Medex Executive MBA from Universidad de Piura.

Jorge Luis Valdivia Chavez has been PMP's Chief Technology Officer since August 2015. Before joining PMP, he was the Chief Technology and Innovation Officer of Unibanca (2012-2014), where he had previously held positions of Chief Systems and Operation Officer (2004-2012), Chief Systems Officer (2002-2003), Systems Deputy (2000-2002) Support Chief Engineer (1996-2000) and Communication Support Engineer (1994-1995). He received a bachelor's degree in science with a major in Electronic Engineering from Universidad Nacional de Ingeniería and a master's degree in Business Administration with a major in Finance from Universidad ESAN.

Paola Rosa Maria Rodriguez Rodriguez has been PMP's Chief Executive Risks & Compliance Officer since April 2016. She had previously held a position of Accountant and Internal Auditor on Banco de Crédito del Perú S.A. – BCP and in other companies of the Credicorp Group for nineteen years. She received a bachelor's degree in Accounting from Universidad Ricardo Palma, and a master's degree in Business Administration from Universidad Adolfo Ibañez.

Arnaldo Rivera Velez has been PMP's Chief Human Resources Officer since June 2015; having previously been a Non-Monetary Compensation Manager from 2010 to 2015. He received a bachelor's degree in Accounting from Universidad de Lima, a Master in Business Administration from Centrum PUCP Business School and an International Master in Leadership from EADA Business School.

Izipay

Izipay does not have a Board of Directors.

The business address of Izipay's executive officers is Calle Jorge Chavez 275, 7th Floor, Miraflores, Lima 18, Peru.

Izipay's Executive Officers are the same as the PMP's Executive Officers and they hold the same roles and positions.

B. Compensation

Our articles of incorporation provide that our shareholders are responsible for determining the compensation to be paid to members of our board. Some of our executive officers are also executive officers in our subsidiaries, and receive compensation for their services from such subsidiaries. Consistent with applicable law, we do not disclose to our shareholders, or otherwise make public, information regarding the individual compensation of our board members or executive officers, or of the board members or executive officers of our subsidiaries. For the year ended December 31, 2022, the aggregate annual compensation to our board members and to board members of our subsidiaries totaled S/2.9 million. For the year ended December 31, 2022, the aggregate annual compensation to our executive officers and executive officers of our subsidiaries totaled S/27.0 million.

For the year ended December 31, 2022, no amounts were set aside or accrued by us to provide pension, retirement or similar benefits for our directors and officers. None of our directors or any of the directors of our subsidiaries have entered into any service contracts with our company or our subsidiaries providing for benefits upon termination of their employment. As of the year ended December 31, 2022, neither we nor our subsidiaries have adopted any executive long-term incentive plan, while Interbank has a retention bonus program for some of its executive officers.

C. Board Practices

Our board of directors and the board of directors at each of our subsidiaries (Interbank, Interseguro, Inteligo and PMP) is responsible for establishing an appropriate and integrated risk management system and for promoting an internal environment that facilitates the board of directors' supervision and risk management control. The board of directors is continuously informed about the degree of exposure of the diverse risks managed by each subsidiary and inherent to their businesses.

The boards of directors of Interbank, Interseguro, Inteligo Bank and PMP have created several specialized committees to which they have delegated specific tasks in order to enhance risk management and internal control. We list below the main committees established by the boards of directors of our subsidiaries.

For more information on board practices, see "Item 6.A. Directors, Senior Management and Employees—Directors and Senior Management—General."

Audit Committee

Our audit committee is fully independent and complies with the criteria set forth under our "Audit Committee Charter" (as amended from time to time) the rules of the NYSE and Rule 10A-3(b)(1) of the Exchange Act, each as applicable to foreign private issuers. Our audit committee consists of three directors, all of whom are financially literate and one of whom is a financial expert. The current members of our audit committee are Guillermo Martínez Barros, Felipe Federico Roy Morris Guerinoni and José Alfonso Bustamante y Bustamante.

Felipe Federico Roy Morris Guerinoni, Guillermo Martínez Barros and José Alfonso Bustamante y Bustamante are independent under Rule 10A-3 under the Exchange Act. Felipe Federico Roy Morris Guerinoni is a financial expert in accordance with NYSE rules. Our audit committee oversees our corporate accounting and financial reporting process. The audit committee is responsible for:

- reviewing our financial statements;
- evaluating our internal controls and procedures, and identifying deficiencies;
- the appointment of our external auditors, determining their compensation, retention and oversight, and resolving any disagreement that may arise between management and our external auditors;
- evaluating the Company's compliance with the Board of Director's internal regulation, as well as with general principles of corporate governance;
- informing our board of directors regarding any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, the performance and independence of the external auditors, or the performance of the internal audit function;
- establishing procedures for the reception, retention and treatment of complaints regarding accounting, internal controls or other auditing matters, including the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- independently engaging its own counsel and any other advisers it deems necessary to fulfill its functions; and

- establishing policies and procedures to pre-approve audit and permissible non-audit services.

Other Committees

Comprehensive Risk Management Committee and Risk Committee

At Interbank, the Integral Risk Management Committee is a corporate body created by resolution of the board of directors. It is responsible for approving the policies and organization of the comprehensive risk management system, as well as any amendments to said policies. The Integral Risk Management Committee defines the risk appetite and level of tolerance that each subsidiary is willing to take in its business and the actions needed to implement the required corrective measures necessary to maintain adequate levels of risk tolerance. The Integral Risk Management Committee is comprised of (i) five members of the board of directors (three of whom are independent directors), out of which three are titular directors and two are alternate directors; and, (ii) the Chief Executive Officer and the Vice-Presidents. The committee reports monthly to the board of directors the main issues it has discussed and the agreements adopted in the previous meeting.

In the case of Inteligo Bank, the Integral Risk Management Committee is comprised of at least two members of the board of directors, one of which must be independent (as defined pursuant to the Bahamian regulation), who will oversee the Committee. Other members are the Chief Executive Officer of the Panamanian Branch, the Finance Manager, the Legal Manager and the Corporate Risk Officer. The Committee reports quarterly to the board of directors the main issues it has discussed and the agreements adopted in the previous meeting.

Instead of an Integral Risk Management Committee, Interseguro has a Risk Committee, which is a corporate body created by resolution of the board of directors, and is responsible for defining risk limits for Interseguro's business, approving risk policies and approving required corrective measures necessary to maintain adequate levels of risk tolerance. The Risk Committee is comprised of four board members, the Chief Executive Officer and the Risk Manager.

Finally, PMP has a Risk Management Committee comprised by three Directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Executive Risks & Compliance Officer. This Risk Management Committee is responsible for the design, implementation and approval of policies and procedures for risk management, and the definition of PMP's risk appetite, tolerance and exposure.

Assets and Liabilities Committee

The Assets and Liabilities Committee (the "ALCO") is a corporate body created by resolution of the board of directors of Interbank and Inteligo. In the case of Interbank, the ALCO is comprised exclusively of officers.

At Interbank, the ALCO's main purpose is to manage the structure of Interbank's financial position considering its profitability and risk targets. The ALCO is also responsible for the proposition of new products or operations that contain components of market risk. Additionally, it serves as the communication channel with units that generate market risks. The ALCO meets monthly and is comprised of the Chief Executive Officer, the Vice Presidents of Risks, Retail Banking and Channels, Payments Ecosystem, Commercial, Finance and Capital Markets and the Manager of Treasury/Position Desk.

Inteligo Bank holds positions that are not actively traded, but are part of its assets and liabilities. These positions include a loan portfolio, customer deposits and bank loans. These positions are also exposed to interest rate risk, exchange rate risk and liquidity risk. The main purpose of the ALCO at Inteligo Bank is to manage its financial position, considering its profitability and risk targets. The ALCO meets quarterly and is comprised of at least two board members, one of whom must be independent (as defined pursuant to Bahamian regulations), the Chief Executive Officer of the Panamanian Branch, Finance Manager, Legal Manager and the Corporate Risk Officer.

At Interseguro, the functions of the ALCO committee are assumed by the Investment Committee.

Investment Committee

The Investment Committee is responsible for approving the limits of each security or real estate which could be included in Interseguro's investment portfolio. This Committee is comprised of several members of the board, the Chief Executive Officer and the Investment-Vice President. The Risk Manager also participates as an advisor.

Inteligo Bank created an Investment Committee in 2017. The Investment Committee is responsible for reviewing and approving the strategy of Inteligo Bank's investment portfolio and approving new investment products. The Investment Committee meets quarterly and is comprised of one board member, the Chief Executive Officer, the Chief Executive Officer of the Panamanian Branch, the Chief Financial Officer and the Corporate Risk Officer.

Internal Audit

At our segments level, the Internal Audit Division reports to the board of directors at each subsidiary. It supports the Company in meeting its objectives through the application of a systemic and disciplined approach to assess and enhance the efficiency of its governance processes, risk management and control processes.

D. Employees

IFS

As of December 31, 2022, IFS had no employees. However, its operations are carried out by employees from its subsidiaries and affiliates.

Interbank

As of December 31, 2022, Interbank had 6,162 employees, 1,985 work in financial stores and 4,177 work at the headquarters and in operational centers of Interbank. Of the total employees, 3,110 are dedicated to sales force. We have been optimizing our distributional channels and have reduced full time employees at financial stores. Interbank's employees are not unionized, are not a party to any collective bargaining agreement and since Interbank's privatization in 1994, have never been involved in a strike or work stoppage.

Interseguro

As of December 31, 2022, Interseguro had a total of 921 employees, which included officers and administrative staff, as well as sales agents and representatives. Interseguro's employees are not unionized, are not a party to any collective bargaining agreement and have never been involved in a strike or work stoppage.

Interseguro provides its employees with benefits that exceed the requirements of Peruvian labor laws, including school allowance, specialized training programs, general health base plan and oncology plan, each covered at 100%. Interseguro also provides wellness programs for its employees, as well as a full portfolio of development, family inclusion, and social programs.

Inteligo

As of December 31, 2022, Inteligo and its subsidiaries had 337 employees, which included officers and administrative staff, as well as commercial representatives. Inteligo's senior management is located in Peru and Panama. Inteligo's and its subsidiaries' employees are not unionized, are not a party to any collective bargaining agreement and have never been involved in a strike or work stoppage.

PMP and Izipay

As of December 31, 2022, PMP had 667 employees, which included officers and administrative staff, as well as commercial representatives. PMP's employees are not unionized, are not a party to any collective bargaining agreement and have never been involved in a strike or work stoppage.

While Izipay does not have any employees, it is provided with managerial services by PMP through an intercompany management services agreement entered into by PMP and Izipay. PMP's and Izipay's senior management are located in Peru.

E. Share Ownership

Except as described under "Item 7. Major Shareholders and Related Party Transactions—Major shareholders", none of our directors or senior management beneficially owns our common shares other than two directors and two senior executives of IFS, who own a 0.05% interest in IFS.

We do not have any arrangements for involving employees in our capital, including any arrangements that involve the issue or grant of options of our shares or securities.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Our only outstanding equity securities are our common shares. As of December 31, 2022, IFS had issued 115,447,705 common shares, of which 68,290,827 were registered in CAVALI and 47,156,878 were registered in DTC. As of December 31, 2022, 56,903 common shares registered in CAVALI were held by 16 U.S. citizens and/or residents in the United States.

The following table sets forth certain information regarding the ownership of outstanding shares as of April 5, 2023 for the following:

- each person or entity who is known by us to own beneficially more than 5% of our outstanding shares capital or voting rights;
- our directors and members of our executive management group, as a group.

Shareholders	Common Shares Owned	
	Number of Shares	Percentage owned
Intercorp Perú Ltd. ⁽¹⁾⁽²⁾	81,532,547	70.6%
Other Directors and Officers ⁽³⁾	54,210	0.0%
Float	33,860,948	29.3%
Total	115,447,705	100.0%

- (1) International Financial Holdings Group Inc. ("IFH"), representing 77.3% of the voting rights to appoint the majority of the members of the board of directors of InterCorp Peru, has entered into an irrevocable proxy agreement (the "Irrevocable Proxy Agreement") appointing Carlos Tomás Rodríguez-Pastor Persivale and two members of his family (the "Agents") as IFH's agents, acting by majority vote, with respect to any matters relating to IFH's ownership interest in InterCorp Peru. The initial period of the Irrevocable Proxy Agreement was two years commencing in June 2019 automatically renewable for six-month periods unless otherwise terminated upon 90 days' notice. On May 20, 2021, the Irrevocable Proxy was renewed and ratified with effectiveness as of June 12, 2021 under the same terms originally agreed, including automatic renewals for six-month periods unless otherwise terminated upon 90 days' notice. The renewed Irrevocable Proxy is valid for a two-year period counted from June 12, 2021. As of the date of this Annual Report on Form 20-F, the Irrevocable Proxy Agreement had not been terminated.
- (2) IFH Capital Corp. and InterCorp Capital Investments Inc. are the record holders of 9,747,706 and 9,747,707, respectively, of our common shares, or 8.44% each, and are both wholly-owned subsidiaries of InterCorp Peru and therefore InterCorp Peru beneficially owns their shares.
- (3) Excluding Carlos Tomás Rodríguez-Pastor Persivale.

There have been no significant changes in the percentage ownership held by our major shareholders over the past three years.

As of December 31, 2022, IFS and its subsidiaries held 30,074 common shares in treasury stock. For more details regarding these shares, see "Item 16E – Purchases of Equity Securities by the Issuer and Affiliated Purchasers" and Note 16(b) to our audited annual consolidated financial statements.

B. Related Party Transactions

In the ordinary course of business, we and our subsidiaries, Interbank, Interseguro, Inteligo and Izipay, engage in a variety of transactions among ourselves and with certain of our affiliates and related parties. All material transactions between us or our subsidiaries and our other affiliates or related parties are evaluated by our senior management and our board in accordance with specific regulations and internal rules applicable to all third-party transactions. These transactions are subject to prevailing market conditions and transfer pricing regulations.

Interbank extends loans to related parties, including its executive officers and directors and executive officers and directors of our affiliates, in accordance with Peruvian law and regulations established by the SBS. According to the SBS, loans to related parties cannot be made on more favorable terms than those offered to the public, with the exception of mortgage loans granted to workers for housing purposes. As a result, all related-party loans have been made in the ordinary course of business, on an arm's-length basis and on substantially the same terms, including with respect to interest rates and collateral, as those prevailing at the time for comparable transactions offered to the public. In addition, related-party loans do not involve greater collection risk nor present

other features unfavorable to Interbank as compared to loans offered to the public. Peruvian law and SBS regulations also set forth limitations on the amount of credit loans that may be extended to related parties based on Article 201 and Article 202 of the Peruvian Banking and Insurance Law. The law establishes that the total amount of loans to be extended to directors, employees and close relatives of any such persons may not exceed 7.0% of the bank's regulatory capital. All loans extended to any director or employee of the company (including close relatives of such person) may not exceed 0.35% of the regulatory capital (i.e., 5.0% of the overall 7.0% limit discussed above).

In addition, under Article 202 of the Peruvian Banking and Insurance Law, no loans extended to related parties or affiliates may exceed 30.0% of a bank's regulatory capital. Under these laws, related-party borrowers include any corporation holding, directly or indirectly, 4.0% or more of a bank's shares, such bank's directors, certain of its principal executive officers or other persons affiliated with such bank's management or any individual or entity that is deemed to have a significant influence in its operations.

Peruvian regulations also set forth limits on the investments of insurance companies. Pursuant to SBS regulations, the aggregate amount of investments that Interseguro may have with any member of its economic group cannot exceed 7.0% of its technical obligations, being that any excess will be considered as non-eligible investment.

Furthermore, under Peruvian law, board members and executive officers of Interbank and Interseguro, may not (i) receive loans (in money or goods) from the company unless approved by the board of directors, (ii) use for their own benefit, the company's assets, services or credits unless approved by the board of directors, (iii) disclose or use, inappropriately, for their own benefit, privileged information, and (iv) participate in any corporate decision that presents a conflict of interest with the company. In all cases, the execution of agreements that involve at least 5.0% of the assets of the company with persons or entities related to directors, managers or shareholders that own, directly or indirectly, more than 10.0% of the share capital requires the prior authorization of the board of directors (with no participation of the director(s) involved in the transaction, if any). In addition, the execution of agreements with a party controlled by the company's controlling shareholder requires the prior authorization of the board of directors and an evaluation of the terms of the transaction by an external independent company (audit companies or other evaluator to be determined by the SMV).

During 2020, 2021 and 2022, IFS's directors, officers and key management had been involved, directly and indirectly, in credit transactions with certain subsidiaries of IFS, as permitted by applicable Peruvian laws and regulations that regulate and limit certain transactions with employees, directors and officers of financial entities. As of December 31, 2022, 2021 and 2020, direct loans by IFS or its subsidiaries to employees, directors, officers, and key management of IFS and its subsidiaries amounted to S/211.7 million, S/213.0 million and S/222.1 million, respectively. These loans are current and accrue interest at market rates. Payment dates vary, and may be monthly, quarterly, or at maturity. See "Item 4. Information on the Company—Business Overview—Regulation and Supervision" for information on the regulation of IFS and its subsidiaries and on the protection of deposits.

Inteligo Bank is operating pursuant to its original license, which commencing in 2020 permits a related party exposure of up to 15% of its capital, a decrease from the prior 25% maximum. As of December 31, 2022, the exposure was 10.82%.

For additional information about loans, including tabular disclosure, to, and certain other transactions with, related parties and affiliates including directors and officers, see Note 27 to our audited annual consolidated financial statements.

In the normal course of our operations, related party transactions are evaluated in accordance with Peruvian banking and securities regulations, as described in this section. These transactions are subject to prevailing market conditions and transfer pricing regulations. We and our subsidiaries have a number of such transactions with our parent company, subsidiaries of our parent company, affiliates pursuant to the criteria of the SBS and other related parties. See "Presentation of Financial Information" for a brief description of a number of these parties. For additional information including tabular disclosure, about loans, to, and certain other transactions with, related parties and affiliates including directors and officers, see Note 27 to our audited annual consolidated financial statements.

IFS

Bonds in InRetail Shopping Malls.

Since September 20, 2019, IFS holds S/39.0 million in bonds of InRetail Shopping Malls. The annual interest rate for these bonds is 7.88% and they mature on July 25, 2034.

Interbank

Lease Agreements between Interbank and Supermercados Peruanos, S.A. (“Supermercados Peruanos”)

During 2020, Interbank and Supermercados Peruanos entered into a lease agreement under which Supermercados Peruanos granted Interbank the right to use supermarket space for the operation of their stores (Money Markets format) and ATMs for a term of five years. Under the terms of such agreement, Supermercados Peruanos agreed to grant an area of 2,000 square meters of floor space for the first three years of the agreement and 1,800 square meters of floor space for the following two years.

In December 2021, an amendment to the agreement was entered into between the parties to reduce the rented area to 1,913.40 square meters of floor space during the period of January 2021 to September 2022, and to 1,713.40 square meters of floor space from October 2022 until the end of the agreement, which will take place on October 1, 2024.

The agreed monthly rent is as follows: (i) for stores located inside the premises (Money Markets format) the rent is S/288.38 per square meter plus taxes, (ii) for stores located outside the premises, the rent is S/191.87 per square meter plus taxes, (iii) for ATMs located inside the premises, the rent is S/2,091.11 plus taxes and, (iv) for ATMs located outside the premises, the rent is S/1,511.69 plus taxes.

In addition, Interbank has made a security deposit of US\$0.9 million (approximately S/3.4 million), which shall be applied as a guarantee of payment of the monthly rent. Finally, Supermercados Peruanos has granted an exclusivity right to Interbank for the operation of stores (Money Market format) and for ATMs located inside the supermarket premises. As of December 31, 2022, Interbank was operating in 29 stores (Money Market format) and had 89 ATMs located inside the supermarket premises.

Loan Agreement between Interbank and GTP Inversionistas S.A.C.

In May 2017, Interbank and GTP Inversionistas S.A.C. an affiliate, pursuant to the criteria of the SBS, entered into a loan agreement under which Interbank disbursed to the latter U.S.\$32.6 million for the indirect acquisition of 24.95% of the capital stock of Universidad Tecnológica del Perú S.A.C. (“UTP”). The loan was granted for a term of five years to be repaid in five annual payments with an effective annual interest rate of 7.875%. The collateral granted consisted on a pledge agreement of 24.95% of the capital stock of UTP. In May 2020, the loan agreement was amended, increasing the remaining term to seven years. As of December 31, 2022, the total outstanding debt under such loan agreements amounts to U.S.\$19.1 million.

Lease Agreements with Supermercados Peruanos

Interbank and Supermercados Peruanos, a subsidiary of InterCorp, have entered into several lease agreements whereby Interbank leased real estate property, machinery and equipment to Supermercados Peruanos. These lease agreements are amended from time to time, most recently in March 2021. As of December 31, 2022, the outstanding debt under such lease agreements amounts to S/85.1 million.

Loan Agreement with Supermercados Peruanos

On September 27, 2018, Interbank and Supermercados Peruanos entered into a medium-term loan agreement under which Interbank granted a loan for up to S/95 million to be paid in 28 installments at a monthly interest rate of 5.85%. In October 2019, the loan agreement was amended increasing its amount to S/198 million. In March 2021, the interest rate was reduced to 3.99% to be paid on a quarterly basis and the due date was extended to February 2026.

In September 2022, Interbank entered into a new medium-term loan agreement with Supermercados Peruanos under which Interbank granted a loan for up to S/ 100 million to be paid in 18 installments at an annual interest rate of 7.99%.

As of December 31, 2022, the outstanding debt under such loan agreements amounts to S/298.0 million.

In addition, as of December 31, 2022, the outstanding short-term debt of Supermercados Peruanos to Interbank amounts to S/38.2 million, including factoring and credit cards.

Lease Agreements with Homecenters Peruanos (“HPSA”)

Interbank and HPSA, a subsidiary of InterCorp, have entered into several lease agreements whereby Interbank leased machinery and equipment to HPSA. As of December 31, 2022, the total outstanding debt under such lease agreements amounts to S/46.9 million.

Loan Agreements with HPSA

In November 2019, Interbank and HPSA, a subsidiary of InterCorp, entered into a term loan agreement for S/25 million at annual interest rate of 5.30%. In September 2022, Interbank and HPSA entered into a new medium – term loan agreement for S/ 80 million at an annual interest rate of 8.55%. As of December 31, 2022, the outstanding debt of HPSA under such loans amounts to S/92.1 million

In addition, as of December 31, 2022, the outstanding short-term debt of HPSA amounts to S/7.3 million, including factoring and credit cards.

Loan Agreement with InRetail Pharma

Interbank and InRetail Pharma, a subsidiary of InterCorp, have entered into a syndicated secured loan agreement for up to S/161.9 million due on April 2025. The collateral granted consisted of mortgage over real estate properties and guarantees (*fianzas solidarias*) granted by several of its subsidiaries. In May 2021, the loan agreement was refinanced by a new syndicated secured loan agreement for up to S/220 million due on March 2026. As of December 31, 2022, the total outstanding debt under such loan agreement amounts to S/220 million at an interest rate of 3.75%.

In addition, as of December 31, 2022, the outstanding short-term debt of InRetail Pharma amounts to S/52.7 million, including factoring, credit cards and working capital.

Loan Agreement with UTP

In September 2018, Interbank and UTP, a subsidiary of InterCorp, entered into a loan agreement under which Interbank disbursed to the latter S/80.0 million at an interest rate of 6.9%. The loan was granted for a term of seven years, which included a two year grace period. The collateral consisted of a mortgage over real estate properties and assignment of surface rights. In September 2020, as a result of the spin-off of UTP and IDAT, the loan was split and assigned as follows: S/62.0 million to UTP and S/18.0 million to IDAT. In April 2021, UTP's loan agreement was amended in order to reduce the interest rate to 4.15% and to extend the term to six years, including one year of grace period, as of April 2021. As of December 31, 2022, the aggregate amount outstanding under the loan agreement with UTP amounted to S/51.0 million, excluding interest. As of December 31, 2022, the outstanding amount under the loan agreement with IDAT amounted to S/14.8 million. The last installment of such loans will fall due in March 2027.

Loan Agreement with La Tinka

In December 2021, Interbank and La Tinka, a subsidiary of InterCorp, entered into a term loan agreement for up to S/66.5 million due on November 2023 to be paid in eight quarterly installments at a monthly interest rate of 4.88%. The proceeds of the loan were disbursed to repay La Tinka's parent company's, NG Entertainment, debt to Interbank. The collateral granted consisted of a mortgage over one real estate property. As of December 31, 2022, the aggregate amount outstanding under such loan agreement amounted to S/33.3 million, excluding interest.

Lease Agreement with Centros de Salud Peruanos

On December 2022 Interbank entered into several lease agreements with Centros de Salud Peruanos, a subsidiary of InterCorp Peru, by means of which Interbank leased machinery and equipment for the construction of a new clinic located in Cercado de Lima. As of December 31, 2022, the aggregated amount outstanding under such lease agreements amounted to S/58.1 million.

Interseguro

Agreements with Colegios Peruanos S.A. ("CPSA")

In September 2016, Interseguro and CPSA, a subsidiary of InterCorp, signed a usufruct agreement for a period of 20 years, according to which Interseguro granted in usufruct the property located in Trujillo, Peru in favor of CPSA, in order for CPSA to operate a school under the commercial name of "Innova School". Interseguro constructed the building in four stages all of which were completed in 2019. Currently, CPSA pays Interseguro a monthly rent which amounts to S/104,171 before taxes, adjusted annually by 3% plus 9.1% on the total investment accumulated on the date incurred by Interseguro on the property. Due to COVID-19, payment of the monthly rent for the period between March 2020 and June 2021 was renegotiated such that CPSA paid a percentage of the monthly amount, with the remaining balance for each such month to be paid in a period of 18 months.

In April 2022, as a consequence of the increased number of students registered in 2022, an addendum establishing that the amount of the rent would depend on the number of students was signed. The increase of students registered was 11.25% resulting in S/247,539 plus IGV. Considering that the amount of the rent is variable; the amount to be paid will be reviewed annually.

In October 2017, Interseguro and CPSA signed a usufruct agreement for a period of 25 years, according to which Interseguro leased the property located in Cusco, Peru, in order to operate a school under the commercial name of “Innova School”. Interseguro constructed the building, which was completed in January 2018. In April 2018, CPSA began paying Interseguro a monthly rent. The current rent amounts to S/180,690 before taxes, adjusted annually by 3% plus 9.3% on the total investment accumulated on the date incurred by Interseguro on the property. Due to COVID-19, in the period between March 2020 and June 2021, the payment of the monthly rent was renegotiated such that CPSA paid a percentage of the monthly amount, with the remaining balance for each such month in 2020 to be paid in a period of 18 months.

In April 2022 an addendum was signed through which it was established that the rent would depend on the number of students registered in 2022. The number of students increase 11.25%, resulting in S/429,381 plus IGV. It should be that the amount of the rent is variable; therefore, the amount to be paid will be reviewed annually.

In June 2008, Interseguro bought a certificate of participation in the trust Patrimonio en Fideicomiso D.S 093-2002-EF Interproperties Perú (“Interproperties”), which is managed by Internacional de Titulos Sociedad Titulizadora S.A. (“Intertitulos”), corresponding to a real estate project that was developed in a property located in Ate, Lima, Peru. Also, in October 2012, Interproperties and CPSA signed a surface right agreement, according to which Interproperties granted this property in surface right, in order to operate a school under the commercial name of “Innova Schools”. As of December 31, 2022, the outstanding amount to be collected by Interseguro from CPSA increased to S/6.7 million.

Agreements with HPSA

In November 2012, HPSA, a subsidiary of InterCorp, and Hebraica Asociación Cultural Deportiva y Social (“Hebraica”) signed a surface right agreement according to which Hebraica granted a surface right in favor of HPSA over the commercial space with an area of 13,401.99 m², located in Ate, Lima. In October 2015, HPSA assigned its contractual position to Interseguro. In April 2016, Interseguro and HPSA entered into a 30-year usufruct agreement, according to which HPSA was granted in usufruct the property, in order to operate a home improvement store under the commercial name of “Promart”. The monthly lease payment under agreement since January 2017, is comprised of a payment of S/164,744 before taxes, adjusted annually by 3%, and the payment made by Interseguro to Hebraica for the surface right agreement that both parties signed in October 2015. The current monthly rent amounts to S/233,393 before taxes. In July 2022, Interseguro assigned its contractual rights in the surface right agreement to HPSA.

In July 2017, HPSA and Interseguro signed a surface right agreement and an usufruct agreement granting surface and usufruct rights to Interseguro over certain commercial space located in Ica, Perú. In July 2022, HPSA and Interseguro terminated the surface right agreement and the usufruct agreement.

In October 2015, Interseguro contributed in trust the property located in Talara, Piura, Peru in favor of Interproperties, which is managed by Intertitulos. Accordingly, Intertitulos issued in favor of Interseguro a certificate of participation representing 100% of the property ownership. In addition, in October 2015, Interproperties Perú and HPSA signed a usufruct agreement for a period of 30 years, according to which Interproperties granted in usufruct this property, in order to operate a home improvement store under the commercial name of “Promart”. As of December 31, 2022, the fair value of the property amounts to S/46.1 million. In February 2021, Interproperties returned the property in favor of Interseguro, cancelling the certificate of participation for the amount of S/40.2 million, which represented Interseguro’s contribution to the trust assets. The current monthly rent amounts to S/108.577 before taxes.

Agreements with UTP

In June 2018, Interseguro and UTP signed a usufruct agreement for a period of 30 years, according to which Interseguro granted in usufruct to UTP the property located in Ate, Lima, Peru, for it to operate a university campus under the commercial name of “UTP”. The annual rent is equivalent to 8.5% of the total investment before taxes which is adjusted annually according to CPI variation. This annual rent will be paid to Interseguro in four quarterly installments. Due to COVID-19, in 2020, payment of the monthly rent was renegotiated such that UTP will pay a percentage of the monthly amount, with the remaining balance for each such month in 2020 to be paid in a period of 12 months. In 2021, the outstanding balance of unpaid rent during 2020 was fully paid by UTP.

In November 2019, Interseguro and UTP signed an usufruct agreement for a period of 30 years, according to which Interseguro granted in usufruct to UTP the property located in Nuevo Chimbote, Ancash, Peru, for it to operate a university campus under the commercial name of “UTP”. Interseguro finished constructing the building in the last quarter of 2020, and commencing in 2021, UTP will pay an annual rent to Interseguro in four quarterly installments, ascending to S/1,019.626 before taxes, adjusted annually according to CPI variation.

In April 2020, Interseguro and UTP signed a usufruct agreement for a period of 30 years, pursuant to which Interseguro granted in usufruct to UTP the property located in Piura, Peru, for it to operate a university campus under the commercial name of “UTP”. Since March 2021, the UTP building in Piura (which is about 97% finished) has been operating. UTP agreed to pay to Interseguro a quarterly rent ascending to S/1,886.356 before taxes, adjusted annually according to CPI variation.

Agreements with Supermercados Peruanos

In October 2015, Interseguro contributed in trust the property located in Talara, Piura, Peru in favor of Interproperties, which is managed by Intertitulos. Accordingly, Intertitulos issued in favor of Interseguro a certificate of participation representing 100% of the property ownership. In addition, in January 2016, Interproperties and Supermercados Peruanos signed a usufruct agreement for a period of 30 years, according to which Interproperties granted in usufruct to Supermercados Peruanos this property of 5,573 m2, for it to operate a supermarket under the commercial name of “Plaza Vea”. As of December 31, 2022, the fair value of the property amounts to S/46.1 million. In February 2021, Interproperties returned the property in favor of Interseguro, cancelling the certificate of participation for the amount of S/40.2 million, which represented Interseguro’s contribution to the trust assets. The current monthly rent amounts to S/137,019 before taxes.

In July 2022, Supermercados Peruanos assigned its contractual position in the usufruct agreement in favor of its affiliated Compañía Food Retail S.A.C.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See “Item 17. Financial Statements.”

Legal Proceedings

IFS is not involved in any legal or arbitration proceedings which could have a material adverse effect on its financial position.

Interbank is involved in a number of legal proceedings in the ordinary course of its banking activities. Interbank is also a party to a number of legal proceedings related to labor disputes with former employees and tax disputes with the tax authority. For more information on the tax disputes, see Note 17 to our audited annual consolidated financial statements appearing elsewhere in this Annual Report on Form 20-F.

Interseguro is routinely involved in legal or arbitration proceedings with respect to liabilities that are the subject of policy claims. These liabilities are taken into account in setting Interseguro’s technical reserves.

PMP and Izipay are involved in legal proceedings in the ordinary course of their business, however none of those are material.

Inteligo Bank is involved in legal proceedings in the ordinary course of its banking operations.

The two main lawsuits that Inteligo Bank is a party to jointly seek the return of approximately U.S.\$11 million in redemption payments received by Inteligo Bank in connection with investments in Fairfield, a Bernard L. Madoff Investment Securities LLC (“BLMIS”) feeder fund, are the following:

- A lawsuit filed on September 2, 2010 by the liquidators of Fairfield Sentry Limited (“Fairfield”), which has since been dismissed by the Bankruptcy Court. The Southern District Court of New York upheld the Bankruptcy Court’s dismissal of the liquidator’s complaint against Inteligo Bank and several other defendants. The liquidator appealed to the United States Court of Appeals for the Second Circuit and submitted its briefs on January 6, 2023. As of the date of this Annual Report on Form 20-F, the United States Court of Appeals for the Second Circuit has not ruled on the appeal.

- A lawsuit filed on October 6, 2011 by Irving Picard, the Trustee for BLMIS. On December 9, 2022, the Bankruptcy Court for the Southern District of New York denied Inteligo Bank's motion to dismiss the complaint. On December 15, 2022, an amended version of its memorandum decision was issued rejecting the motion, consistent with the court's prior rejections of similar motions made by other defendants. On February 10, 2023, Inteligo Bank filed its answer to the complaint, and expects to meet with the Trustee to address the discovery.

Dividends and Dividends Policy

We are a holding company and, as such, our ability to pay dividends is subject to the ability of our subsidiaries to pay dividends to us.

Our annual dividend is proposed by our board of directors and approved at our annual ordinary meeting of shareholders, in accordance with our dividend policy which for year 2022 consists of distributing to shareholders at least 20% of any profit earned for the relevant year, subject to regulatory capitalization requirements and our financial condition. Dividends are paid to shareholders who held common shares as of the record date preceding the date set for payment of the dividend. The shares go ex-dividend two business days prior to the record date. Dividends are declared and paid in U.S. dollars.

IFS's ordinary dividends for the fiscal years ended December 31, 2022, 2021 and 2020 were U.S.\$136.2 million (S/511.8 million), U.S.\$202.0 million (S/751.5 million), and U.S.\$88.9 million (S/332.1 million). Furthermore, in November 2021, IFS agreed to distribute U.S.\$75.0 million in extraordinary dividends, which were paid in December 2021 and based on retained earnings. Dividends corresponding to fiscal year 2022 will be paid in May of 2023; while dividends for fiscal years 2021 and 2020 were paid in May of each of 2022 and 2021, respectively. Dividend per share amounted to U.S.\$1.18, U.S.\$1.75, and U.S.\$0.77 for fiscal years 2022, 2021 and 2020, respectively.

Interbank

Interbank's dividends are proposed annually by its board of directors and are subject to approval by the general shareholders' meeting. On November 10, 2020, the shareholder's meeting amended the dividend policy as follows: At least 20% of the distributable profits of Interbank recorded in the fiscal year will be distributed among the shareholders, provided that the following rules are observed: (a) the profit capitalization commitment agreements adopted by the general shareholders' meeting or by the board of directors (as delegated by the shareholders' meeting), are not affected, (b) both the legal requirements applicable to Interbank and its appetite for equity growth are satisfied, in accordance with the board of directors' proposal, and (c) the board of directors deems such distribution to be advisable based on the economic and financial conditions of Interbank and the business environment. In accordance with the foregoing, if during any year any of the aforementioned rules is not satisfied, the general shareholders' meeting may agree to distribute a lower percentage of dividends than indicated or decide not to distribute dividends for such year. Any dividends would be distributed within sixty calendar days following their declaration and approval at the general shareholders' meeting. For the fiscal year ended 2022, Interbank declared as dividends approximately 56% of its distributable income (net income minus the required legal reserves which may be up to 10% of net profit). For the fiscal year ended 2021, Interbank declared and distributed as dividends approximately 56% of its distributable income (net income minus the required legal reserves which may be up to 10% of net profit). For the fiscal year ended 2020, Interbank did not distribute dividends as the general shareholders' meeting agreed to capitalize all distributable income (net income minus the required legal reserves which may be up to 10% of net profit).

Dividends are declared based on Interbank's financial statements prepared under SBS GAAP. The following table shows Interbank's distribution of net profit for the three fiscal years ended December 31, 2022, 2021 and 2020 under SBS GAAP.

	For the fiscal years ended December 31,		
	2022	2021	2020
	(S/ in millions)		
Net profit	1,171.7	1,200.5	264.9
Reserves	117.2	120.0	26.5
Capitalized earnings	468.7	480.2	238.4
Dividends	585.8	600.2	—

Interseguro

Interseguro's dividends are proposed annually by its board of directors and are subject to approval by the general shareholders' meeting. Current dividend policy establishes that Interseguro will pay as dividends at least 30% of its net profits attained in any given year. Dividend distributions depend on several factors, including (1) approval by Interseguro's shareholders of the proposal to distribute dividends, (2) Interseguro's earnings, (3) protection of Interseguro's equity growth, (4) capital and legal reserve requirements, and (5) prevailing market conditions.

The following table shows Interseguro's distribution of net profit for the three fiscal years ended December 31, 2022, 2021 and 2020 under SBS GAAP.

	For the fiscal years ended December 31,		
	2022	2021	2020
	(S/ in millions)		
Net profit	202.8	303.6	256.6
Reserves	—	17.5	22.0
Capitalized earnings ⁽¹⁾	—	84.2	63.0
Dividends	100.0	201.9	200.0

(1) Includes capitalization of earnings net of accumulated losses.

Inteligo

Inteligo Bank's dividends are proposed annually by its board of directors and are subject to approval by the general shareholders' meeting. Dividend distributions depend on several factors, including (1) approval by Inteligo's shareholders of the proposal to distribute dividends, (2) Inteligo Bank's earnings, (3) Inteligo Bank's capital expenditure program, and (4) prevailing market conditions.

The following table shows Inteligo Bank's distribution of net profit and dividends for the three fiscal years ended December 31, 2022, 2021 and 2020 under IFRS.

	For the fiscal years ended December 31,		
	2022	2021	2020
	(S/ in millions)		
Net profit	(135.8)	277.6	250.2
Dividends	—	209.3	137.6

For additional information regarding risks that could materially adversely affect our ability to pay dividends, see "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—We are a holding company, and all of our operations are conducted by our subsidiaries. Our ability to pay dividends to holders of our common shares will depend on the ability of our subsidiaries to pay dividends to us".

For additional information regarding taxation of dividends, see "Item 10. Additional Information—Taxation—Peruvian Tax Considerations" and "Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Distributions".

PMP and Izipay

PMP's and Izipay's dividends are proposed annually by its board of directors and their management, respectively, and are subject to approval by their general shareholders' meetings. Dividend distributions depend on several factors, including (1) approval of the proposal to distribute dividends by the shareholders of PMP and Izipay, respectively; (2) earnings; and (3) prevailing market conditions and equity growth. Neither PMP nor Izipay paid dividends in 2022.

For additional information regarding risks that could materially adversely affect our ability to pay dividends, see "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—We are a holding company, and all of our operations are conducted by our subsidiaries. Our ability to pay dividends to holders of our common shares will depend on the ability of our subsidiaries to pay dividends to us".

For additional information regarding taxation of dividends, see "Item 10. Additional Information—Taxation—Peruvian Tax Considerations" and "Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Distributions".

B. Significant Changes

No significant changes in our financial condition have occurred since the date of the most recent audited consolidated financial statements included in this Annual Report on Form 20-F.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our Shares

Our common shares are registered in the Public Registry of Securities held with the SMV and are listed on the Lima Stock Exchange and on the NYSE under the symbol “IFS”.

B. Plan of Distribution

Not Applicable.

C. Markets

Trading in the Peruvian Securities Market

Lima Stock Exchange

As of December 31, 2022, there were 259 companies listed on the Lima Stock Exchange. Established in 1970, the Lima Stock Exchange is Peru’s only securities exchange.

Trading on the Lima Stock Exchange is primarily done on an electronic trading system that became operational in August 1995. From the first Sunday of November through the second Sunday of March of each year, trading hours are Monday through Friday (except holidays) as follows: 9:00 a.m.–9:30 a.m. (pre-market ordering); 9:30 a.m.–3:52 p.m. (trading); 3:52 p.m.–4:00 p.m. (after-market sales); and 4:02 p.m.–4:10 p.m. (after-market trading). At all other times, trading hours are from Monday to Friday (except holidays) as follows: 8:20 a.m.–8:30 a.m. (pre-market ordering); 8:30 a.m.–2:52 p.m. (trading); 2:52 p.m.–3:00 p.m. (after-market sales); and 3:02 p.m.–3:10 p.m. (after-market trading).

Substantially all of the transactions on the Lima Stock Exchange are traded on the electronic system. Transactions during the electronic sessions are executed through brokerage firms and stockbrokers on behalf of their clients. The orders must specify the type of security as well as the amount and price of the proposed sale or purchase. The exchange is authorized to halt the trading of certain securities or the whole market, under certain circumstances, for example, when a significant fluctuation occurs with the price of a security, without apparent justification. In this case, the exchange may impose a 15 minutes halt, which may be extended depending on the nature of the event.

Moreover, under the exchange’s market margin rule, when the market price for a particular security reaches a 15% variation (vis a vis the last closing price or proposal, whichever is higher), trading on that particular security is halted for the rest of the session. The exchange may exceptionally authorize further negotiation. The market margin rule is not applicable for securities cross-listed in certain markets, including the United States.

Certain information regarding trading on the Lima Stock Exchange is set forth in the table below:

	(S/ in millions)				
	2018	2019	2020	2021	2022
Market capitalization ⁽¹⁾	479,301	537,308	599,007	591,734	451,515
Volume	20,208	18,127	20,107	21,803	14,243
Average daily trading volume	81	72	79	87	56

Source: Bolsa de Valores de Lima Annual Reports
End-of-period figures for trading on the Lima Stock Exchange.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

As of December 31, 2022, our authorized capital consists of 150,000,000 common shares, and our issued capital stock consists of 115,447,705 outstanding common shares, with no par value. All of our common shares are fully paid and non-assessable. Non-residents of Panama may hold and vote shares.

B. Memorandum and Articles of Association

The information under the heading “Description of Common Shares” except for the information under the subheading “—General;” in Amendment No. 1 to our Registration Statement on Form F-1 (333-232554) filed on July 15, 2019 is incorporated herein by reference. There have been no changes to the Company’s Articles, as reflected in the Company’s financial statements.

C. Material Contracts

The following is a brief summary of our current material contracts. A copy of each of these contracts has been included as exhibit hereto. See “Item 19. Exhibits.”

Irrevocable Proxy Agreement

IFH, representing 77.3% of the voting rights to appoint the majority of the members of the board of directors of Intercorp Peru, has entered into an irrevocable proxy agreement on June 12, 2019 (the “Irrevocable Proxy Agreement”) appointing Carlos Tomás Rodríguez-Pastor Persivale and two members of his family (the “Agents”) as IFH’s agents, acting by majority vote, with respect to any matters relating to IFH’s ownership interest in Intercorp Peru. The initial period of the Irrevocable Proxy Agreement was two years commencing in June 2019 automatically renewable for six-month periods unless otherwise terminated upon 90 days’ notice. On May 20, 2021, the Irrevocable Proxy was renewed and ratified with effectiveness as of June 12, 2021 under the same terms originally agreed, including automatic renewals for six-month periods unless otherwise terminated upon 90 days’ notice. The renewed Irrevocable Proxy is valid for a two-year period counted from June 12, 2021. As of the date of this Annual Report on Form 20-F, the Irrevocable Proxy Agreement had not been terminated. “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders.”

IFS Indenture

On October 19, 2017 we entered into an indenture among us, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg transfer and paying agent in connection with the issuance of U.S.\$300,000,000 aggregate principal amount of 4.125% senior notes due 2027. The use of proceeds was to fund the acquisition of 100% of the capital stock of Seguros Sura S.A. and Hipotecaria Sura Empresa Administradora Hipotecaria S.A. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

D. Exchange Controls

The Peruvian *sol* is freely traded in the exchange market. Current Peruvian regulations on foreign investment allow foreign equity holders of Peruvian companies to receive and repatriate 100% of the cash dividends distributed by these companies, except for restrictions applicable to companies that have been convicted or have admitted to and/or acknowledged committing crimes against the Peruvian public administration or money laundering or committing equivalent crimes, as set forth in Law No. 30737 (A law that ensures the immediate payment of the compensation to the State in cases of corruption and other crimes), which restricts the transfer of both local and foreign currency abroad. Non-Peruvian equity holders are allowed to purchase foreign currency at free market currency rates through any member of the Peruvian banking system and transfer such foreign currency outside Peru without restriction. Peruvian law in the past, however, has imposed restrictions on the conversion of Peruvian currency and the transfer of funds abroad, and we cannot assure holders of our common shares that Peruvian law will continue to permit such payments, transfers, conversions

or remittances without restrictions. In addition, under Panamanian law, there are currently no exchange control restrictions imposed on payments made in U.S. dollars. There can be no assurance, however, that Peruvian and Panamanian laws will continue to permit such payments, transfers, conversions or remittances without restrictions.

E. Taxation

The following discussion summarizes the material Peruvian, U.S. federal and Panamanian income tax consequences of acquiring, holding and disposing of our shares.

This discussion is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase our shares and is not applicable to all categories of investors, some of which may be subject to special rules, and does not specifically address all of the Peruvian, U.S. federal and Panamanian income tax considerations applicable to any particular holder. It is based upon the tax laws of Peru, the United States and Panama as in effect on the date of this Annual Report on Form 20-F, which are subject to change, possibly with retroactive effect, and to differing interpretations. Holders of our common shares are urged to consult its independent tax advisor about the particular Peruvian, U.S. federal and Panamanian income tax consequences to it of an investment in our shares.

Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as in force on the date of this Annual Report on Form 20-F describes the principal tax consequences of an investment in our common shares or the beneficial interest therein by non-Peruvian shareholders. This summary is not intended to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in our common shares or the beneficial interest therein. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Peru or (b) applicable to anyone different from a non-Peruvian shareholder.

For purposes of this section, “non-Peruvian shareholder” means either: (i) a legal entity which has neither been incorporated nor established in Peru, provided that it does not conduct any trade or business through a permanent establishment in Peru or holds our shares or the beneficial interest therein through a Peruvian branch or (ii) an individual who is not a Peruvian tax resident. For Peruvian tax purposes, an individual is deemed to be a Peruvian tax resident if such individual is (a) a Peruvian citizen who has a regular residence in Peru, or (b) a non-Peruvian citizen who has resided or remained in Peru for more than 183 calendar days during any 12-month period. Any change in the residency condition will be effective as of January 1 of the following calendar year in which such conditions are met.

The discussion in this summary is not intended or written to be used, and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Holders of our common shares should consult an independent tax advisor with respect to the Peruvian tax consequences of participating.

Peruvian Income Tax

Payment of Dividends

Dividends paid by legal entities incorporated in Peru are subject to a Peruvian withholding tax at a 5% rate. Our Peruvian subsidiaries are required to act as withholding agents for any income tax due with respect to dividends on their shares. We have not agreed to assume the withholding payments nor pay additional amounts so that the non-Peruvian shareholder of our common shares or the beneficial interest therein receives an amount equal to the sum it would have received had no such deductions or withholdings been made.

We are a company incorporated under the laws of Panama, accordingly, dividends paid on our common shares will not be subject to a Peruvian withholding.

Sale of our common shares

As a general rule, under the current Peruvian income tax laws and regulations, proceeds received by a non-Peruvian shareholder on the sale, exchange or disposition of our common shares will not be subject to any Peruvian withholding or capital gains tax, since our common shares are deemed to be issued by a legal entity not incorporated in Peru.

However, capital gains accrued and received by a non-Peruvian shareholder on the sale, exchange or disposition of our common shares will be subject to Peruvian income tax at a 30% rate if such transaction consists of an indirect transfer of shares issued by a Peruvian entity (“Peruvian shares”). An indirect transfer of Peruvian shares takes place in the transfer of the shares of a non-Peruvian entity that owns, directly or indirectly, shares of a Peruvian company provided that the following conditions are met:

- (i) the fair market value of the Peruvian shares, whether owned directly or indirectly by the foreign parent company, is equal to 50% or more of the fair market value of the capital stock issued by the foreign parent entity at any time during the 12-month period prior to the transfer; and,
- (ii) in any 12-month period, 10% or more of the shares issued by the foreign parent company are transferred.

Applicable regulations provide specific rules to determine the fair market value and cost of the shares and the capital stock issued by the foreign parent entity.

There is a rebuttable presumption that both conditions are met if the foreign parent company whose shares are transferred resides in a low-tax, zero-tax or un-cooperative jurisdiction pursuant to Peruvian legislation.

An indirect transfer of Peruvian shares also takes place in the transfer of the shares of a non-Peruvian entity that owns, directly or indirectly, shares of a Peruvian company provided the aggregate amount of the Peruvian shares being indirectly transferred by the transferor and its related parties in any 12-month period reaches or exceeds 40,000 Tax Units (for fiscal year 2022, one Tax Unit equals S/4,600, and for fiscal year 2023, it is equal to S/4,950). This rule applies irrespective if conditions (i) and (ii) abovementioned are not met.

A 5% preferential rate would be applicable on capital gains if (i) such shares are registered with the SMV; and (ii) such sale is performed through trading sessions (*rueda de bolsa*) of the Lima Stock Exchange.

A further tax exemption would be applicable on capital gains obtained by individuals, either Peruvian or non Peruvian, during 2023 provided (i) such shares are registered with the SMV; (ii) such sale is performed through trading sessions (*rueda de bolsa*) of the Lima Stock Exchange, (iii) such shares have a stock market presence as of the transfer date (ensuring share liquidity and continuous price quotations); and (iv) the transferor and its related parties have not transferred 10% or more of the aggregate shares issued by the foreign parent company in any 12-month period. This tax exemption applies to all capital gains accrued and received during the year meeting conditions (i) to (iv) abovementioned, regardless of their connection to the transaction, but it is limited to an annual aggregate amount of 100 Tax Units (for fiscal year 2023, one Tax Unit equals S/4,950). Therefore, once the capital gains accrued and received during the year meeting conditions (i) to (iv) abovementioned exceed 100 Tax Units, the excess will be subject to the 5% preferential rate. Applicable regulations set forth how the 100 Tax Units available to the transferor are applied when having multiple sales during the year, either involving the same shares, other shares or even other securities. This tax exemption is set to expire on December 31, 2023.

Value added tax

Dividends resulting from the shares issued by our Peruvian subsidiaries are not subject to Peruvian Value Added Tax (*Impuesto General a las Ventas*, or “VAT”).

The sale, exchange or disposition of shares issued by our Peruvian subsidiaries is not subject to VAT.

Financial Transaction Tax

Deposits in and withdrawals from accounts held in Peruvian banks or other financial institutions, whether in *soles* or foreign currency, are levied with a financial transactions tax (“FTT”) at a 0.005% rate. Therefore, FTT will be levied on the price paid for and the dividends resulting from the shares issued by our Peruvian subsidiaries if deposited in or withdrawn from a Peruvian bank or other financial institution, as the case may be.

United States Federal Income Tax Considerations

The following discussion is a summary of certain material U.S. federal income tax consequences of acquiring, owning and disposing of our common shares. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of our common shares that hold such shares as “capital assets” (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the “U.S. Code”), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the “IRS”) and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark to market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- real estate investment trusts or regulated investment companies;
- persons that, directly or indirectly, hold 10% or more of our stock by vote or value;
- U.S. expatriates; or
- persons for whom the common shares may form part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, or alternative minimum tax consequences, or the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the common shares.

As used herein, the term “U.S. Holder” means a beneficial owner of the common shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the common shares, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the common shares.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes. Please see the discussion under “Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Companies” below.

Distributions

Subject to the discussion below under “Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Companies,” distributions of cash or property (other than our common shares, if any, distributed pro rata to all of our shareholders) paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) with respect to our common shares, including the net amount of any tax withheld on the distribution, will be includible in gross income as ordinary dividend income on the date on which the U.S. Holder receives the distributions. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits as determined for U.S.

federal income tax purposes, such excess amounts will be treated first as a non-taxable return of capital to the extent of such U.S. Holder's tax basis in our common shares and, thereafter, as capital gain. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles. Unless and until these calculations are made, distributions should be presumed to be taxable dividends for U.S. federal income tax purposes. As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

A dividend paid in a non-U.S. currency will be includible in the gross income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividend is received by the U.S. Holder, regardless of whether the payment is in fact converted to U.S. dollars. If a dividend paid in a non-U.S. currency is converted into U.S. dollars on the day the dividend is received by the U.S. Holder, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date such non-U.S. currency is converted into U.S. dollars (or otherwise disposed of) generally will be treated as U.S. source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the treatment of foreign currency exchange gain or loss, if any, with respect to non-U.S. currency received by the U.S. Holder which is not converted into U.S. dollars on the date of receipt.

Dividends paid to corporate U.S. Holders with respect to our common shares will not be eligible for the dividends received deduction allowed to corporations under the U.S. Code. Dividends received by certain non-corporate U.S. Holders with respect to the common shares will be subject to U.S. federal income tax at preferential rates if the dividends constitute "qualified dividend income" for U.S. federal income tax purposes. Dividends paid on the common shares will be treated as qualified dividend income if (i) the common shares are readily tradable on an established securities market in the United States, (ii) the U.S. Holder satisfies certain holding period and other requirements and (iii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC.

Our common shares are listed on the NYSE, and therefore we expect that the common shares should qualify as readily tradable on an established securities market in the United States.

Moreover, as discussed below under "Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Companies," we believe that we will not be treated as a PFIC for U.S. federal income tax purposes with respect to our 2022 and current taxable years, and we do not anticipate becoming a PFIC in the future. However, there can be no assurance in this regard because the PFIC determination is made annually and is based on the portion of our assets (including goodwill) and income that is characterized as passive under the PFIC rules and our continued qualification for an exception to the PFIC rules for certain foreign banks and insurance companies.

Subject to generally applicable limitations and conditions under the U.S. Code (including a minimum holding period requirement), any non-U.S. income tax withheld from dividends may be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability. Dividends paid on our common shares generally will constitute foreign source income, and for purposes of calculating the foreign tax

credit, as "passive category income," for most U.S. Holders. Alternatively, a U.S. Holder may be able to deduct foreign income taxes paid with respect to dividends on our common shares against its taxable income, assuming such U.S. Holder does not take a credit for any foreign income taxes paid or accrued during the taxable year and certain other conditions are met. U.S. Holders should consult their own advisors concerning the implications of these rules in light of their particular circumstances.

Sale, Exchange or Other Taxable Disposition of our Common Shares

Subject to the discussion below under "Item 10. Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Companies," gain or loss realized by a U.S. Holder on the sale, exchange or other taxable disposition of our common shares generally will be capital gain or loss and generally will be long-term capital gain or loss if our common shares have been held for more than one year. The amount of gain or loss realized will be the difference between (i) the amount realized on the sale, exchange or other taxable disposition of our common shares over (ii) the U.S. Holder's adjusted tax basis in such common shares, in each case determined in U.S. dollars. A U.S. Holder's adjusted tax basis in a common share generally will equal the cost of the common share to the U.S. Holder. Long-term capital gain realized by certain U.S. Holders (including individuals) generally is eligible for favorable rates of U.S. federal income tax. The deductibility of capital losses is subject to significant limitations under the U.S. Code.

Any gain or loss realized by a U.S. Holder on such a sale, exchange or other taxable disposition of our common shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. If any non-U.S. income tax is withheld on such sale, exchange or other taxable disposition, a U.S. Holder may not be able to claim a foreign tax credit for such non-U.S. tax. However, pursuant to U.S. Treasury regulations that apply to taxes paid or accrued in taxable years beginning on or after December 28, 2021, any such Peruvian, Panamanian or other foreign income tax would generally not be eligible for a foreign tax

credit unless the U.S. Holder elects benefits under an applicable income tax treaty between the United States and the foreign country imposing the tax. Alternatively, the U.S. Holder may take a deduction for any otherwise creditable tax in computing taxable income for U.S. federal income tax purposes, provided that the U.S. Holder elects to deduct all foreign taxes paid or accrued for the taxable year. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit limitation rules to their investment in, and disposition of, our common shares.

Passive Foreign Investment Companies

U.S. Holders should carefully consider the discussion below regarding our potential treatment as a PFIC for U.S. federal income tax purposes.

In general, if, during any taxable year of a non-U.S. corporation, 75% or more of the corporation's gross income consists of certain types of "passive income," or the average value during the taxable year of the "passive assets" of the corporation (generally, assets that produce or are held for the production of passive income) is 50% or more of the average value of all of its assets, the corporation will be classified as a PFIC under U.S. federal income tax law. Passive income for this purpose generally, among other things, includes interest, dividends, royalties, rents and gains from commodities and securities transactions. Certain exceptions are provided, however, for passive income derived in the conduct of an active business.

The PFIC provisions also contain a look-through rule under which a non-U.S. corporation shall be treated as if it received directly its proportionate share of the income and as if it held its proportionate share of the assets of any other corporation in which it owns at least 25% of the value of the stock. Under the look-through rule, we should be deemed to own a proportionate share of the assets and to have received a proportionate share of the income of our principal subsidiaries, including Interbank, Interseguro and Inteligo Bank, for purposes of the PFIC determination. As noted below, the assets and income of Interbank, Interseguro and Inteligo Bank are subject to special rules under the PFIC regime. Further, the PFIC test is performed on an annual basis and it is therefore possible that our PFIC status may change from year to year due to changes in income or asset composition.

Assets and Income of Interbank and Inteligo Bank under the PFIC Rules

The application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest-bearing or that otherwise could be considered passive assets under the PFIC rules. The IRS has issued a notice and has proposed U.S. Treasury regulations that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the "active bank exception"). The IRS notice and proposed U.S. Treasury regulations have different requirements for qualifying as a foreign bank, and for determining the banking income that may be excluded from passive income under the active bank exception. Moreover, the proposed U.S. Treasury regulations have been outstanding since 1995 and may not be finalized in their current form. Our PFIC status may be impacted if and when these U.S. Treasury regulations are finalized.

Because final U.S. Treasury regulations have not been issued and because the notice and the proposed U.S. Treasury regulations are inconsistent in certain respects, Interbank's, Inteligo Bank's and (as a result) our status under the PFIC rules is subject to uncertainty. While Interbank and Inteligo Bank conduct, and intend to continue to conduct, a significant banking business, there can be no assurance that they will satisfy the specific requirements for the active bank exception under either the IRS notice or the proposed U.S. Treasury regulations. It is therefore possible that a significant portion of the assets and income of Interbank or Inteligo Bank may be treated as passive.

Assets and Income of Interseguro under the PFIC Rules

While passive income generally includes interest, dividends, annuities and other investment income, the PFIC rules provide that income "derived in the active conduct of an insurance business by a qualifying insurance corporation" is not treated as passive income. A qualifying insurance corporation is a foreign corporation (i) which would be taxable as an insurance company if it were a U.S. corporation and (ii) the applicable insurance liabilities of which constitute more than 25% of its total assets, as determined for financial reporting purposes. Additionally, if a corporation meets the first prong of this test, but not the second, a U.S. Holder can still elect to treat the corporation as a qualifying insurance company if at least 10% of its assets are applicable insurance liabilities and it meets certain alternative facts and circumstances tests. Under these tests, the corporation must be predominantly engaged in an insurance business and the failure to meet the 25% test described above must be due solely to run-off related or rating-related circumstances involving such insurance business. Proposed U.S. Treasury regulations were issued in 2019 that provide guidance about the definitions of "active conduct" and "insurance business." The proposed regulations were withdrawn in part and subsequent U.S. Treasury regulations were proposed in 2020 that provide explanation of the active insurance income exception as modified under changes to the U.S. Code as a result of the Tax Cuts and Jobs Act of 2017. We expect, for purposes of the PFIC rules, that Interseguro will meet the requirements to be considered a qualifying insurance corporation. No assurance can be provided, however, that changes in Interseguro's business operations or in the application of U.S. federal income tax law, including the finalization of the proposed U.S. Treasury regulations, will not affect the ability of Interseguro to qualify for the active insurance income exception.

Consequences of PFIC Status

Although the matter is not free from doubt, based on our current expectations regarding our subsidiaries meeting the PFIC exceptions discussed above, the value and nature of the assets of our subsidiaries, the sources and nature of the income of our subsidiaries, relevant market and shareholder data and our current business plans, we believe that we will not be treated as a PFIC for U.S. federal income tax purposes with respect to our 2022 and current taxable years and we do not anticipate becoming a PFIC in the future. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our common shares, such a U.S. Holder would be subject to special rules (and may be subject to increased tax liability) with respect to (a) any gain realized on the sale or other disposition of our common shares, and (b) any “excess distribution” made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on our common shares exceed 125% of the average annual distributions the U.S. Holder received on the shares during the preceding three taxable years or, if shorter, the U.S. Holder’s holding period for the shares). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder’s holding period for our common shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first year in which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which we were a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were a PFIC. In addition, in the event that we are classified as a PFIC, similar rules would apply to “excess distributions” or gains with respect to subsidiary PFICs held directly or indirectly by us (“Lower-tier PFICs”), even if the proceeds are not distributed to our shareholders. A U.S. Holder generally will be required to file IRS Form 8621 if it holds our common shares in any year in which we are classified as a PFIC.

A U.S. Holder may be able to mitigate these tax consequences by electing mark to market treatment for its common shares, provided the relevant shares constitute “marketable stock” as defined in U.S. Treasury regulations. Our shares will be “marketable stock” if they are “regularly traded” on a “qualified exchange or other market” within the meaning of the U.S. Treasury regulations. Our common shares are listed on the NYSE, and therefore we expect that our common shares should qualify as regularly traded on a qualified exchange or other market. No assurance can be given, however, that our common shares will be considered regularly traded on a qualified exchange or other market. A U.S. Holder electing the mark to market regime generally would, during any year in which we are treated as a PFIC, compute gain or loss at the end of such year as if the shares had been sold at fair value. Any gain recognized by the U.S. Holder under the mark to market election, including on an actual sale, would be treated as ordinary income, and the U.S. Holder would be allowed an ordinary deduction for any decrease in the value of shares as of the end of any taxable year and for any loss recognized on an actual sale, but only to the extent, in each case, of previously included mark to market income not offset by previously deducted decreases in value. Any loss on an actual sale of shares would be a capital loss to the extent in excess of previously included mark to market income not offset by previously deducted decreases in value. A U.S. Holder’s tax basis in shares would increase or decrease by gain or loss taken into account under the mark to market regime.

A mark to market election under the PFIC rules applies to all future years of an electing U.S. Holder during which the shares are regularly traded on a qualifying exchange or other market, unless revoked with the IRS’s consent. A mark to market election under the PFIC rules with respect to shares would not apply to a Lower-tier PFIC, and a U.S. Holder would not be able to make such a mark to market election in respect of its indirect ownership interest in that Lower-tier PFIC. Consequently, U.S. Holders of shares could be subject to the PFIC rules with respect to income of the Lower-Tier PFIC the value of which already had been taken into account indirectly via mark to market adjustments.

A U.S. Holder may in certain circumstances mitigate the adverse tax consequences of the PFIC rules by filing an election to treat the PFIC as a qualified electing fund (“QEF”). However, in the event that we are or become a PFIC, we do not intend to comply with the reporting requirements necessary to permit U.S. Holders to elect to treat us as a QEF.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, our common shares that are paid to a U.S. Holder generally will be subject to the information reporting requirements of the U.S. Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that certain required information is timely furnished to the IRS.

In addition, U.S. Holders may be required to comply with certain reporting requirements, including filing an IRS Form 8938, Statement of Specified Foreign Financial Assets, with respect to the holding of certain foreign financial assets, including stock of foreign issuers, either directly or through certain foreign financial institutions, if the aggregate value of all such assets exceeds U.S.\$50,000. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our common shares and the application of these reporting requirements to their particular situations.

FATCA Withholding Taxes

Pursuant to sections 1471 through 1474 of the U.S. Code (provisions commonly known as “FATCA”), a “foreign financial institution” may be required to withhold U.S. tax on certain “passthru payments” made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments to the extent such payments are treated as attributable to certain U.S. source payments. Holders should consult their own tax advisors on how these rules may apply to their investment in the common shares. In the event any withholding under FATCA is imposed with respect to any payments on the common shares, there will be no additional amounts payable to compensate for the withheld amount.

HOLDERS OF OUR COMMON SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY NON-U.S. STATE OR LOCAL TAX LAWS.

Panamanian Taxation

The following is a summary of the principal Panamanian income tax consequences resulting from the beneficial ownership and disposition of our common shares by certain persons. This summary is based on the Panamanian Tax Code of 1956, as amended, other applicable tax laws, decrees and regulations issued thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws, decrees, regulations and interpretations occurring after such date, possibly with retroactive effect. This summary is intended as a descriptive summary only and is not a complete analysis or listing of all potential Panamanian income tax consequences to purchasers of our common shares. The summary does not address the tax treatment of potential purchasers that may be subject to special income tax and withholding rules. The summary is not intended as tax advice to any particular person, nor does it purport to furnish information on the level of detail or with attention to a purchaser’s specific tax circumstances that would be provided by a purchaser’s own tax advisor. Holders of our common shares are urged to consult their own tax advisors as to the precise Panamanian and other tax consequences of acquiring, owning and disposing of our common shares.

Panamanian Income Tax Structure

Panama’s income tax regime is essentially territorial. Consequently, income tax is levied only upon income or gains derived from income deemed to arise from Panamanian sources, while income not deemed to be Panamanian source income is not subject to Panamanian income taxes.

Taxation of Dividends

In light of the above, dividend income is not subject to income tax in Panama if the profits to which the dividends relate are not Panamanian source income. Moreover, further distributions of dividend income received by the direct shareholders of a Panamanian company to such direct shareholders’ own shareholders are not subject to income tax in Panama. Accordingly, because we are a holding company that does not perform income generating activities in Panama and our income is generated exclusively from activities outside of Panama, dividend payments made with respect to our common shares would not be subject to income tax or withholding requirements in Panama.

The offering and sale of our common shares and the use of proceeds therefrom herein described will all take place outside of Panama, and we do not intend to place, invest or economically utilize in Panama the proceeds that we will receive upon the issuance and sale of our common shares, or to conduct business activities in Panama.

Taxation of Capital Gains

Under the tax principles set forth above, because we generate income only from foreign or non-Panamanian sources, any capital gains realized by a holder of our common shares on the sale or other disposition thereof will be exempt from income or capital gains tax in Panama.

Stamp and Other Taxes

Because we are a holding company that does not perform income generating activities in Panama and our income is generated exclusively from activities outside of Panama, our common shares, and any document containing an agreement providing for the sale or disposition thereof, are not subject to stamp, registration or similar taxes, unless the respective documents shall be used before the courts or administrative authorities of Panama, in which case the stamp tax shall be paid at that time at a rate of U.S.\$0.10 for each U.S.\$100.00 or fraction of U.S.\$100.00 of the face value of the obligations stated therein.

In light of the above, there are no sales, transfer or inheritance taxes in Panama applicable to the sale or disposition of our common shares.

Foreign Investors

Because the gains realized on the sale and disposition of our common shares are not subject to income tax in Panama as indicated above, a person domiciled outside of Panama is not required to file an income tax return in Panama solely by reason of his or her purchase or ownership of our common shares.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

The materials included in this Annual Report on Form 20-F may be downloaded at the SEC's website: <http://www.sec.gov>. Additional reports and information about us can be downloaded at the SEC's website.

I. Subsidiary Information

Not Applicable.

J. Annual Report to Security Holders

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative information related to market risk, in addition to the information presented below, see Note 30.2 to our audited consolidated financial statements as of and for the year ended December 31, 2022, 2021 and 2020, appearing elsewhere in this Annual Report on Form 20-F.

RISK MANAGEMENT

Our goal is to attain sustainable long-term growth, through a balance between risk policies and profitability. As a result, our senior management places great emphasis on risk management.

To manage the risks described below, we have a specialized risk management structure, measurement systems and mitigation and remediation processes in place for each of our business segments. We incorporate analytics into our decision-making process and make use of tools and methodologies that allow us to identify and manage risk efficiently.

Banking Segment

Main Types of Risks

The main types of risk inherent in Interbank's businesses are credit, market, liquidity and operational risk.

- *Credit risk*: probability of loss due to inability or lack of willingness to pay by debtors, counterparts or third parties bound by contractual obligations.
- *Market risk*: probability of loss in positions on and off-balance sheets derived from variations in market conditions. It generally includes the following risk types: exchange rates, interest rates and prices.
- *Liquidity risk*: potential inability to meet contractual and contingent obligations, both on- or off-balance sheet, as they come due.
- *Operational risk*: probability of loss due to inadequate processes, personnel and information technology failures, or external events.

To manage the above risks, Interbank has a specialized risk management structure, measurement systems and mitigation and remediation processes. It uses different models and rating tools at the client or product level to manage risks. These tools measure and value the risk with a prospective vision, thus allowing the organization to make better risk decisions in the different stages or life cycle of each loan.

These tools are continuously monitored and periodically validated to ensure that appropriate levels of prediction and performance are being maintained and to take corrective action or adjust to the models when needed.

The risk management indicators are continuously reviewed and assessed to identify possible deviations in risk profile with respect to the established risk appetite and apply timely corrective actions as needed. This information is submitted to the Risk Management Committee monthly and to the board of directors periodically.

Credit Risk

The main risk Interbank must manage is credit risk. To mitigate exposure to credit risk and provide adequate risk coverage, Interbank has established the following measures, among others:

- policies, procedures, methodologies, models, parameters and expert judgement to identify, measure, control and report credit risk;
- review and assessment of credit risk through specialized units of risk screening, which are independent from Interbank's Commercial Division, and which assess credit risk prior to loan approvals or prior to the acquisition of specific investments;
- timely monitoring and tracking of credit risk and maintenance of pre-defined tolerance levels;
- compliance with regulatory limits and establishment of internal limits to minimize exposure to debtors and counterparties, such as those related to sector concentration (for loans), by issuer, credit rating and liquidity;
- procedures for the management of loan guarantees.

Interbank also uses different models and rating tools for each type of client and/or product. Interbank constantly monitors and reviews these tools to ensure that adequate levels of prediction and performance are maintained and if necessary, to adjust or take corrective measures.

Through its policies and procedures, Interbank establishes the patterns and mechanisms needed to prevent excessive risk concentration and maintain a diversified portfolio.

Interbank manages its credit risk by means of three main processes: underwriting, monitoring and recovery. These processes are applied accordingly in different business lines.

The underwriting process is fundamentally based on comprehensive knowledge of the client and their economic activity and evaluating their repayment capacity, solvency and credit history. This process uses risk management methodologies and tools, which measures and assesses the quality of the risk to be granted, based on models and automatic rating systems for the admission of credits.

The monitoring process is used for early detection of credit risk to identify clients with potential risks that would affect their ability to pay which can possibly impact the debtor's credit development. This process uses an integrated system of alerts, which is used to determine whether immediate actions need to be taken.

Actions include preventative, corrective or follow-up measures. This process utilizes systems, models and guidelines to assess the evolution of the debtor's detected risks and determine their management for standardization or collection.

The recovery process is carried out through a set of coordinated actions for the appropriate and timely recovery of the loans, which aim to minimize losses in exposures with a high credit risk.

Commercial Banking

The following table presents the approval levels required for commercial loan applications at Interbank.

<u>Approval requirement</u>	<u>Amount</u>	<u>Executive required to be present at committee meeting</u>	<u>Minimum quorum</u>
Interbank related companies credit committee	Any transaction with related companies	Two Directors	2
Director credit committee	According to business segment and statistical rating situation Corporate Banking -With updated statistical rating AAA-A greater than U.S.\$50,000,000 BBB-B greater than U.S.\$40,000,000 CCC-C greater than U.S.\$30,000,000 -Without statistical rating updated Greater than U.S.\$30,000,000 Medium-sized Banking, Institutional Banking and Real Estate Business Greater than U.S.\$30,000,000	Two Directors	2
Central credit committee	According to business segment and statistical rating situation Corporate Banking -With statistical rating updated AAA-A up to U.S.\$50,000,000 BBB-B up to U.S.\$40,000,000 CCC-C up to U.S.\$30,000,000 -Without statistical rating updated Up to U.S.\$30,000,000	CEO or VP of Payments, VP of Risk Management, and Other VP.	3

<u>Approval requirement</u>	<u>Amount</u>	<u>Executive required to be present at committee meeting</u>	<u>Minimum quorum</u>
Executive credit committee	Medium-sized Banking, Institutional Banking and Real Estate Business Up to U.S.\$30,000,000		
	According to business segment and statistical rating situation Corporate Banking	VP of Risk Management, VP Business and Other VP	3
	-With statistical rating updated AAA-A: up to U.S.\$25,000,000 BBB-B up to U.S.\$20,000,000 CCC-C up to U.S.\$15,000,000		
	-Without statistical rating updated Up to U.S.\$15,000,000		
	Medium-sized Banking, Institutional Banking and Real Estate Business Up to U.S.\$15,000,000		

Credit approval is determined by the applicant's repayment ability, which is defined primarily by their cash flow and credit history. The decision whether or not to approve an extension of credit takes into account the applicant's economic environment, its ability to meet its obligations, collateral, management and the credit ratings assigned to the applicant by other companies of the financial system.

To rate credit risk within the commercial portfolio, Interbank uses a credit risk management system, the Statistical Rating System. This system measures credit risk by classifying companies based on their expected default probability, without considering the facility's amount, loan conditions or collateral. The Statistical Rating System is supported by a statistical model that predicts default probability from historical default data, based on the company's qualitative information, financial performance and internal and external credit behavior. Currently, the system is designed to rate companies from our commercial banking business line with at least S/3.0 million in annual sales.

For government entities or project finance, Interbank uses the Weighted Rating System. This methodology considers six different areas: (1) product, demand and industry; (2) shareholders and management; (3) access to credit; (4) profitability; (5) generation of resources; and (6) solvency. The final rating is the weighted sum of these areas.

In the case of financial institutions, Interbank uses an Expert Judgment Analysis Methodology. This methodology considers aspects such as shareholders, management, profitability, solvency, risk rating information, etc.

The Watchlist System monitors clients that have risk potential that needs to be addressed. Based on internal and external alerts, historical financial data and client behavior and market conditions, clients are classified into one of four categories: (1) surveillance; (2) guarantee (increase collateral), (3) reduce exposure and (4) exit or collect.

The Non-Performing Assets Monitoring System monitors the status of non-performing loans and defines categories and related strategies. This system allows Interbank to evaluate which companies are overdue and are struggling to pay their loans and focus recovery efforts on those loans. The recovery portfolio is divided into rescheduled and refinanced credit, judicial recoveries and restructured credit.

Credit risk management includes strategies related to proper recovery of defaulted loans. Depending on whether the recovery strategy is based upon the client's cash flow or collateral foreclosure, loans are assigned to the recovery division. This division has two units, special credit and judicial recovery. Judicial recovery may include the sale of recovered or foreclosed assets, which are managed by the asset sales unit that oversees selling these assets.

Small Business Banking

The following table presents the approval levels required for small business banking loan applications by principal amount in U.S. dollars.

Approval levels	Amount ⁽¹⁾
Vice President of Risk Management	Over U.S.\$ 268,500
Risk Manager	Up to U.S.\$268,500
Risk Assistant Manager	Up to U.S.\$157,400
Zonal Risk Officer	Up to U.S.\$ 91,800
Master Risk Analyst	Up to U.S.\$ 52,500
Senior Risk Analyst	Up to U.S.\$ 39,400
Risk Analyst	Up to U.S.\$ 12,600

(1) Amounts stated in U.S. dollars as of and for the year ended December 31, 2022 have been translated from soles at the exchange rate of S/3.814 = U.S. \$1.00.

In small business banking, credit approval is determined by the applicant's credit history and repayment ability, which is in turn determined primarily by the applicant's cash flow and credit history. Approvals of loans depend on the applicant's economic conditions, its ability to meet its obligations, collateral, management and the credit ratings assigned by a scoring system applied to new and current clients.

An independent unit is responsible for ensuring proper compliance with risk policies, the methodologies applied in the evaluation of creditors and the performance of scoring models and ensuring that the quality of the portfolio does not exceed risk limits.

Interbank has developed specific risk management tools to respond efficiently to new schemes and constraints that arise in the market for small business banking. Interbank refers to these tools as the Small Business Banking Management and Monitoring Process, which consist of:

- *Scoring Small Banking Enterprises*: is an analysis tool in the credit evaluation process aimed at reducing risk rates and process times and assigning a score to the credit proposal evaluated.
- *Indebted Customers Methodology Small Business Banking*: identifies customers who have high leverage exposure.
- *Field Audit and Monitoring*: is used to assess quality by selecting samples of credit loans granted and poor performing portfolios and reviewing supporting documentation, with a final risk report presentation.

During collection of early stage (1-90 days), Interbank uses collection scores that allow Interbank to define the collection strategy: phone collection, text message collection, mail or personal collection.

Recovery in small business banking occurs in two phases. Early collection is based on and supported by admission risk officers for the first 90 days. During this time, a customer in default is contacted and recovery efforts are made in the form of letters, telephone calls and direct negotiations. After the first 90 days, the defaulted loan is transferred to the Recovery Unit.

Retail Banking

The following table presents the approval levels required for retail loan applications by principal amount in U.S. dollars. Approval levels also vary according to product.

	<u>Credit Card</u>	<u>Cash Credit</u>	<u>Pay-roll Loans</u>	<u>Loans for Diplomats Amount</u>	<u>With Collateral</u>	<u>Automobile</u>	<u>Mortgage</u>
Approval Levels⁽¹⁾	Greater than	Greater than	Greater than	Greater than	Greater than	Greater than	Greater than
Vice President Risk Management	34,100	78,700	78,700	—	393,300	70,000	800,000
Central Manager	34,100	78,700	78,700	—	393,300	70,000	800,000
Risk Manager	26,200	65,500	65,500	39,300	262,200	60,000	700,000
Risk Assistant Manager	19,700	52,400	52,400	23,600	196,600	50,000	550,000
Risk Officer	15,700	47,200	47,200	23,600	131,100	40,000	350,000
Senior Risk Analyst	11,800	31,500	31,500	15,700	104,900	30,000	250,000
Risk Analyst	6,800	21,000	21,000	7,900	52,400	25,000	150,000
Junior Risk Analyst	3,100	13,100	13,100	5,200	26,200	16,000	100,000

(1) Amounts stated in U.S. dollars as of and for the year ended December 31, 2022 have been translated from soles at the exchange rate of S/3.814= U.S.\$1.00.

The approval process in retail banking is supported by world class tools, a workflow that includes a parameterized decision-making system, including risk policies and limits, as well as statistical models for all main retail banking products: credit cards, payroll deduction loans, mortgages and consumer loans.

In retail banking, credit approval is determined by the applicant's repayment ability, credit history and risk profile. An independent unit is responsible for monitoring the performance of the customer's portfolio, identifying and controlling risk across the customer's life cycle, keeping track of the performance of credit policies at origination and monitoring behavior in customer management and collections. For this purpose, Interbank uses data mining and cluster analysis, stress testing for likelihood of defaults, vintage and roll rate analysis and credit risk scoring.

During collection of early stage (1-90 days) due loans in retail banking, Interbank uses collection scores that allow it to choose the appropriate collection strategy: phone collection, text message collection, chatbot, mail or personal collection.

Unpaid debts with a 90 day stay are deemed defaulted loans. Depending on whether the recovery strategy is based on the client's cash flow or collateral foreclosure, loans are assigned to Interbank's recovery division. The recovery division has two units, pre-judicial and judicial stage of recovery. During the judicial stage of recovery, accounts are assigned to recovery attorneys. Recovery may include the sale of foreclosed assets.

Defaulted loans that are 100% accounted for under loan loss reserves are written-off and managed through external judicial recovery.

Collections and recoveries are undertaken through advanced collection systems from world class suppliers and predictive dialers. The recovery portfolio is segmented into various groups that are divided according to the specific phase of the recovery process. Collections and recovery efforts are made by letters, SMS text messages, IVR (Interactive Voice Response), telephone and personal contact with the customer.

Market Risk

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which Interbank is exposed are: (i) exchange rates, (ii) interest rates and, (iii) prices. Said variations can affect the value of financial assets and liabilities. As part of the risk management system, in certain circumstances Interbank uses derivative financial instruments to mitigate the risk exposure which arises from the variations in interest rates and exchange rates.

Exchange Rate

Management sets limits on exposure levels by currency and monitors them on a daily basis. Transactions in foreign currency are accounted for by using exchange rates prevailing on the market.

Interbank manages exchange rates by matching its assets and liabilities, overseeing the global exchange position daily. Interbank's global foreign exchange position is equivalent to the result of long positions minus short positions in currencies different from the *sol*. The global foreign exchange position includes spot positions and derivative positions.

Interest Rate

Interest rates continuously fluctuate on the market. These fluctuations affect Interbank in two ways: first, through the change in the valuation of assets and liabilities; and second, through cash flows at repricing. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability repricing increases. This process consists of the assessment of the repricing periods. On the other side, cash flows are affected when the instruments reach maturity, given that they are invested or placed at the new market interest rates.

The interest rate risk tracking is reported to the Integral Risk Management Committee, as well as the ALCO. The Integral Risk Management Committee approves the various limits applicable to the management of financial instruments. The tracking process is performed by the Division of Market Risk.

Repricing Gap

	Repricing Gap at December 31, 2022							
	1 - Month	1 - 3 Months	3 Months - 1 Year	1 Year - 3 Years (S/ in millions)	3 Years - 5 Years	Over 5 Years	Past-due loans / Equities	Banking
Assets								
Cash due from banks	7,393.3	—	—	—	—	—	—	7,393.3
Inter-bank funds	296.1	—	—	—	—	—	—	296.1
Instruments measured at fair value through other comprehensive income	614.2	1,112.5	106.8	1,020.8	1,956.4	1,445.2	4.2	6,260.1
Investments at amortized cost	—	71.6	494.49	640.3	443.8	1,652.2	—	3,302.8
Loans, net of unearned income	4,473.4	5,415.6	9,150.7	12,110.5	6,681.7	6,434.6	1,486.5	45,752.9
Other assets	237.3	4.3	16.7	22.1	—	—	—	280.4
Total	13,014.3	6,604.1	9,769.1	13,793.6	9,081.9	9,532.0	1,490.7	63,285.6
Deposits and obligations	30,550.8	1,379.2	4,494.6	899.0	70.1	323.5	—	37,717.3
Inter-bank funds	30.0	—	—	—	—	—	—	30.0
Due to banks and correspondents	303.7	1,237.9	1,011.5	2,725.7	289.6	1,158.3	—	6,726.6
Bonds, notes and other obligations	2,532.6	—	224.9	2,288.4	1,525.6	—	—	6,571.5
Other liabilities	15.1	12.5	56.9	63.8	22.2	5.8	—	176.2
Total	33,432.2	2,629.6	5,787.9	5,976.9	1,907.5	1,487.5	—	51,221.6
Marginal gap	(20,417.9)	3,974.5	3,981.1	7,816.7	7,174.4	8,044.5	1,490.7	12,064.0
Accumulated gap	(20,417.9)	(16,443.4)	(12,462.3)	(4,645.6)	2,528.9	10,573.3	12,064.0	—

An analysis of repricing gaps is performed to determine the impact of interest rate movements on the valuation of assets and liabilities into different time gaps.

The following tables summarize Interbank's exposure to interest rate risks. Financial instruments are presented at book value, classified by the period of the contract's interest rate repricing or maturity date, whichever occurs first:

Repricing Gap at December 31, 2021								
	1 - Month	1 - 3 Months	3 Months - 1 Year	1 Year - 3 Years (S/ in millions)	3 Years - 5 Years	Over 5 Years	Past-due loans / Equities	Banking
Assets								
Cash due from banks	10,626.4	419.4	13.2	—	—	—	—	11,059.0
Inter-bank funds	30.0	—	—	—	—	—	—	30.0
Instruments measured at fair value through other comprehensive income	689.1	1,011.6	214.2	966.7	2,349.0	1,497.5	4.7	6,732.8
Investments at amortized cost	—	70.9	—	1,143.4	456.8	1,625.0	—	3,296.0
Loans, net of unearned income	2,927.0	5,706.3	9,354.0	11,688.1	6,351.6	5,739.1	1,603.3	43,369.5
Other assets	52.0	68.5	24.7	347.5	—	—	—	492.7
Total	14,324.5	7,276.7	9,606.2	14,145.7	9,157.3	8,861.6	1,608.0	64,980.0
Deposits and obligations	33,088.1	1,822.0	2,380.8	223.7	42.7	261.3	—	37,818.6
Inter-bank funds	—	—	—	—	—	—	—	—
Due to banks and correspondents	177.6	685.2	1,795.3	4,009.6	479.0	966.0	—	8,112.7
Bonds, notes and other obligations	213.4	23.9	155.3	3,455.0	3,091.5	—	—	6,939.0
Other liabilities	59.5	77.9	63.4	70.4	31.9	14.2	—	317.2
Total	33,538.6	2,609.0	4,394.7	7,758.7	3,645.1	1,241.4	—	53,187.5
Marginal gap	(19,214.0)	4,667.7	5,211.4	6,387.1	5,512.3	7,620.1	1,608.0	11,792.5
Accumulated gap	(19,214.0)	(14,546.4)	(9,334.9)	(2,947.9)	2,564.4	10,184.5	11,792.5	—

Interbank separates exposures to market risk into two blocks: (i) trading book, which comprises positions in liquid investments, and (ii) banking book, which comprises banking assets and liabilities inherent to the intermediation business whose market risk exposure stems from the changes in the portfolio's structural positions.

Trading Book

To control and monitor the risks arising from the volatility of risk factors, Interbank has established maximum exposure limits by currency, investment type, Value-at-Risk (VaR) and tolerance to expected maximum loss (Stop Loss), which are monitored on a daily basis. Likewise, reports from the Integral Risk Management Committee and the ALCO are submitted regularly to Interbank's board of directors.

The validity of VaR calculation is proven through a back-testing proof, which uses historical data to ensure that the model adequately estimates potential losses. Additionally, it calculates risk factor sensitivity, which shows potential portfolio losses resulting from interest rate shocks, exchange rate shocks and price shocks, among others.

As of December 31, 2022, 2021 and 2020, Interbank's VaR calculated for its trading book, classified by type of risk, was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Change</u>	
	<u>(\$/ in millions)</u>			<u>Dec 22 / Dec 21</u>	<u>Dec 21 / Dec 20</u>
By type of risk					
Exchange rate	1.2	1.5	3.3	(0.3)	(1.8)
Interest rate	1.7	9.9	0.4	(8.2)	9.6
Price	—	—	—	—	—
Diversification effect	(0.9)	(0.8)	(0.2)	(0.0)	(0.6)
Total	2.0	10.6	3.4	(8.6)	7.2

Interbank's VaR decreased from S/10.6 million as of December 31, 2021 to S/2.0 million as of December 31, 2022, mainly due to a reduction in volumes of derivatives along with the change from the LIBOR reference rate to the SOFR reference rate.

Interbank's VaR increased from S/3.4 million as of December 31, 2020 to S/10.6 million as of December 31, 2021, mainly due to higher interest rate volatility due to the continued political instability in the country.

For the periods presented Interbank did not have back-testing exceptions.

Banking Book

Interbank also holds positions that are not actively traded. These positions include all loan placements and funds raised through Interbank's intermediation business, as well as certain investments that are not deemed trading.

Foreign Exchange Risk

Foreign exchange rate risk is the risk due to exchange rates movements. Management sets limits on exposure levels by currency and monitors them on a daily basis. Transactions in foreign currency are accounted for by using exchange rates prevailing on the market.

Interbank manages exchange rate risk by matching its assets and liabilities, overseeing the global exchange position on a daily basis. Interbank's global foreign exchange position is equivalent to the result of long positions minus short positions in currencies different from the *sol*. The global foreign exchange position includes spot positions and derivative positions.

Liquidity Risk

Interbank's liquidity risk arises from the potential inability to comply with financial obligations. This risk may arise as a result of diverse events such as the unexpected loss of funding sources or the inability to rapidly settle assets, among others.

Interbank takes short-term deposits and transforms them into longer-term loans, which also increases its exposure to liquidity risk. Interbank keeps a set of deposits that historically represent a stable funding source.

Interbank's liquidity is managed by the Vice President of Capital Markets, which leads the ALCO. Liquidity risk is overseen by the Integral Risk Management Committee, which defines the risk level that Interbank is willing to take and reviews the corresponding indicators, limits and controls.

Interbank has a set of indicators that establish minimum short-term liquidity and reflect several risk aspects, such as concentration, stability, position by currency, main depositors, etc. The Market Risk Division is responsible for tracking such indicators.

Interbank also assesses medium-term and long-term liquidity through a structural analysis of its funds inflows and outflows on diverse maturity terms. This process allows it to identify, for each currency, the funding sources, how liquidity needs increase and which terms are mismatched. For both assets and liabilities, Interbank makes assumptions for operations without specific maturity dates, including revolving loans and savings. These assumptions also include the estimated obligations arising from contingent liabilities such as guarantee letters or non-used credit lines. Based on this information, necessary actions are taken to maintain the target liquidity levels.

Operational Risk

Operational risk is defined as the possibility of losses due to inadequate processes, faulty personnel, information technology, or external events. To manage these risks, Interbank has established three defense lines:

- 1st line: comprises the business and support units, which perform operations directly and are responsible for the operational risks.
- 2nd line: comprises the units of risks, Fraud Prevention, Cybersecurity, the Portal for Money Laundering and Terrorism Financing Prevention ("PLAFT" by its Spanish acronym), among others, which provide for the methodological support for risk management.
- 3rd line: comprises the Internal Audit unit, which conducts an independent review on the operational risk management.

The management of operational risk by Interbank has the following objectives:

- to manage risk according to the defined levels of appetite and tolerance;

- to reduce the level of operational losses;
- to monitor, measure and report the main risks identified to their respective units;
- to promote the development and innovation of new products and processes in accordance with the aforementioned objectives; and
- to maintain an optimal level of readiness in case of any interrupting event that may weaken Interbank's operations, as well as improve its recovery abilities.

The management of operational risk by Interbank uses the Basel standards as base, and it is constantly being transformed to support Interbank in its process of digital transformation in a manner that is sustainable, streamlined, and straightforward.

Insurance Segment

Interseguro has the following risk management objectives:

- protect shareholder value by monitoring that exposure to probable losses does not exceed approved limits;
- protect policyholders so that their rights will not be affected by losses that exceed the value of Interseguro's equity;
- support the decision making processes in Interseguro, by providing consistent, reliable and timely risk information; and
- promote a successful company culture of risk awareness and informed risk-taking.

To this end, Interseguro uses tools and methodologies to identify and manage risk efficiently, incorporating analytics into its decision-making process.

Main Types of Risks

The main risks faced by Interseguro are insurance risk, credit risk, market risk, liquidity risk, real estate risk and operational risk. Other risks include interest rate risk and foreign exchange risk.

Insurance Risk

As an insurance company, Interseguro is exposed to the risk that the assumptions it employs to price a particular insurance policy, such as the frequency of losses or the severity of losses may be incorrect. Flaws in these assumptions may lead to premium mispricing and the miscalculation of the amount of funds necessary to cover such insurance policy. Particularly, upon the sale of an annuity, Interseguro records a reserve that is calculated on the basis of a market discount rate and mortality data.

Credit Risk

Interseguro holds a large portfolio of debt investments and fixed income securities and is therefore exposed to the risk that the issuer may default on its interest or principal payments. This risk is mitigated through a three step process. Initially, regulations established by the SBS (1) limit the types of investments Interseguro can make, (2) set minimum credit ratings that securities must have, and (3) limit Interseguro's investments with respect to a single issuer. Secondly, Interseguro performs a careful analysis on the securities it purchases. Finally, Interseguro's investment committee, which is comprised of both internal and independent members of its board of directors, is responsible for approving any new investment and periodically reviews Interseguro's investment portfolio.

Market Risk

Interseguro is exposed to the risk that the value of its investments decreases due to changing market conditions. Market risk drivers include equity prices, interest rates and real estate prices. Interseguro manages this risk by setting limits on individual issuer concentration, on type and liquidity of assets and on deviations from the terms of the technical liabilities they should cover. The risk management unit regularly assesses market risk to verify its alignment to Interseguro's risk appetite. This assessment includes VaR analysis, contribution and sensitivity analysis of each risk driver and stress tests in different extreme scenarios.

The VaR analysis is a statistical measurement that quantifies the maximum loss expected for the investment portfolio for a period of time and a determined significance level under normal market conditions. For VaR calculation Interseguro uses a historical simulation model, with a 10-day period of time and a 99% significance level. The VaR is calculated for the entire market portfolio, and for market risk factors, such as interest rate, equity price and foreign exchange.

The validity of the VaR calculation is proven through back-testing, which uses historical data to ensure that the model adequately estimates the potential losses. Additionally, Interseguro employs sensitivity analysis to show potential portfolio losses derived from price, foreign currency and interest rate fluctuations.

As of December 31, 2022, December 31, 2021 and December 31, 2020, Interseguro's VaR calculated for its investment portfolio, classified by type of risk, was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Change</u>	
	<u>(S/ in millions)</u>			<u>Dec 22 / Dec 21</u>	<u>Dec 21 / Dec 20</u>
By type of risk					
Exchange rate	6.2	11.3	14.0	(5.1)	(2.7)
Interest rate	534.4	633.7	1,123.0	(99.3)	(489.3)
Price	28.9	56.2	32.6	(27.4)	23.7
Diversification effect	(29.1)	(48.3)	(456.9)	19.1	408.6
Total	<u>540.3</u>	<u>652.9</u>	<u>712.7</u>	<u>(112.7)</u>	<u>(59.7)</u>

Between December 31, 2021 and December 31, 2022, the value of Interseguro's investment portfolio in financial instruments decreased by more than S/656.3 million, which also led to a decrease in exposure to market risk represented by the VaR, principally in interest rate risk and price risk.

Between December 31, 2020 and December 31, 2021, the value of Interseguro's investment portfolio in financial instruments decreased by more than S/943.6 million, which also led to a decrease in exposure to market risk represented by the VaR, principally in interest rate risk.

For the periods presented Interseguro did not have back-testing exceptions.

Interest Rate Risk

The following tables set forth all the assets and liabilities that are sensitive to interest rate movements.

In addition to fixed income investments, Interseguro has almost no interest-bearing assets or liabilities. Consequently, the interest rate risk of Interseguro is already incorporated into the market risk of the portfolio.

Repricing Gap at December 31, 2022								
	1 - Month	1-3 Months	3 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Past-due loans / Equities	Insurance
	(S/ in millions)							
Interest earning assets								
Cash and due from banks	488.0	—	—	—	—	22.1	—	510.1
Instruments measured at fair value through other comprehensive income.	24.7	17.2	167.2	463.6	591.4	9,279.1	492.4	11,035.6
Other assets	34.6	90.7	44.6	14.3	37.2	28.7	—	250.0
Total interest earning assets	547.4	107.8	211.8	477.9	628.6	9,329.9	492.4	11,795.7
Interest bearing liabilities								
Due to banks and correspondents	308.2	—	—	—	—	—	—	308.2
Bonds, notes and other obligations	—	3.6	—	—	—	—	—	251.5
Insurance contract liabilities	106.3	208.3	932.9	—	4,417.1	4,798.9	—	10,463.6
Other liabilities	67.9	40.3	19.4	3.5	—	—	—	131.2
Total interest bearing liabilities	482.4	252.2	952.4	3.5	4,417.1	5,046.8	—	11,154.5
Marginal gap	64.9	(144.4)	(740.6)	474.4	(3,788.5)	4,283.0	492.4	641.2
Accumulated gap	64.9	(79.5)	(820.0)	(345.7)	(4,134.2)	148.8	641.2	—

Repricing Gap at December 31, 2021								
	1 - Month	1-3 Months	3 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Past-due loans / Equities	Insurance
	(S/ in millions)							
Interest earning assets								
Cash and due from banks	—	574.7	—	—	—	—	—	574.7
Instruments measured at fair value through other comprehensive income.	23.9	25.1	118.6	427.4	465.5	9,843.3	604	11,507.8
Other assets	17.4	69.7	35.4	7.2	10.9	0.2	—	140.9
Total interest earning assets	41.3	669.5	154.0	434.6	476.4	9,843.5	604.0	12,223.4
Interest bearing liabilities								
Due to banks and correspondents	226.7	—	—	—	—	—	—	226.7
Bonds, notes and other obligations	—	3.8	—	—	—	259.2	—	262.9
Insurance contract liabilities	93.4	183.2	810.7	1,888.5	1,863.6	6,979.9	—	11,819.3
Other liabilities	58.7	36.0	4.8	3.3	—	—	—	102.7
Total interest bearing liabilities	378.9	222.9	815.6	1,891.7	1,863.6	7,239.0	—	12,411.7
Marginal gap	(337.5)	446.6	(661.6)	(1,457.1)	(1,387.2)	2,604.5	604.0	(188.3)
Accumulated gap	(337.5)	109.1	(552.5)	(2,009.6)	(3,396.9)	(792.3)	(188.3)	—

Foreign Exchange Risk

Interseguro has mainly assets and liabilities denominated in U.S. dollars. Interseguro manages its foreign exchange rate exposure by matching assets and liabilities by currency.

Liquidity Risk

Interseguro controls its liquidity needs in the short, medium and long term with the application of Asset Adequacy Tests. In simple terms, these are exercises in which the projected flows of the contracted annuities and insurance policies, are compared with the cash flows of the assets allocated for their coverage, and the present value of the surpluses, dynamically calculated, represents the level of liquidity adequacy of Interseguro.

Real Estate Risk

There are two sources of real estate risk. The first is related to the real estate market, which includes property values and lease demand. The second is the possibility of default on leases.

Interseguro manages the risk associated with its real estate market by adapting its current offer and future projects to the new conditions that arises. Interseguro periodically evaluates the financial position of prospective and current tenants to reduce the risk of losing rental income.

Operational Risk

Operational risk is defined as the possibility of losses due to inadequate processes, faulty personnel, information technology, or external events. To manage these risks, Interseguro uses tools for identification, evaluation and treatment of risks similar to the tools used by banks to comply with Basel II. The goals of these risk management tools may be summarized as follows:

- reduce operational losses by identifying potential process risks;
- identify operational risk in the development of new products;
- manage control risk and self-assessment of critical processes; and
- monitor and measure operational risk.

Wealth Management Segment

Inteligo's risk management policies are guided by an emphasis on maintaining growth that is both sustainable, profitable and aligned to adequate levels of risk. In order to accomplish this, Inteligo has developed analytic tools and methodologies aiming to identify and manage risk efficiently. Inteligo monitors and reviews these tools to ensure that adequate levels of prediction and performance are maintained and, if necessary, to make adjustments or take corrective measures.

In order to manage the above risks, Inteligo has a specialized risk management structure, measurement systems and mitigation and coverage processes.

Inteligo uses different key risk indicators ("KRI") to measure its exposure to risk factors. These KRI are continuously monitored and reviewed monthly by senior management and quarterly by the Integral Risk Management Committee and the board of directors to identify possible deviations from the stipulated risk appetite and apply timely corrective actions if needed.

Both credit and market risk are the main risks to be managed by Inteligo and, in order to mitigate its exposure and provide adequate risk coverage, it has established the following measures, among others:

- policies, procedures, methodologies, and parameters aimed to identify, measure, control and report market and credit risk;
- review and assessment of credit risk through a specialized risk department which is independent from the commercial unit and which assesses all credit risks prior to loan approvals;
- compliance with regulatory limits and establishment of internal limits for concentration exposure to counterparties and financial instruments, such as concentration to industry, issuer, credit rating and type of investment; and

- procedures for the management of loan guarantees.

Through these measures, Inteligo establishes the patterns and mechanisms needed to maintain a diversified portfolio and prevent excessive risk concentration.

Main Types of Risks

The main risks faced by Inteligo are credit risk, market risk, interest rate risk, foreign exchange risk, liquidity risk and operational risk.

Credit Risk

In our wealth management segment, only Inteligo Bank is exposed to credit risk. The substantial majority of loans we make are fully collateralized by time deposits or investment securities. Nevertheless, we have implemented strict credit risk management policies, which have contributed to a minimum level of non-performing loans. As of December 31, 2022, only 0.01% of its loan portfolio was classified as non-performing loans.

The following table presents the approval levels required for loan applications by total exposure amount in U.S. dollars.

Approval levels	Amount
Board of Directors	Over U.S.\$20,000,000
Executive Committee	Up to U.S.\$20,000,000
Credit Committee	Up to U.S.\$15,000,000
Chief Executive Officer	Up to U.S.\$5,000,000
Chief Operating Officer	Up to U.S.\$1,500,000
Operations Manager	Up to U.S.\$500,000

Credit approval is determined by the applicant's repayment ability, which is determined primarily by the applicant's credit history and cash flow generation for commercial loans or monthly net profit for retail loans.

The decision whether or not to approve an extension of credit takes into account the applicant's economic environment, its ability to meet its obligations, collateral, management and character. We developed a credit risk scorecard system, which classifies applicants based on several variables such as leverage ratio, debt service as a percentage of monthly income and collateral quality, among others.

The Risk Unit is responsible for periodical monitoring of our credit portfolio and early detection of possible deviations in the credit performance and financial condition of clients in order to maintain a healthy loan portfolio and take timely and necessary actions to reduce or avoid losses. To this end, the Risk Unit reviews Inteligo Bank's loan portfolio on a monthly basis and calculates an expected credit loss according to internal models. Additionally, it is responsible for the regulatory classification of all bank customers and appropriate allocation of reserves.

Although Inteligo Bank has a recovery process for the collection of unpaid loans, there have been very few cases of non-performing or defaulted loans.

Market Risk

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which Inteligo is exposed to are: interest rates and market pricing of financial instruments. Said variations can affect the value of Inteligo's financial assets and liabilities. Exchange rate risk is minimal because of the small exposure to other currencies.

Inteligo Investment Portfolio

In order to monitor the risks within each instrument of its investment portfolio, Inteligo has established maximum exposure limits by individual issuer, investment type and currency that are calculated on a monthly basis.

The main technique used to measure and control market risk is VaR, which is a statistical measurement that quantifies the maximum loss expected for the investment portfolio for a period of time and a determined significance level under normal market conditions. Inteligo uses the historic VaR model for a period of one month with a 99% confidence level. The VaR is calculated for each risk factor (price, interest rate and exchange rate) and investment type (fixed income, equity and alternative investments).

Additionally, Inteligo calculates the marginal contribution to VaR of each instrument in the portfolio. The validity of the VaR calculation is verified through a back-testing methodology, which uses historical data to ensure that the model adequately estimates potential losses. Inteligo has also developed a sensitivity analysis to show potential portfolio losses from price variations in its investment portfolio or interest rates fluctuations.

The primary source of Inteligo's market risk is Inteligo Bank's investment portfolio, as it represents over 95% of Inteligo's VaR results. As of December 31, 2022, December 31, 2021 and December 31, 2020 Inteligo's VaR, classified by type of risk was as follows:

By type of risk	December 31, 2022	December 31, 2021	December 31, 2020	Change	
	(S/ in millions)			Dec 22 / Dec 21	Dec 21 / Dec 20
Exchange rate	2.7	1.0	5.4	1.8	(4.4)
Interest rate	21.4	4.0	1.3	17.4	2.7
Price	137.9	156.9	213.3	(19.0)	(56.4)
Diversification effect	(2.6)	(3.4)	(8.4)	0.8	5.0
Total	159.4	158.5	211.5	1.0	(53.0)

Inteligo's VaR increased S/1 million as of December 31, 2022, mainly due to higher levels of interest rates due to inflationary pressures in the relevant market that affect Inteligo's fixed income portfolio, when compared to December 31, 2021.

Inteligo's VaR decreased S/53.0 million as of December 31, 2021, mainly due to lower levels of volatility in the financial markets as a result of the development and implementation of vaccine programs in many countries to mitigate the impact of the COVID-19 pandemic, when compared to December 31, 2020.

For the periods presented Inteligo did not have back-testing exceptions.

Assets and Liabilities Management

Inteligo holds positions that are not actively traded, including its loan portfolio, customer deposits, and bank loans. These positions are also exposed to interest rate risk, exchange rate risk and liquidity risk.

Interest Rate Risk

Interest rates continuously fluctuate on the market. These fluctuations affect Inteligo in two ways: firstly, through the change in the valuation of assets and liabilities; and secondly, affecting the cash flows at repricing dates. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability repricing increases.

An analysis of the repricing gaps is performed in order to determine the impact of interest rates movements. Said analysis consists of classifying all the interest earning assets and interest bearing liabilities in several time ranges according of their repricing date. The impact of the variation in the valuation of assets and liabilities on each range (the repricing gap) is calculated in function of this analysis.

The following tables summarize Inteligo's exposure to interest rate risks. Inteligo's financial instruments are presented at book value, classified by the period of the contract's interest rate repricing or maturity date, whichever occurs first:

	Repricing Gap at December 31, 2022							
	Up to 1 month	From 1 to 3 months	From 3 Months - 1 Year	From 1 Year - 3 Years	From 3 Years - 5 Years	Over 5 Years	Past-due loan/ Equities	Wealth Management
	(S/ in millions)							
Interest earning assets								
Cash and due from banks	971.6	23.8	303.8	6.8	—	—	—	1,306.0
Instruments measured at fair value through other comprehensive income	0.1	0.2	1.1	69.6	58.2	80.5	18.5	228.1
Loans, net of unearned interest	130.3	335.0	1,215.3	92.7	1.7	9.2	0.1	1,784.3
Other assets	897.5	0.2	3.1	—	—	—	—	900.9
Total interest earning assets	1,999.5	359.2	1,523.4	169.1	59.9	89.7	18.6	4,219.3
Interest bearing liabilities								
Deposits and obligations and deposits from financial entities	162.4	309.3	1,603.7	63.8	—	—	—	2,139.3
Due to banks and correspondents	0.9	1.7	61.2	8.7	—	—	—	72.5
	163.3	311.1	1,664.9	72.5	—	—	—	2,211.8
Marginal gap	1,836.2	48.1	(141.5)	96.6	59.9	89.7	18.6	2,007.6
Accumulated gap	1,836.2	1,884.3	1,742.9	1,839.4	1,899.3	1,989.0	2,007.6	—

	Repricing Gap at December 31, 2021							Wealth Management
	Up to 1 month	From 1 to 3 months	From 3 Months - 1 Year	From 1 Year - 3 Years	From 3 Years - 5 Years	Over 5 Years	Past-due loan/Equities	
	(S/ in millions)							
Interest earning assets								
Cash and due from banks	1,125.7	31.5	175.0	—	60.5	—	—	1,392.7
Instruments measured at fair value through other comprehensive income	0.1	0.4	1.3	75.9	55.0	123.4	17.6	273.7
Loans, net of unearned interest	129.5	327.7	1,144.9	81.7	0.8	12.6	1.3	1,698.4
Other assets	3.6	—	3.1	—	—	—	—	6.7
Total interest earning assets	1,259.0	359.5	1,324.3	157.6	116.2	136.0	18.9	3,371.5
Interest bearing liabilities								
Deposits and obligations and deposits from financial entities	162.8	383.6	1,160.0	102.8	—	—	—	1,809.1
Due to banks and correspondents	183.4	—	—	—	—	—	—	183.4
	346.2	383.6	1,160.0	102.8	—	—	—	1,992.6
Marginal gap	912.7	(24.0)	164.3	54.8	116.2	136.0	18.9	1,379
Accumulated gap	912.7	888.7	1,053.0	1,107.8	1,224.1	1,360.1	1,379	—

Foreign Exchange Risk

Exchange rate risk is related to the variation of the positions both on- and off-balance sheet that may be negatively affected by exchange rates movements. Inteligo Bank's main business is performed in U.S. dollars, its functional currency. Management sets a limit to exposure levels in other currencies and monitors it monthly.

Inteligo SAB uses both *soles* and U.S. dollars in its trading operations and maintains positions in both currencies. Interfondos manages mutual funds in both *soles* and U.S. dollars.

Liquidity Risk

Liquidity risk consists of Inteligo's inability to comply with the maturity of its obligations, thus incurring losses that affect its equity position. This risk may arise as result of diverse events such as the unexpected decrease of funding sources or the inability to rapidly settle assets, among others.

Although Inteligo takes short-term deposits, most of the deposits have historically been renewed or maintained, and consequently they represent a stable funding source. Additionally, the average loan term is less than a year and more than a half of the investment portfolio can be easily liquidated, so liquidity risk is low.

Nevertheless, Inteligo assesses medium-term and long-term liquidity through a structural analysis of its funds inflows and outflows on diverse maturity terms. This process allows it to know the diverse funding sources, how liquidity needs to be increased, and which terms are mismatched. On the basis of this information, the necessary decisions to maintain adequate liquidity levels are taken.

Inteligo Bank's financial assets include unlisted equity investments, which generally are illiquid. In addition, Inteligo Bank holds investments in closed (unlisted) and open-ended investment funds, which may be subject to redemption restrictions such as "side pockets" and redemption limits. As a result, Inteligo Bank may not be able to settle some of its investments in these instruments in due time in order to meet its liquidity requirements.

Operational Risk

Inteligo manages operational risk through its risk unit, guided by banking best-practices, including Basel II policies. The objectives of the operational risk management are to:

- reduce operational losses by identifying potential process risks;
- identify operational risk in the development of new products; and
- manage control risk and self-assess critical processes;
- monitor and measure operational risk.

Inteligo's methodology is based on two tools for identifying and measuring risks that calculate the exposure level and facilitates decision-making to mitigate exposures within certain limits of risk tolerance. These tools are risks and controls self-assessment, and collection of loss event.

Inteligo Bank uses the Standardized Approach for operational risk management under Basel II, according to the Central Bank of The Bahamas' regulation. In recent years, Inteligo launched several initiatives to strengthen the risk culture among the employees.

Payments Segment

Main Types of Risks

The main types of risk inherent in Izipay's businesses are fraud and operational risk.

To manage the risks mentioned above, Izipay has a specialized risk management structure, measurement systems and mitigation and remediation processes. This structure is used to manage the risks of the organization, establish preventive control mechanisms and mitigate risks constantly. Izipay's risk management team proposes and implements action plans to mitigate any identified risks.

These tools are continuously monitored and periodically validated to ensure that appropriate levels of prediction and performance are being maintained and to take corrective action or adjust the models when needed. The risk management indicators are continuously reviewed and assessed to identify possible deviations in risk profile with respect to the established risk appetite and apply timely corrective actions as needed. This information is submitted to the Risk Committee periodically.

Fraud Risk

In our payments segment, Izipay is exposed to fraud risk due to the sales transactions carried out through its systems are susceptible to potentially fraudulent or improper sales, which may be charged back to Izipay. In order to mitigate this risk, Izipay has around-the-clock transactional monitoring for all transactions made in its acquisition network. Izipay has monitoring tools in real time or close to real time, for the pre-clearing of transactions and for the merchants' settlement.

Additionally, we work in coordination with the Association of Banks (ASBANC) that notifies us about cases of fraud reported by local issuers in order to take swift action in the mitigation of any damage.

Merchants with irregular activity, bad practices, with cases of fraud reported by issuers, among others, are disaffiliated from our system and included in our blocked list so that they cannot affiliate again to our system.

Our efforts to efficiently prevent fraud aim to protect Izipay from financial loss due to claims or disputes and from reputational damage. In addition, it ensures the proper functioning of the ecosystem of payment industry in Peru.

Operational Risk

Operational risk is the probability of loss due to inadequate processes, personnel and information technology failures, or external events. For Izipay, operational risk also includes risks related to information security, cybersecurity and compliance risks.

Izipay has an operational risk team which, jointly with the personnel responsible for a certain task, unit or department (experts), identifies, measures and treats the risks affecting such unit or department, and carries out adequate risk management to mitigate those risks.

Izipay employs a methodology for the evaluation of operational risks, with a series of activities for risk identification, followed by controls, impact measurement and evaluation of probability so as to calculate the residual risks Izipay is exposed to. It identifies the risks as "moderate," "high," "extreme," and "not acceptable," determining a different set of actions for each type of risk. The method also assigns a person responsible for the proposed mitigation plan and to monitor its execution.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not Applicable.

B. Warrants and Rights

Not Applicable.

C. Other Securities

None.

D. American Depositary Shares

None.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2022.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management, under the supervision and with the participation of the chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as adopted by IASB and includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by IASB, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, effective control over financial reporting cannot and does not provide absolute assurance of achieving our control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Rules 13(a)-13(f) and 15(d)-15(f) under the U.S. Securities Exchange Act of 1934) as of December 31, 2022. In making this assessment, it used the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management concluded that, as of December 31, 2022, the Company's internal control over financial reporting is effective based on those criteria.

As permitted by Section 404 of the Sarbanes-Oxley Act of 2002, management's assessment of and conclusion on the effectiveness of internal control over financial reporting for the year ended December 31, 2022 did not include the internal controls of PMP or its subsidiary Izipay, which became consolidated subsidiaries in April 2022. The combined results of PMP and Izipay amounted to 1.0% and 2.2% of our consolidated total assets and net assets, respectively, as of December 31, 2022, and 3.7% and 2.5% of our consolidated interest and similar income and net profit, respectively, for the year then ended. EY Peru's audit of internal control over financial reporting of IFS also did not include an evaluation of the internal control over financial reporting of PMP and Izipay.

EY Peru, an independent registered public accounting firm, has issued an unqualified opinion on the effectiveness of the Company's internal control over financial reporting, which is included in this Annual Report on Form 20-F under "Item 18. Financial Statements—Report of independent registered public accounting firm."

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As permitted by Section 404 of the Sarbanes-Oxley Act of 2002, management's assessment of and conclusion on the effectiveness of internal control over financial reporting for the year ended December 31, 2022 did not include the internal controls of PMP or its subsidiary Izipay, which became consolidated subsidiaries in April 2022. The combined results of PMP and Izipay amounted to 1.0% and 2.2% of our consolidated total assets and net assets, respectively, as of December 31, 2022, and 3.7% and 2.5% of our consolidated interest and similar income and net profit, respectively, for the year then ended. EY Peru's audit of internal control over financial reporting of IFS also did not include an evaluation of the internal control over financial reporting of PMP and Izipay.

ITEM 16. [RESERVED]

ITEM 16 A Audit Committee Financial Expert

Our board of directors has determined that Felipe Federico Roy Morris Guerinoni, a member of our audit committee, meets the requirements of an "audit committee financial expert," as defined by the SEC, and is an independent member of the audit committee under applicable SEC and NYSE rules.

See Item 6: "Directors, Senior Management and Employees—Board Practices—Audit Committee."

ITEM 16 B Code of Ethics

In May 2020, we updated our code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act which applies to all directors, officers, employees, consultants and contractors without exception. The code is publicly available on the corporate governance section of our website at <https://www.ifs.com.pe/>. The information on our website is not incorporated into this Annual Report on Form 20-F.

The Code of Ethics is available to the general public on our web page at www.ifs.com.pe. This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this Annual Report on Form 20-F.

ITEM 16 C Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table sets forth the fees billed to us by our independent auditors, EY Peru, during the fiscal years ended December 31, 2021 and 2022:

	Year ended December 31,	
	2022	2021 ⁽¹⁾
	(S/ in millions)	
Audit fees	10.0	9.7
Audit-related fees	0.1	0.1
Tax fees	0.5	0.3
Other fees	—	0.2
Total fees	10.6	10.3

(1) Including taxes.

"Audit fees" in the above table are the aggregate fees billed by EY Peru in connection with the audit of our annual financial statements. This line item includes: the audit of our and our subsidiaries' statutory accounts, the audit of the consolidated financial statements required by Item 18 of Form 20-F, the limited reviews of financial statements of our subsidiaries and procedures related to the issuance of comfort letters.

“Audit related fees” in the above table are the aggregate fees billed by EY Peru for assurance and related services that are reasonably related to the performance of the audit or review of IFS financial statements and are not reported under “audit fees”. This line item includes services such as attestation reports for our subsidiaries as required by statute or regulations.

“Tax fees” related to tax services which include all services performed by IFS’s independent auditor’s tax personnel, except those services specifically related to the review and preparation of IFS’s financial statements, and which principally consist of tax compliance and advisory service.

“All Other fees” includes other advisory services to our subsidiaries.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee is responsible for the appointment of our external auditors, determining their compensation, retention and oversight, and resolving any disagreement that may arise between management and our external auditors. Our audit committee annually pre-approves the services that may be retained with our external auditor, considering the independence rules for the external auditor described in section I of Annex A of the Audit Committee Policy. These previously approved services are ratified and/or adjusted once a year by the audit committee. In addition, our audit committee may, at any time, add or eliminate services from the pre-approval list. We may engage our external auditors for all services contained in the pre-approval list without additional audit committee approval, provided that they do not exceed the amount of U.S.\$50,000. Any services not included in such pre-approval list or which, having been previously approved, exceed the amount indicated above, need to be specifically reviewed and approved by our audit committee before any such engagement.

All proposed services carried out by our external auditors as well as corresponding fees related to audit and non-audit services, have been presented to our audit committee, which has determined they are reasonable and consistent with our policies.

In accordance with Rule 10A-3 of the Exchange Act, our board of directors delegated the approval of the engagement and compensation of the external auditors independent external for 2022 to our audit committee, which delegation was approved by our shareholders at the Annual General Meeting of Shareholders held on March 31, 2022. Furthermore, in connection with such delegation, our audit committee reviewed proposals from various prominent global audit firms with operations in the countries where our subsidiaries operate to act as our external auditors for 2022 or a longer period as may be recommended. After analyzing such proposals received, the audit committee recommended EY Peru to serve as our and our subsidiaries’ independent external auditor for a period of five auditable years (2022-2026). Our board of directors’ agreed with the audit committee’s recommendation to appoint EY Peru for such term, subject to the audit committee’s continued evaluation of EY Peru’s performance and continued compliance with the SEC’s independence requirements.

Our audit committee’s main duties are disclosed in “Item 6. Directors, Senior Management and Employees—Board Practices.” Furthermore, the authorization to hire external auditors is subject to approval by our shareholders at the ordinary annual shareholders’ meeting although our audit committee is responsible for their appointment and oversight.

ITEM 16 D Exemptions from the Listing Standards for Audit Committees

Not applicable.

ITEM 16 E Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets out certain information concerning purchases of our previously issued shares by us or any affiliated purchaser during the fiscal year ended December 31, 2022.

<u>Period</u>	<u>Total number of shares purchased⁽¹⁾</u>	<u>Average price paid per share (S/)⁽²⁾</u>	<u>Total number of shares purchased as part of publicly announced plans or programs</u>	<u>Maximum number of shares that may yet be purchased under the plans or programs</u>
January 2022	—	—	—	—
February 2022	—	—	—	—
March 2022	—	—	—	—
April 2022	—	—	—	—
May 2022	—	—	—	—
June 2022	—	—	—	—
July 2022	—	—	—	—
August 2022	—	—	—	—
September 2022	—	—	—	—
October 2022	—	—	—	—
November 2022	—	—	—	—
December 2022	—	—	—	—
Total⁽³⁾	—	—	—	—

- (1) As of December 31, 2022, there were not shares purchased by any affiliate.
- (2) For convenience purposes only, amounts in soles in this column have been converted from U.S. dollars using a rate of S/3.814 to US\$1.00, which was the exchange rate reported for December 31, 2022 by the SBS. These translations should not be construed as representations that the U.S. dollar amounts have been, could have been or could be converted into soles at that or at any other exchange rate.
- (3) As of December 31, 2022, the Company and certain subsidiaries hold an aggregate of 30,074 shares issued by IFS.

On March 31, 2023, IFS' shareholders have approved the creation of a share repurchase program for an amount of up to US\$100 million of our common shares, which is expected to continue until terminated by the Board of Directors. The repurchase may take place simultaneously in both the Lima Stock Exchange and the New York Stock Exchange, and may be carried out in one or several dates at market prices.

ITEM 16 F Change in Registrant's Certifying Accountant

During the years ended December 31, 2022, 2021, and 2020 and through the date of this Annual Report on Form 20-F, EY Peru, has not resigned, has not indicated that it will decline to stand for re-election after the completion of its current audit nor has it been dismissed.

ITEM 16 G Corporate Governance**Corporate Governance**

As a foreign private issuer, we are subject to different corporate governance requirements than those followed by a U.S. company with shares listed on the NYSE that follow NYSE listing standards. With certain exceptions, foreign private issuers are permitted to follow their home country corporate governance standards.

We are registered with the SMV and although there is no legal obligation to comply with Peruvian corporate governance practices, we are required to report our degree of compliance with Peruvian corporate governance practices for Peruvian publicly-held companies to the SMV. Because we are not subject to Panamanian securities laws as we have not offered any securities in Panama and because general corporate law in Panama does not impose any meaningful restrictions on our corporate governance, a comparison to Panamanian corporate governance practices is not applicable. Additionally, we have adopted a set of additional corporate governance guidelines as contemplated by the U.S. Sarbanes-Oxley Act of 2002 and our articles of incorporation, which include the establishment of:

- principles and duties relating to the conduct of our management, including as with respect to confidentiality and conflicts of interest;
- internal accounting controls systems;

- corporate governance guidelines;
- amendments to the audit committee charter;
- a code of business conduct and ethics;
- corporate anti-corruption policies and guidelines, including compliance with the FCPA; and
- amendments to corporate compliance policies.

Pursuant to Section 303A.11 of the Listed Company Manual of the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. The following is a comparison between our corporate governance policies under Peruvian law and those of the NYSE listing standards.

NYSE Standards

Director Independence. A majority of the board of directors must be independent, except in the case of a “controlled” issuer. §303A.01 of the NYSE Listed Company Manual

Executive Sessions. Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03 of the NYSE Listed Company Manual

NYSE Standards

Audit committee. An audit committee satisfying the requirements of Rule 10A-3 under the Exchange Act. §303A.06 of the NYSE Listed Company Manual

Audit committee additional requirements. §303A.07 of the NYSE Listed Company Manual requires that an audit committee must consist of at least three members, each of whom are financially literate and at least one of whom is a financial expert, and that the audit committee have a written charter outlining the committee’s responsibilities.

Nominating/corporate governance committee. A nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04 of the NYSE Listed Company Manual

Compensation committee. A compensation committee of independent directors is required. The committee must approve executive officer compensation and must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.05 of the NYSE Listed Company Manual

Our Corporate Governance Practices

Our articles of incorporation provide for a minimum of three members for our board of directors. Currently, our board of directors is composed of seven members.

The criteria for determining independence under our corporate governance standards has been defined in accordance with Rule 10A-3 under the Exchange Act.

Under our articles of incorporation and applicable laws non-management directors are not required to meet in executive sessions without management.

Our Corporate Governance Practices

Our audit committee complies with the criteria set forth under our “Audit Committee Charter,” the rules of the NYSE and Rule 10A-3(b)(1) of the Exchange Act, each as applicable to foreign private issuers. Our audit committee consists of three directors, all of whom are financially literate and one of whom is a financial expert. Our audit committee is fully independent in compliance with NYSE rules and Rule 10A-3(b) of the Exchange Act.

Our audit committee complies with the criteria set forth under our “Audit Committee Charter,” the rules of the NYSE and Rule 10A-3(b)(1) of the Exchange Act, each as applicable to foreign private issuers. Our audit committee consists of three directors, all of whom are financially literate and one of whom is a financial expert. The three members of the audit committee are independent.

We do not have a nominating/corporate governance committee. Our board of directors has the power to establish such a committee in the future on the terms it deems appropriate.

We do not have a compensation committee. Our Board of Directors may establish a compensation committee in the future on the terms it deems appropriate.

Code of Ethics. A code of business conduct and ethics are required, as is disclosure of any waiver for directors or executive officers. §303A.10 of the NYSE Listed Company Manual

We have adopted a code of business conduct and ethics, as contemplated by the NYSE. Our board of directors has the obligation to verify compliance with the provisions of such code.

ITEM 16 H Mine Safety Disclosure

Not applicable.

ITEM 16 I Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Our audited consolidated financial statements are included in this Annual Report on Form 20-F beginning at page F-1. Our financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1*	<u>Legalized Translation of the Articles of Incorporation of the Registrant, as currently in effect (previously filed as Exhibit 3.1 of Form F-1 (File No. 333-232554) as filed with the SEC on July 3, 2019, and incorporated by reference herein).</u>
2.1*	<u>IFS Indenture, dated October 19, 2017, among the Registrant, The Bank of New York Mellon, as Trustee, and The Bank of New York Mellon SA/NV, Luxembourg, as Luxembourg transfer and paying agent (relating to our U.S.\$300,000,000 4.125% Senior Notes due 2027) (previously filed as Exhibit 10.1 of Form F-1 (File No. 333-232554) as filed with the SEC on July 3, 2019, and incorporated by reference herein).</u>
2.2*	<u>Description of Securities registered pursuant to Section 12 of the Exchange Act (incorporated by reference to Exhibit 2.2 to our Annual Report on Form 20-F, filed with the SEC on April 26, 2021).</u>
3.1**	<u>Irrevocable Proxy Agreement as of May 20, 2021, by and among International Financial Holdings Group Inc., in favor of George Pastor, Carlos Rodriguez-Pastor, and Anne Marie See.</u>
8.1**	<u>List of Subsidiaries.</u>
12.1**	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2**	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS**	Inline XBRL Instance Document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(*) Previously filed.

(**) Filed herewith.

Omitted from the exhibits filed with this Annual Report on Form 20-F are certain instruments and agreements with respect to our long-term debt, none of which authorizes securities in a total amount that exceeds 10% of our total assets and our subsidiaries on a consolidated basis. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the SEC requests.

SIGNATURE

The registrant, INTERCORP FINANCIAL SERVICES INC., hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

Date: April 24, 2023

INTERCORP FINANCIAL SERVICES INC.

By /s/ Luis Felipe Castellanos López Torres

Name: Luis Felipe Castellanos López Torres

Title: Chief Executive Officer

Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of December 31, 2022 and 2021, together with the Report of Independent Registered Public Accounting Firm

Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of December 31, 2022 and 2021, together with the Report of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Intercorp Financial Services Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Intercorp Financial Services Inc. and subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report date on April 21, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Expected credit loss on loan portfolio

Description of the matter

At December 31, 2022, the balance of impairment allowance for loans is S/2,027,855. As disclosed in Notes 3.4(i)(ii), 6 and 30.1(d) to the consolidated financial statements, the impairment allowance for loans is calculated using an expected credit loss (ECL) model. The determination of the ECL is based on the credit losses expected to arise over the life of the asset as a result of a significant increase in credit risk— since origination or when there is objective evidence of impairment. ECL allowances are measured at amounts equal to either (i) 12-month ECL; or (ii) lifetime ECL. The ECL calculation is based on key elements as the probability of default, the exposure to the default and the loss given default, which are determined based on macroeconomic variables as forward-looking information inputs. When estimating the ECLs, the Company considers three scenarios (optimistic, base and pessimistic), which are associated with different probability of default. Also, the Company has evaluated the specific effects of the current Peruvian political and economic environment as a post-model adjustment.

Auditing the impairment allowance for loans was complex and required the application of significant judgment and involvement of specialists due to the inherent complexity of the models, assumptions, judgments, the forward-looking nature of key assumptions and the interrelationship of the critical variables in measuring the ECL. Significant assumptions and judgments with respect to the estimation of the allowance for credit losses include (i) the determination of when a loan has experienced a significant increase in credit risk; (ii) the forecast of forward looking information for multiple economic scenarios and the probability weighting of those scenarios; (iii) the calculation of both 12-month and lifetime credit losses; and (iv) the application of expert credit judgment as post-model adjustment, specifically due to the current Peruvian political and economic situation. The allowance for credit losses is a significant estimate for which variations in model methodology, assumptions and judgments can have a material effect on the measurement of expected credit losses.

How we addressed the matter in our audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the calculation of the ECL and the significant assumptions described above, including the allowance related to the post-model adjustment due to the current Peruvian political and economic situation. The controls we tested included, amongst others, controls over the identification of indicators of impairment, the determination of significant changes in credit risk, and management's review and approval of models used to calculate the ECL, including the data inputs and outputs of those models; testing controls over the risk-rating process, and the governance and oversight controls over the review of the overall ECL.

To test the ECL, our audit procedures included, amongst others, involving our credit risk specialist to assess whether methodology and assumptions used to estimate ECL were consistent with the requirements of IFRS. We assessed significant changes in credit risk triggers, management's forecasting methodology and compared management's forward-looking information to publicly available information from independent sources. Also, we assessed management post-model adjustment included due to uncertainty surrounding the current Peruvian political and economic situation performed independent recalculations, and we tested the completeness and accuracy of data used in the measurement of the ECL. We also assessed the adequacy of the related financial statement disclosures.

Valuation of technical reserves for annuities

Description of the matter

As described in Note 14(b) to the consolidated financial statements, the balance of technical reserves for annuities was S/8,603,763 as of December 31, 2022. Technical reserves for annuities is determined as the sum of the discounted value of expected future pensions to be paid during a defined or non-defined period, computed on the basis of current mortality tables and current discount interest rates and using key actuarial economic assumptions.

Auditing the Company's technical reserves for annuities was complex and required the application of significant auditor judgment and involvement of specialists due to the actuarial models and highly judgmental nature of the actuarial assumptions used by management to estimate the liabilities. Changes in these assumptions could have significant effects on the valuation of the technical reserves for annuities.

How we addressed the matter in our audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the management's controls, related to the valuation of technical reserves for annuities. This included testing the governance and oversight controls over the review of the actuarial models, the actuarial assumptions, and the data inputs used.

To test the balance of the technical reserves for annuities, our audit procedures included, amongst others, comparing the methodology, actuarial models and actuarial assumptions used by the Company to recognized actuarial practices and testing the completeness and accuracy of the underlying insurance policy data used in the valuation. We involved our actuarial specialists to assist us in assessing the reasonableness of the assumptions and the appropriateness of the methodologies and models. Our actuarial specialists also performed an independent calculation of the technical reserves for annuities. In addition, our actuarial specialists assessed the reasonableness of the movement of technical reserves for annuities considering changes in the actuarial assumptions in the reporting period. We also assessed the adequacy of the related financial statement disclosures.

/s/ Tanaka, Valdivia, & Asociados S. Civil de R.L.
A member practice of Ernst & Young Global Limited

We have served as the Company's auditor since 2006

Lima, Peru
April 24, 2023

To the Shareholders and Board of Directors of Intercorp Financial Services Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Intercorp Financial Services Inc. and subsidiaries internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intercorp Financial Services Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Procesos de Medios de Pago S.A. and Subsidiary, which is included in the 2022 consolidated financial statements of the Company and constituted 1% and 2% of total and net assets, respectively, as of December 31, 2022 and 4% and 2% of interest and similar income and net profit for the year, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Procesos de Medios de Pago S.A. and Subsidiary.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2022 and 2021, and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated on April 24, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Tanaka, Valdivia, & Asociados S. Civil de R.L.
A member practice of Ernst & Young Global Limited

Lima, Peru
April 24, 2023

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statement of financial position
As of December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Assets			
Cash and due from banks	4(a)		
Non-interest bearing		4,012,293	3,931,419
Interest bearing		8,712,874	12,488,242
Restricted funds		468,244	684,804
		13,193,411	17,104,465
Inter-bank funds	4(e)	296,119	30,002
Financial investments	5	22,787,598	24,547,294
Loans, net:	6		
Loans, net of unearned interest		47,530,853	45,070,500
Impairment allowance for loans		(2,027,855)	(2,064,917)
		45,502,998	43,005,583
Investment property	7	1,287,717	1,224,454
Property, furniture and equipment, net	8	791,432	815,118
Due from customers on acceptances		45,809	152,423
Intangibles and goodwill, net	9	1,633,202	1,044,749
Other accounts receivable and other assets, net	10	1,778,559	1,887,454
Deferred Income Tax asset, net	15	165,787	142,367
Total assets		<u>87,482,632</u>	<u>89,953,909</u>

	Note	2022 S/(000)	2021 S/(000)
Liabilities and equity			
Deposits and obligations	11		
Non-interest bearing		8,684,678	9,270,255
Interest bearing		39,846,030	39,627,689
		48,530,708	48,897,944
Inter-bank funds	4(e)	30,012	—
Due to banks and correspondents	12	7,100,646	8,522,849
Bonds, notes and other obligations	13	7,906,303	8,389,672
Due from customers on acceptances		45,809	152,423
Insurance contract liabilities	14	10,602,372	11,958,058
Other accounts payable, provisions and other liabilities	10	3,138,932	2,477,601
Deferred Income Tax liability, net	15	81,899	—
Total liabilities		<u>77,436,681</u>	<u>80,398,547</u>
Equity, net	16		
Equity attributable to IFS's shareholders:			
Capital stock		1,038,017	1,038,017
Treasury stock		(3,363)	(3,363)
Capital surplus		532,771	532,771
Reserves		6,000,000	5,200,000
Unrealized results, net		(613,280)	(168,300)
Retained earnings		3,037,030	2,904,912
		9,991,175	9,504,037
Non-controlling interest		54,776	51,325
Total equity, net		<u>10,045,951</u>	<u>9,555,362</u>
Total liabilities and equity, net		<u>87,482,632</u>	<u>89,953,909</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statement of income

For the years ended December 31, 2022, 2021 and 2020

	Note	2022 S/(000)	2021 S/(000)	2020 S/(000)
Interest and similar income	19	5,871,302	4,605,625	4,664,967
Interest and similar expenses	19	(1,662,098)	(1,057,937)	(1,192,284)
Net interest and similar income		4,209,204	3,547,688	3,472,683
Impairment loss on loans, net of recoveries	6(d.1) and (d.2)	(830,551)	(381,577)	(2,393,944)
(Loss) recovery due to impairment of financial investments	5(c)	(12,752)	30,898	(32,904)
Net interest and similar income after impairment loss		3,365,901	3,197,009	1,045,835
Fee income from financial services, net	20	1,137,386	823,808	723,500
Net gain on foreign exchange transactions		380,154	423,022	318,422
Net (loss) gain on sale of financial investments		(60,448)	288,923	185,383
Net (loss) gain on financial assets at fair value through profit or loss	5(e) and 10(b)	(262,093)	24,800	165,883
Net gain on investment property	7(b)	84,631	79,399	44,929
Other income	21	400,202	89,498	62,117
		<u>1,679,832</u>	<u>1,729,450</u>	<u>1,500,234</u>
Insurance premiums and claims				
Net premiums earned	22	668,197	645,267	514,981
Net claims and benefits incurred for life insurance contracts and others	23	(859,991)	(917,346)	(794,051)
		<u>(191,794)</u>	<u>(272,079)</u>	<u>(279,070)</u>
Other expenses				
Salaries and employee benefits	24	(852,050)	(807,382)	(749,246)
Administrative expenses	25	(1,179,788)	(965,505)	(748,617)
Depreciation and amortization	8(a) and 9(a)	(336,226)	(279,690)	(268,750)
Other expenses	21	(315,845)	(210,192)	(144,047)
		<u>(2,683,909)</u>	<u>(2,262,769)</u>	<u>(1,910,660)</u>
Income before translation result and Income Tax		2,170,030	2,391,611	356,339
Exchange difference		(36,836)	(89,320)	(45,723)
Income Tax	15(c)	(462,537)	(502,112)	72,933
Net profit for the year		<u>1,670,657</u>	<u>1,800,179</u>	<u>383,549</u>
Attributable to:				
IFS's shareholders		1,660,581	1,790,155	383,259
Non-controlling interest		10,076	10,024	290
		<u>1,670,657</u>	<u>1,800,179</u>	<u>383,549</u>
Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles)	26	<u>14.388</u>	<u>15.510</u>	<u>3.320</u>
Weighted average number of outstanding shares (in thousands)	26	<u>115,418</u>	<u>115,419</u>	<u>115,447</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statement of other comprehensive income
For the years ended December 31, 2022, 2021 and 2020

	Note	2022 S/(000)	2021 S/(000)	2020 S/(000)
Net profit for the year		1,670,657	1,800,179	383,549
Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:				
(Losses) gains on valuation of equity instruments at fair value through other comprehensive income	16(e)	(21,924)	146,161	8,176
Income Tax	16(e)	218	(31)	(36)
Total unrealized (loss) gain that will not be reclassified to the consolidated statement of income		<u>(21,706)</u>	<u>146,130</u>	<u>8,140</u>
Other comprehensive income to be reclassified to the consolidated statement of income in subsequent periods:				
Net movement of debt instruments at fair value through other comprehensive income	16(e)	(1,833,856)	(2,282,111)	635,669
Income Tax	16(e)	8,250	8,404	(2,643)
		<u>(1,825,606)</u>	<u>(2,273,707)</u>	<u>633,026</u>
Insurance premiums reserve	16(e)	1,520,980	1,392,280	(332,536)
Net movement of cash flow hedges	16(e)	(62,954)	97,943	(17,968)
Income Tax	16(e)	8,670	(15,696)	3,559
		<u>(54,284)</u>	<u>82,247</u>	<u>(14,409)</u>
Translation of foreign operations	16(e)	(50,165)	95,674	76,935
Total unrealized (loss) gain to be reclassified to the consolidated statement of income in subsequent periods		<u>(409,075)</u>	<u>(703,506)</u>	<u>363,016</u>
Other comprehensive income for the year		<u>(430,781)</u>	<u>(557,376)</u>	<u>371,156</u>
Total comprehensive income for the year, net of Income Tax		<u>1,239,876</u>	<u>1,242,803</u>	<u>754,705</u>
Attributable to:				
IFS's shareholders		1,231,914	1,236,980	752,973
Non-controlling interest		7,962	5,823	1,732
		<u>1,239,876</u>	<u>1,242,803</u>	<u>754,705</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statement of changes in equity For the years ended December 31, 2022, 2021 and 2020

	Attributable to IFS's shareholders														
	Unrealized results, net														
	Instruments that will not be reclassified to the consolidated statement of income				Instruments that will be reclassified to the consolidated statement of income										
	Number of shares		Capital stock	Treasury stock	Capital surplus	Reserves	Equity instruments at fair value	Debt instruments at fair value	Insurance premiums reserves	Cash flow hedges of foreign operations	Translation of foreign operations	Retained earnings	Total	Non-controlling interest	Total equity, net
	Issued (in thousands)	In treasury (in thousands)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balances as of January 1, 2020	115,447	(1)	1,038,017	(196)	530,456	4,700,000	264,883	1,036,159	(923,855)	(22,758)	88,476	383,259	369,714	46,578	8,903,448
Net profit for the year	—	—	—	—	—	—	8,175	630,944	(331,990)	(14,350)	76,935	—	383,259	290	371,156
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	752,973	1,732	754,705
Total comprehensive income	—	—	—	—	—	—	8,175	630,944	(331,990)	(14,350)	76,935	—	752,973	1,732	754,705
Declared and paid dividends, Note 16(a)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, Note 16(b)	—	—	—	(2,573)	—	—	—	—	—	—	—	—	(698,228)	—	(698,228)
Transfer of retained earnings to reserves, Note 16(g)	—	—	—	—	—	500,000	—	—	—	—	—	—	—	—	(2,573)
Dividends paid to non-controlling interest of Subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale of equity instruments at fair value through other comprehensive income, Note 5(g)	—	—	—	—	2,315	—	24,154	—	—	—	—	(3,248)	—	(40)	(40)
Balances as of December 31, 2020	115,447	(24)	1,038,017	(2,769)	532,771	5,200,000	297,212	1,667,103	(1,255,845)	(37,108)	165,411	1,303,317	8,908,109	45,840	8,953,949
Net profit for the year	—	—	—	—	—	—	145,899	(2,266,729)	1,389,995	81,986	95,674	1,790,155	1,790,155	10,024	1,800,179
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	(553,175)	(4,201)	(557,376)
Total comprehensive income	—	—	—	—	—	—	145,899	(2,266,729)	1,389,995	81,986	95,674	1,790,155	1,236,980	5,823	1,242,803
Declared and paid dividends, Note 16(a)	—	—	—	—	—	—	—	—	—	—	—	—	(633,853)	—	(633,853)
Purchase of treasury stock, Note 16(b)	—	(5)	—	(594)	—	—	—	—	—	—	—	—	(594)	—	(594)
Dividends paid to non-controlling interest of Subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(328)	(328)
Sale of equity instruments at fair value through other comprehensive income, Note 5(g)	—	—	—	—	—	—	(451,898)	—	—	—	—	—	(6,605)	—	(6,615)
Balances as of December 31, 2021	115,447	(29)	1,038,017	(3,363)	532,771	5,200,000	(8,787)	(599,626)	134,150	44,878	261,085	2,904,912	9,504,037	51,325	9,555,362
Net profit for the year	—	—	—	—	—	—	(21,663)	(1,821,183)	1,518,484	(54,140)	(50,165)	1,660,581	1,660,581	10,076	1,670,657
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	(428,667)	(2,114)	(430,781)
Total comprehensive income	—	—	—	—	—	—	(21,663)	(1,821,183)	1,518,484	(54,140)	(50,165)	1,660,581	1,231,914	7,962	1,239,876
Declared and paid dividends, Note 16(a)	—	—	—	—	—	—	—	—	—	—	—	—	(751,532)	—	(751,532)
Transfer of retained earnings to reserves, Note 16(g)	—	—	—	—	—	800,000	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interest of Subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,511)	(4,511)
Sale of equity instruments at fair value through other comprehensive income, Note 5(g)	—	—	—	—	—	—	(16,313)	—	—	—	—	—	6,756	—	—
Balances as of December 31, 2022	115,447	(29)	1,038,017	(3,363)	532,771	6,000,000	(46,763)	(2,420,809)	1,652,634	(9,262)	210,920	3,037,030	9,991,175	54,776	10,045,951

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2022, 2021 and 2020

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Cash flows from operating activities			
Net profit for the year	1,670,657	1,800,179	383,549
Plus (minus) adjustments to net profit			
Impairment loss on loans, net of recoveries	830,551	381,577	2,393,944
Loss (recovery) due to impairment of financial investments	12,752	(30,898)	32,904
Depreciation and amortization	336,226	279,690	268,750
Provision for sundry risks	12,661	14,872	4,918
Deffered Income Tax	(442)	205,752	(308,067)
Net loss (gain) on sale of financial investments	60,448	(288,923)	(185,383)
Net loss (gain) of financial assets at fair value through profit or loss	262,093	(24,800)	(165,883)
Net gain for valuation of investment property	(19,146)	(21,969)	(5,438)
Disposal of fixed assets	(11,780)	—	—
Fair value adjustment on the participation held by Interbank in Izipay, Note 1(d)	(222,513)	—	—
Exchange difference	36,836	89,320	45,723
Increase in accrued interest receivable	(168,454)	(16,108)	(207,474)
Increase (decrease) in accrued interest payable	121,324	(63,839)	(13,692)
Net changes in assets and liabilities			
Net increase in loan portfolio	(3,204,130)	(2,949,964)	(5,663,256)
Net decrease (increase) in other accounts receivable and other assets	331,287	(199,227)	(129,457)
Net decrease (increase) in restricted funds	225,659	(75,308)	620,292
(Decrease) increase in deposits and obligations	(467,213)	1,893,763	9,138,664
(Decrease) increase in due to banks and correspondents	(1,460,227)	(1,138,320)	5,672,189
Increase in other accounts payable, provisions and other liabilities	494,420	2,430,391	1,724,913
Income Tax paid	(334,173)	(280,412)	(379,963)
Decrease (increase) of investments at fair value through profit or loss	481,087	(659,972)	(233,680)
Net cash (used in) provided by operating activities	<u>(1,012,077)</u>	<u>1,345,804</u>	<u>12,993,553</u>

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

Consolidated statement of cash flows (continued)

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Cash flows from investing activities			
Purchase of investments at fair value through other comprehensive income and at amortized cost	(857,589)	(1,911,799)	(3,737,749)
Purchase of property, furniture and equipment	(135,036)	(87,282)	(52,371)
Purchase of intangible assets	(227,270)	(170,528)	(196,056)
Purchase of investment property	(34,760)	(156,892)	(61,243)
Sale of property, furniture and equipment	54,313	—	—
Purchase of subsidiaries, net of cash received	(193,215)	—	—
Net cash used in investing activities	(1,393,557)	(2,326,501)	(4,047,419)
Cash flows from financing activities			
Dividends paid	(751,532)	(633,853)	(698,228)
Issuance of bonds, notes and other obligations	—	—	1,150,000
Payments of bonds, notes and other obligations	(137,900)	(91,000)	(837,400)
Net (increase) decrease in receivable inter-bank funds	(266,117)	(11,897)	66,901
Net increase (decrease) in payable inter-bank funds	30,482	(30,945)	(140,167)
Purchase of treasury stock, net	—	(594)	(2,573)
Dividend payments to non-controlling interest	(4,174)	(30)	(2,202)
Lease payments	(146,982)	(93,379)	(89,162)
Net cash used in financing activities	(1,276,223)	(861,698)	(552,831)
(Net decrease) net increase in cash and cash equivalents	(3,681,857)	(1,842,395)	8,393,303
Translation (loss) gain on cash and cash equivalents	(26,678)	112,787	(99,113)
Cash and cash equivalents at the beginning of the year	16,416,311	18,145,919	9,851,729
Cash and cash equivalents at the end of the year, Note 3.4(ag)	<u>12,707,776</u>	<u>16,416,311</u>	<u>18,145,919</u>
Supplementary cash flow information:			
Cash paid by -			
Interest	1,395,673	988,315	1,108,310
Dividends	755,706	634,181	700,660
Income Tax	334,173	280,412	379,963
Cash received from -			
Interest	5,620,231	4,483,746	4,349,828
Dividends received	88,236	108,931	111,097
Operations that do not generate cash flow -			
Recognition of right-of-use assets	33,178	31,692	29,070
Effect on the participation in Izipay prior to its acquisition, Note 1(d)	(222,513)	—	—

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

Intercorp Financial Services Inc. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2022 and 2021

1. Business activity, current context and acquisition of Subsidiaries

(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 Peru Ltd. (henceforth “Intercorp Peru”), a holding Company incorporated in 1997 in the Commonwealth of the Bahamas. As of December 31, 2022 and 2021, Intercorp Peru holds directly and indirectly 70.65 percent of the issued capital stock of IFS, equivalent to 70.64 percent of the outstanding capital stock of IFS

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

As of December 31, 2022 and 2021, IFS holds 99.30 percent of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (henceforth “Interbank”), 99.84 percent of the capital stock of Interseguro Compañía de Seguros S.A. (henceforth “Interseguro”), 100 percent of the capital stock of Inteligo Group Corp. (henceforth “Inteligo”) and 100 percent of Procesos de Medios de Pago and its subsidiary Izipay S.A.C (henceforth “Izipay”), acquired in April 2022, see (d).

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

The main activities of IFS’s Subsidiaries and their assets, liabilities, equity, operating income, net income, balances and other relevant information are presented in Note 2.

The consolidated financial statements of IFS and Subsidiaries as of December 31, 2021, and for the year then ended, were approved by the Board of Directors on April 25, 2022. The consolidated financial statements as of December 31, 2022, and for the year then ended, have been approved and authorized for issuance by Management and the Board of Directors on April 24, 2023.

(b) Political and social context in Peru –

On December 7, 2022, Pedro Castillo, President of Peru, announced the dissolution of Peruvian Congress and the establishment of an emergency government which, as he assured, would rule through decree until a new Parliament with constitutive powers would write a new Constitution. Due to this announcement, the Congress debated and voted in favor of a presidential vacancy motion that ended up in his destitution. He was immediately succeeded by the vice-president, Dina Boluarte, who was designated President of the Republic of Peru.

Since said date, a series of demonstrations and protests have erupted in the country, claiming the resignation of president Boluarte and calling for a new presidential election, among other demands.

In this situation, and with the purpose of maintaining peace and safety in different parts of the country, the Executive Branch declared the state of emergency in certain regions through Supreme Decree No. 009-2023-PCM, dated January 14, 2023. Similarly, through Supreme Decree No. 010-2023-PCM, issued on February 18, 2023, the State of Emergency was extended for 60 more days in some provinces of the country.

The Group constantly monitors the implications of this situation and the measures adopted by the government.

(c) Pandemic Covid-19 -

(c.1) State of National and Sanitary Emergency

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

During 2022, the Peruvian government derogated the National State of Emergency, while extending the National State of Health Emergency until the end of May 2023. It is worth mentioning that, since the first quarter of 2022, economic activities in the country are being carried out with normality and at the same level as before the Covid-19 pandemic.

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

During 2020 and 2021, the Peruvian government implemented extraordinary measures to secure the continuity of the economy's payment chain. The main measures implemented in the financial system were related to facilities for loans rescheduling (payment deferrals), suspension of counting of past due days, partial or total withdrawal of deposits for severance indemnity (“CTS” by its Spanish acronym), Repo operations with the Banco Central de Reserva del Peru (henceforth “BCRP” by its Spanish acronym) and the launching of credit programs guaranteed by the Peruvian Government, such as “Reactiva Peru”.

Given the nature of the adopted measures, they had effects mainly of the Subsidiary Interbank. During 2020, and in response to the Covid-19 crisis, Interbank offered its clients several payment rescheduling options. As of December 31, 2020, the balance of rescheduled loans amounted to S/10,489,296,000. As of December 31, 2022 and 2021, the balance of rescheduled loans amounted to S/5,048,978,000 and S/6,266,601,000, respectively.

On the other hand, under the program “Reactiva Perú”, Interbank granted loans for S/6,617,142,000. As of December 31, 2022, the balance of loans granted under this program amounts to S/2,357,201,000, including accrued interest for S/57,254,000. As of this date, the amount covered by the guarantee of the Peruvian Government was S/2,040,379,000 (as of December 31, 2021, the balance was S/4,976,073,000, including accrued interest for S/79,936,000); while the amount covered by the guarantee of the Peruvian Government was S/4,421,999,000. It should be noted that during 2022 and 2021, Interbank made rescheduling for the “Reactiva Perú” program for an amount of approximately S/133,046,000 and S/2,012,855,000, respectively. As of December 31, 2022 and 2021, the balance of rescheduled loans under the “Reactiva Perú” program amounts to approximately S/1,473,770,000 and S/1,974,180,000, respectively.

Additionally, during 2022 and 2021, the government authorized the one-off withdrawal of the entirety of the CTS, with the purpose of covering the workers’ economic needs caused by the Covid-19 pandemic. As part of this benefit, approximately 261,000 clients withdrew the approximate sum of S/767,470,000 during the year 2022 (242,000 clients withdrew the approximate sum of S/1,630,000,000 during the year 2021).

(d) Acquisition of Procesos de Medios de Pago S.A. and Subsidiary Izipay S.A.C. (“Izipay”)

Until March 2022, the Group (through its subsidiary Interbank) held 50 percent of Izipay. In April 2022, IFS acquired the remaining 50 percent of Izipay’s capital stock, thus completing the 100 percent of its capital stock. The amount paid by IFS amounted to US\$83,775,000 (equivalent to approximately S/312,647,000). The economic activity of the acquired companies is explained in greater detail in Note 2(g).

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

Notes to the consolidated financial statements (continued)

As a result of the acquisition and pursuant to the accounting regulation in force, the previous held equity interest was adjusted to its fair value resulting in a gain of S/222,513,000, recorded in September 2022 and presented in the caption “Other income and (expenses)” of the consolidated statement of income, see note 21. The expenses associated with the acquisition of approximately S/381,000 were presented in the caption “Administrative expenses” of the consolidated statement of income. The fair values of the assets and liabilities of the acquired entities, are presented below:

	Fair value of the acquired entities S/(000)
Assets -	
Cash	119,432
Trade accounts receivable and other receivables	178,982
Inventory	13,600
Deferred assets	102,687
Property, furniture and equipment, Note 8(a)	83,486
Right-of-use assets, Note 8(a)	6,593
Intangibles, Note 9(a)	331,421
Deferred income tax asset	11,014
Other assets	3,903
Liabilities -	
Financial obligations	26,251
Trade accounts payable and other payables	319,456
Deferred income	25,190
Lease liability	6,593
Other liabilities	223
Deferred income tax liability, Note 15(a)	86,541
Total identifiable net assets at fair value	<u>386,864</u>
Goodwill, Note 9(a)	238,429
Fair value of acquired entities	<u><u>625,293</u></u>

The net cash flow incurred as a result of the acquisition is presented below:

	S/(000)
Total price paid	312,647
Cash of acquired companies	<u>(119,432)</u>
	<u>193,215</u>

Since the date of its acquisition, Izipay has contributed to the Group with consolidated revenues of S/595,360,000 and consolidated net income of S/41,075,000. If the acquisition had taken place at the beginning of the year, they would have contributed with consolidated revenues of S/754,284,000 and consolidated net income of S/51,182,000.

2. Subsidiaries

IFS's Subsidiaries are the following:

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

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

As of December 31, 2022, Interbank had 164 offices (189 offices as of December 31, 2021). Additionally, it holds approximately 100 percent of the shares of the following Subsidiaries:

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

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

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

Interseguro holds participations in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Peru (henceforth "Patrimonio Fideicometido – Interproperties Peru"), that is a structured entity, incorporated in April 2008, and in which several investors (related parties to the Group) contributed investment properties. Each investor or investors have ownership of and specific control over the contributed investment property. The fair values of the properties contributed by Interseguro that were included in this structured entity as of December 31, 2022 and 2021, amounted to S/93,994,000 and S/71,302,000, respectively; see Note 7. For accounting purposes and under IFRS 10 "Consolidated Financial Statements" the assets included in said structure are considered "silos", because they are ring-fenced parts of the wider structured entity (the Patrimonio Fideicometido - Interproperties Peru). IFS has ownership and decision-making power over these properties and the Group 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 December 31, 2022 and 2021, it holds 100 percent of the shares of the following Subsidiaries:

Notes to the consolidated financial statements (continued)

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 Peru Holding S.A.C.	Financial holding company incorporated in Peru in December 2018. As of December 31, 2022 and 2021, it holds 99.99 percent interest in Interfondos S.A. Sociedad Administradora de Fondos, company that manages mutual funds and investment funds.
Inteligo USA, Inc.	Incorporated in the United States of America in January 2019, provides investment consultancy and related services.
(d) Negocios e Inmuebles S.A. and Holding Retail Peru S.A. -	These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura in the year 2017; Note 9(b). In April 2021, Negocios e Inmuebles S.A. (absorbing company) merged with Holding Retail Peru S.A. (absorbed company), the latter being extinguished without liquidation. As of December 31, 2022 and 2021, Negocios e Inmuebles S.A., holds 8.50 percent of Interseguro's capital stock .
(e) San Borja Global Opportunities S.A.C. -	Its corporate purpose is the marketing of products and services through Internet, telephony or related and it operates under the name of Shopstar (online marketplace) dedicated to the sale of products from different stores locally.
(f) IFS Digital S.A.C. –	Entity incorporated in August 2020, which its corporate purpose is to perform any type of investments and related services.

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

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

As indicated in Note 1(d), in April 2022, IFS acquired control of Izipay, and it became a consolidated subsidiary. Therefore, starting in April 2022, Izipay consolidates its financial information together with IFS. The investment that Interbank held in Izipay until March 31, 2022, is presented as investments in associates in the accompanying consolidated financial statements.

Notes to the consolidated financial statements (continued)

The table below presents a summary of the consolidated financial statements of the main Subsidiaries, before adjustments and eliminations for consolidation, as of December 31, 2022 and 2021, in accordance with the IFRS. Additionally, for information on business segments, see Note 28:

	Interbank and Subsidiaries		Interseguro		Inteligo and Subsidiaries		Izipay	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Consolidated statement of financial position -								
Cash and due from banks	11,052,299	14,390,759	631,156	1,055,105	1,457,445	1,533,043	111,087	—
Financial Investments	9,586,343	10,062,243	11,295,068	11,951,454	1,698,229	2,314,331	—	—
Loans, net	43,725,346	41,307,369	—	—	1,784,343	1,698,397	—	—
Investment property	—	—	1,287,717	1,224,454	—	—	—	—
Total assets	66,977,277	68,584,019	13,636,925	14,743,405	5,102,598	5,722,539	902,610	—
Deposits and obligations	44,597,855	44,966,330	—	—	4,098,842	4,171,832	—	—
Due to banks and correspondents	6,726,595	8,112,667	308,164	226,742	53,937	183,441	18,584	—
Bonds, notes and other obligations	6,571,539	6,938,988	251,524	262,933	—	—	—	—
Insurance contract liabilities	—	—	10,463,577	11,819,263	—	—	—	—
Total liabilities	59,498,433	61,581,982	12,046,352	13,233,420	4,208,369	4,427,452	686,292	—
Equity attributable to IFS's shareholders	7,478,844	7,002,037	1,590,573	1,509,985	894,229	1,295,087	216,318	—
Consolidated statement of income -								
Net interest and similar income	3,297,436	2,743,750	861,555	736,912	104,810	114,488	300	—
(Loss) recovery due to impairment on loans, net of recoveries	(832,919)	(379,034)	—	—	2,368	(2,543)	—	—
(Loss) recovery due to impairment of financial investments	(732)	(527)	(26)	33,198	(11,981)	(1,615)	—	—
Net gain of investment property	—	—	19,146	21,969	—	—	—	—
Fee income from financial services, net	797,711	677,461	(7,160)	(6,802)	163,325	196,959	258,728	—
Insurance premiums and claims	—	—	(191,772)	(272,037)	—	—	—	—
Net profit (loss) for the year attributable to IFS's shareholders	1,374,121	1,360,278	313,000	339,233	(141,395)	283,545	41,074	—

3. Significant accounting policies

3.1 Basis of presentation -

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (henceforth “IFRS”) as issued by International Accounting Standards Board (henceforth “IASB”) and are presented in Soles, which is the functional currency of the Group. All values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with the IFRS requires Management to make estimations and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of significant events in the notes to the consolidated financial statements; see Note 3.6.

3.2 Adoption of new standards and disclosures -

In these consolidated financial statements, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following standards, interpretations or amendments have been adopted for the first time in 2022, but they have not had a significant impact on the Group’s consolidated financial statements:

- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Costs of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to the aforementioned IAS specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group amended onerous contracts in which the entities had not fulfilled all of its obligations at the beginning of the reporting period without significant impact on the Group’s consolidated financial statements.

- Amendments to IFRS 3 “Business Combinations”: Reference to the Conceptual Framework

The amendments replace the reference to a previous version of the IASB’s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

Likewise, the amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a current obligation exists at the acquisition date.

The amendments also add a clarification on IFRS 3 regarding the contingent assets that do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the Group's consolidated financial statements as there were no contingent assets, liabilities, or contingent liabilities within the scope of these amendments that arose during the period.

- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the Group's consolidated financial statements as it is not a first-time adopter of IFRSs.

- IFRS 9 "Financial Instruments": Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

3.3 Basis of consolidation -

The consolidated financial statements comprise the financial statement of IFS and its Subsidiaries (see Note 2).

For consolidation accounting purposes, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, it is presumed that a majority of voting rights entitles to control. To support this presumption and when the Group has less than the majority of votes or similar rights in the investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation with a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, liabilities, income and expenses of an acquired or disposed subsidiary during the year are included in the consolidated financial statements from the date the Group acquired the control of the subsidiary until the date the Group ceases to have control of the subsidiary.

Profit and loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the Group’s parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statement of Subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are totally eliminated on consolidation.

If the Group ceases to have control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Assets in custody or managed by the Group, such as investment funds and others, are not part of the Group’s consolidated financial statements; see Note 3.4(ac).

3.4 Summary of significant accounting policies -

(a) Foreign currency translation -

Functional and presentation currency:

The Group has determined that its functional and presentation currency is the Sol, because it reflects the economic substance of the underlying events and circumstances relevant to most of the Group’s entities, insofar as its main operations and/or transactions, such as loans granted, financing obtained, sale of insurance premiums, interest and similar income, interest and similar expenses and an important percentage of purchases are established and settled in Soles; in addition, it corresponds to the functional currency to most of the Subsidiaries; except for Inteligo Bank, whose functional currency is the US Dollar.

Because Inteligo Bank has a functional currency different from the Sol, its balances were translated for consolidation purposes using the methodology established by IAS 21 “The Effects of Changes in Foreign Exchange Rates”, as follows:

- Assets and liabilities at the closing rate at the date of each consolidated statement of financial position.
- Income and expenses, at the average exchange rate for each month.

As a result of the translation, the Group has recorded the difference in the caption “Exchange differences on translation of foreign operations” in the consolidated statement of other comprehensive income.

Foreign currency balances and transactions:

Foreign currency transactions and balances are those performed in currencies different from the functional currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate in effect on the reporting date. The differences between the closing rate at the date of each consolidated statement of financial position presented and the exchange rate initially used to record the transactions in foreign currency are recognized in the consolidated statement of income in the period in which they arise, in the caption "Translation result". Non-monetary assets and liabilities acquired in a foreign currency are recorded at the exchange rate at the date of the initial transaction.

(b) Interest income -

(b.1) Effective interest rate method -

Under IFRS 9, interest income is recorded using the effective interest rate ("EIR") method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is applied and the related amortization/recycling effect of hedge accounting. The interest income of financial assets that accrue interests measured at fair value through other comprehensive income according to IFRS 9 is also recorded using the EIR method. Interest expenses are also calculated using the EIR method for all financial liabilities held at amortized cost. EIR is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period at the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognizes interest income using the best estimate of a constant rate of return over the expected life of the financial asset. Therefore, the EIR calculation also considers the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product's life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR, and the adjustment is recorded as a positive or negative adjustment of the carrying amount of the financial asset in the consolidated statement of financial position with an increase or decrease in Interest revenue.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

(b.2) Interest income and similar -

The Group calculates the interest income by applying the EIR to the gross carrying amount of non-impaired financial assets.

When a financial asset becomes impaired, and, therefore, it is classified as Stage 3 (as established in Note 3.4(h)), the Group calculates the interest income by applying the EIR at the amortized cost of the asset. If the financial assets "recover", as detailed in Note 30.1(d), and is no longer impaired, the Group recalculates the interest income in gross figures.

For purchased or originated credit-impaired (POCI) assets, as established in Note 30.1(d), the Group calculates the interest income by determining the credit-adjusted EIR at the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, in the initial recognition, discounts the estimated future cash flows (including credit losses) at the amortized cost of POCI assets.

The interest income for all trading assets, that is, for those that are measured at fair value through profit or loss, are presented under the caption "Net gain of financial assets at fair value through profit or loss" of the consolidated statement of income.

(c) Banking services commissions -

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income are recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified and determined at the inception of the contract. The Group's income from contracts do not typically include multiple performance obligations.

When the Group provides a service to its clients, the consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The fees included in the caption “Fees for banking services, net” that make up part of the consolidated statement of income include fee income where performance obligations are satisfied at a specific time or over a period of time.

Fee income where performance obligations are satisfied over a period of time include, among others, collection services, funds management, memberships, fees for contingent loans and credit card insurance. Likewise, fee income where performance obligations are satisfied at a specific time include, among others, banking service fees, brokerage and custody services, and credit card fees.

Below is the main income from contracts with customers that are recognized in the consolidated statement of financial position:

- Fees receivable for credit cards and certain fees receivable for letters of guarantee included in the caption “Other accounts receivable and other assets, net”, represent the Group’s right to an unconditional consideration (i.e., it only requires the passing of time for the consideration payment). This income is measured at amortized cost and is subject to impairment specifications under IFRS 9.
- Deferred income from commissions for letters of guarantee included in the caption “Other accounts payable, provisions and other liabilities”, represent the Group’s obligation to render services to a customer, from whom the Group has received a consideration (or a due amount). A liability for unearned fees and commissions is recognized when the payment is made or when the payment is due (whichever happens first). Unearned fees and commissions are recognized as income when the Group renders the service.

(d) Insurance contracts –

Accounting policies for insurance activities:

The Group applies to insurance contracts the existing accounting policies prior to the adoption of IFRS (i.e., accounting standards established by the SBS for financial and insurance entities in Peru) with certain modifications as described below:

- Incurred but not reported claims reserves (IBNR): These reserves are calculated and applied at each recording period using the Chain Ladder methodology, which considers past experience based on cumulative claims losses to estimate future claims developments.
- Technical reserves for life annuities and retirement, disability and survival pensions: The Group uses the Peruvian mortality tables SPP-S-2017 and SPP-I-2017 (men and women), published by the SBS through Resolution No. 886-2018 dated March 7, 2018, and set the discount interest rate through the Matching Adjustment method plus an illiquidity premium to discount all the pension cash flows; see Note 14(e).

Product classification:

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event (the insured event) that adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts may also transfer a financial risk. When the contract has a financial component and transfers no relevant insurance risk as established by IFRS 4 “Insurance Contracts”, the contract is recorded based on IFRS 9 “Financial Instruments”. These contracts are presented in the caption “Other accounts payable, provisions and other liabilities” as “Contract liability with investment component” of the consolidated statement of financial position; see Note 10(a).

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life, even if the insurance risk is reduced significantly during this period, unless all rights and obligations are extinguished or expire.

Life insurance contracts offered by the Group include retirement, disability and survival insurance, annuities and group and individual life. Non-life insurance contracts mainly include SOAT (mandatory individual car accident insurance) and credit card insurance, among others.

Insurance receivables:

Insurance receivables are initially recognized when due and are measured at the fair value of the consideration received or receivable. Consequently, in its initial recognition, insurance receivables are measured at amortized cost. As of December 31, 2022 and 2021, the carrying value of the insurance receivables is similar to their fair value due to their short-term maturity. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Reinsurance:

The Group cedes the insurance risk in the normal course of its operations mainly due to pension fund risks and life insurance risks (individual and group). The reinsurance assets represent balances due and payable by reinsurance companies. Reinsurance is ceded on a proportional basis.

The amounts recoverable from the contracts with reinsurers are estimated consistently with the loss reserve pending settlement or losses settled and with the premiums ceded, associated with policies ceded, in accordance with the clauses established in the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each date of the consolidated statement of financial position or more frequently when necessary. Impairment arises when there is objective evidence the Group cannot receive all the outstanding amounts receivable under the contract terms and the event has a reliably measurable impact on the amounts that the Group will obtain from the reinsurer. Impairment loss is registered in the consolidated statement of income.

Reinsurance contracts ceded do not release the Group from its obligations to the insured.

The liabilities from reinsurance contracts represent balances due and payable to reinsurance companies. The amounts payable are estimated consistently with the related reinsurance contract.

Premiums and claims are presented as gross amounts for the reinsurance ceded. Reinsurance assets or liabilities are written off when the contractual rights are extinguished, expire, or when the contract is transferred to a third party.

Reinsurance commissions:

The commissions from the reinsurance contracts for premiums ceded are amortized on a straight-line basis over the term of the related insurance contract.

Insurance contract liabilities:

Life insurance contract liabilities are recognized when contracts are entered into.

The technical reserves for retirement, disability and survival insurance and annuities are determined as the sum of the discounted value of expected future pensions to be paid during a defined or non-defined period, computed on the basis of current mortality and morbidity tables and current discount interest rates described in Note 14(e).

Individual life technical reserves are determined as the sum of the discounted value of expected future benefits, administration expenses, policyholder options and guarantees and investment income, less the discounted value of the expected premiums that would be required to meet the future cash outflows. Furthermore, the technical reserves for group life insurance contracts comprise the provision for unearned premiums and unexpired risks.

Insurance claims reserves include reserves for reported claims and an estimate of the IBNR. As of December 31, 2022 and 2021, IBNR reserves were determined on the basis of the Chain Ladder methodology, whereby the weighted average of past claims' development is projected into the future. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of income. The liability is derecognized when the contract expires, is discharged or cancelled.

At each reporting date an assessment is made on whether the recognized life insurance liabilities are sufficient, by using an existing liability adequacy test as established by IFRS 4. In the case of annuities and retirement, disability and survival insurance, this test was conducted by using current assumptions for mortality and morbidity tables and interest rates. As of December 31, 2022 and 2021, Management determined that liabilities were sufficient and therefore, it has not recorded any additional life insurance contract liability.

The accounts payable to reinsurers and coinsurers arise from the ceded premiums issued based on the evaluation of the risk assumed and the losses coming from the reinsurance contracts accepted as well as from the clauses executed for the coinsurance received, and are registered in the item "Accounts payable to reinsurers and coinsurers" that is part of the caption "Other accounts payable, provisions and other liabilities" of the consolidated statement of financial position.

Income recognition:

Life insurance contracts:

Gross premiums on life insurance are recognized as revenue when due from the policyholder. For single premium products, revenue is recognized on the date when the policy is effective. The net premiums earned include the annual variation of technical reserves.

Property, casualty and group life insurance contracts:

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk afterwards the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Recognition of benefits, claims and expenses:

(i) Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims.

Death, survival and disability claims are recorded on the basis of notifications received. Annuities payments are recorded when due.

(ii) Reinsurance premiums

Reinsurance premiums comprise the total premiums payable for the whole coverage provided by contracts entered into in the period and are recognized at the date at which the policy is effective. Unearned ceded premiums are deferred during the period of the related insurance contract.

(iii) Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

(iv) Acquisition costs

Acquisition costs related to the sale of new policies are recognized when incurred.

(e) Financial instruments: Initial recognition -

(e.1) Date of recognition

Financial assets and liabilities, with the exception of loans, are initially recognized at the trading date. This includes regular transactions of purchases or sales of financial assets that require the delivery of assets within the time frame generally established by regulation or convention on the marketplace. Loans are recognized when the funds are transferred to the customers while deposits and obligations are recognized when the funds are received by the Group.

(e.2) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the characteristics of the business model and contractual flows for managing the instruments, as described in Notes 3.4(f.1.1) and 3.4(f.1.2). Financial instruments are initially measured at their fair value (as defined in Note 3.4(e.4)), except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to, or subtracted from, this amount. Accounts receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(e.3) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique that only uses inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in the net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

(e.4) Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model and the contractual terms, measured at either:

- Amortized cost, as explained in Note 3.4(f.1).
- Fair value through other comprehensive income, as explained in Notes 3.4(f.4) and (f.5).
- Fair value through profit or loss, as explained in Note 3.4(f.7).

The Group classifies and measures its derivative and trading portfolio at fair value through profit or loss as explained in Notes 3.4(f.2) and (f.3). The Group may designate financial instruments at fair value through profit or loss, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.4(f.7).

Financial liabilities, other than financial guarantees, are measured at amortized cost or at fair value through profit or loss when they are held for trading, are derivative instruments or the fair value designation is applied, as explained in Note 3.4(f.6). It should be noted that during 2022 and 2021, the Group only presents derivative financial instruments measured in this way.

(f) Financial assets and liabilities -

Following is the description of the assets and liabilities held by the Group, as well as the criteria for their classification:

(f.1) Assets measured at amortized cost -

As required by IFRS 9, the Group measure cash and due from banks inter-bank funds, financial investments in debt instruments, loans and other financial assets at amortized cost if the following two conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are presented below:

(f.1.1) Business model assessment -

The Group's business model is assessed at a higher level of aggregated portfolios, and not instrument by instrument, and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case". If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the classification of the remaining financial assets that remain in that business model will not be changed, but incorporates such information when assessing newly purchased financial assets going forward.

(f.1.2) The SPPI test (Solely payments of principal and interest) -

As a second step of its classification process, the Group assesses the contractual terms to identify whether they meet the SPPI test.

“Principal”, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements within a lending arrangement are the time value of money and credit risk. To perform the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss.

(f.2) Derivatives recorded at fair value through profit or loss -

A derivative is a financial instrument or other contract with the following three characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; provided that, in the case of a non-financial variable, it is not specific to part of the contract (i.e., the “underlying”).
- It requires no initial net investment or an initial net investment that is smaller than the required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties, such as: interest rate swaps, cross-currency swaps, foreign currency options and foreign currency forward contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are presented separately in Note 10(b). Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied. Hedge accounting disclosures are presented in Note 3.4(j).

(f.2.1) Embedded derivatives -

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Embedded derivatives in financial assets, liabilities and non-financial host contracts, were treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host contract are carried at fair value in the trading portfolio with changes in the fair value recognized in the consolidated statement of income.

In the case of embedded derivatives in financial assets, they are not separated from the financial asset and, therefore, the classification rules are applied to the hybrid instrument in its entirety, as described in Note 3.4(e.4).

As of December 31, 2022 and 2021, the Group does not present embedded derivatives in its financial liabilities, which are needed to be separated from the host contract.

(f.3) Financial assets or financial liabilities held for trading -

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the consolidated statement of financial position at fair value. Changes in fair value are recognized in the statement of income. Interest income or expense and dividend are recorded in the statement of income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities and short positions that have been acquired mainly for the purpose of selling them in the short term.

(f.4) Debt instruments at fair value through other comprehensive income -

The Group applies the category of debt instruments measured at fair value through other comprehensive income when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

Debt instruments at fair value through other comprehensive income are subsequently measured at fair value through other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost, as explained in Note 3.4(f.1). The expected credit loss calculation for debt instruments at fair value through other comprehensive income is explained in Note 3.4(h)(iii). When the Group holds more than one investment in the same security, they are deemed to be disposed of on a “first-in first-out” basis. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(f.5) Equity instruments at fair value through other comprehensive income -

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at fair value through other comprehensive income when not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit even when the asset is sold. Dividends are recognized in the consolidated statement of income as income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

(f.6) Financial liabilities -

After initial measurement, financial liabilities, except those measured at fair value through profit or loss; see (f.7), are measured at amortized cost. Amortized cost includes commissions and interest, transaction cost and any other premium or discount. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The Group first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Group has determined the split between equity and liability, it further assesses whether the liability component has embedded derivatives that must be accounted for separately.

(f.7) Financial assets and financial liabilities at fair value through profit or loss -

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by Management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at fair value through profit or loss upon initial recognition when one of the following criteria is met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at fair value through profit or loss due to changes in the Group's own credit risk. Such changes in fair value are recorded in other comprehensive income and do not get reclassified to profit or loss. Interest accrued on assets that must be measured at fair value through profit or loss is recorded using the contractual interest rate. Dividend income from equity instruments measured at fair value through profit or loss is recorded in profit or loss as "Interest and similar income"; see Note 19, when the right to the collection has been established.

(f.8) Financial guarantees and letters of credit -

The Group issues financial guarantees, and letters of credit.

Financial guarantees are initially recognized in the consolidated financial statements (within provisions) at fair value, which is equivalent to the commission received. Subsequent to initial recognition, the recognized liability is measured at the higher amount between: a) amount initially recognized less its cumulative amortization; and b) an Expected Credit Loss (“ECL”) provision determined as set out in Note 3.4(h)(ii).

The commission received is recognized in the consolidated statement of income in the caption “Fee income from financial services, net” on a straight-line basis over the life of the guarantee.

Letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are within the scope of the ECL requirements.

The nominal contractual value of financial guarantees and letters of credit, where the loan agreed to be provided is on market terms, is not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 6(d).

(f.9) Reclassification of financial assets and liabilities -

The reclassification of financial assets will take place as long as the business model that manages the financial assets is changed. It is expected that this change is very rare. These changes are determined by Management because of external or internal changes and must be significant for the Group’s operations and demonstrable to third parties. Consequently, a change in the Group’s business model will take place only when it begins or ceases to carry out an activity that is significant for its operations. As of December 31, 2022 and 2021, the Group has not reclassified its financial assets after their initial recognition. Financial liabilities are never reclassified.

(f.10) Repurchase agreements -

Securities sold under repurchase agreements on a specified future date are not derecognized from the consolidated statement of financial position since the Group retains substantially all of the risks and rewards inherent to its ownership. Cash received is recognized as an asset with the corresponding obligation to return it, including accrued interest, as a liability, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase price is recorded as interest expense and is accrued over the life of the agreement using the effective interest rate and is recognized in the caption "Interest and similar expenses" of the consolidated statement of income.

As of December 31, 2022 and 2021, the Group did not keep any repurchase agreements.

(g) Modification of financial assets and liabilities -

(g.1) Modification of financial assets -

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Group performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognize a loan to a customer, among others, the Group considers the following factors:

- Change in the loan's currency.
- Introduction of an equity feature.
- Change in customer's credit risk.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(g.2) Modification of financial liabilities -

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortized cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognized immediately in profit or loss.

Regarding the financial liabilities, the Group considers a substantial amendment based on qualitative factors and provided it exists a difference between the present value of the discounted cash flows under the new conditions and the original book value of the financial liability is larger than ten percent.

(h) Derecognition of financial assets and liabilities -

(h.1) Derecognition due to substantial change in terms and conditions -

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

(h.2) Derecognition other than for substantial modification -

(h.2.1) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired.

The Group has transferred the financial asset if, and only if, either:

- Has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interests earned, during the period between the collection date and the date of agreed revision with the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers that control is transferred if, and only if, the transferee has the ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group retains.

When the continuing involvement takes the form of a guarantee over the transferred asset, the amount of the Group's continuing involvement will be the lowest between the asset amount and the maximum amount of consideration the Group may be required to pay.

When the continuing involvement takes the form of a written or purchased option (or both) over the transferred asset, the amount of the Group's continuing involvement will be the amount of the transferred asset that the Group could repurchase. In the case of a written put option on an asset that is measured at fair value, the amount of the Group's continuing involvement will be limited to the lowest between the fair value of the transferred asset and the option exercising price.

The net loss originated as consequence of the derecognition of financial asset accounts measured at amortized cost is calculated as the difference between the book value (impairment included) and the amount received.

As of December 31, 2022 and 2021, the Group did not recognize net losses as consequence of derecognition of financial assets accounts.

(h.2.2) Financial liabilities

A financial liability is derecognized when the obligation under the liability has been discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss of the period .

(i) Impairment of financial assets -

(i) Overview of the expected credit loss principles -

The Group records an allowance for expected credit losses for all loans and other debt financial assets not held at fair value through profit or loss, together with financial guaranteed contracts. Equity instruments are not subject to impairment under IFRS 9.

The determination of the expected credit loss is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month expected credit loss as described in (ii) below. The policies for determining whether there has been a significant increase in credit risk are set out in Note 30.1(d).

Both lifetime expected credit loss and 12-month expected credit loss are calculated on either an individual basis or a collective basis, depending on the nature of the portfolio. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 30.1(d).

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note 30.1(d).

Based on the above mentioned process, IFS groups its loans into "Stage 1", "Stage 2", "Stage 3" and purchased or originated credit impaired financial assets ("POCI"), as described below:

Stage 1: When loans are first recognized, the Group recognizes an allowance based on the 12-month expected credit loss. Stage 1 also includes loans whose credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since inception, the Group records an allowance based on the expected credit loss for the entire lifetime of the financial asset. Stage 2 also includes loans whose credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired (as outlined in Note 30.1(d)). The Group records an allowance for the entire lifetime of the financial asset.

POCI: Purchased or originated credit impaired assets are financial assets that are impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. It should be noted that during the years 2022 and 2021, the Group has not purchased or originated POCI financial assets.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group recognizes a value correction for expected credit losses on the following financial assets:

- Financial assets that are measured at amortized cost.
- Financial assets that are measured at fair value with changes in other comprehensive income if the following two conditions are met:
 - (i) The financial asset is maintained within a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets; and

(ii) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of the principal and interest on the outstanding principal amount.

- Accounts receivable from leases.
- Assets from contracts.
- Financial guarantee contracts.

In this regard, as of December 31, 2022 and 2021, the Group's financial assets subject to a correction for expected credit loss are the following:

- Cash and due from banks.
- Inter-bank funds.
- Financial investments; see Notes 3.4(f), 5 and 30.1(e).
- Loans; see Notes 3.4(f.1), 6 and 30.1(d).
- Due from customers on acceptances.
- Other accounts receivable and other assets.

The Group assesses periodically impairment alerts derived from factors such as Covid-19, the political and economic context of the country, and the effects of the international conflicts that may affect Peru, with the purpose of timely identifying an increase in the credit loss risk. Thus, for those financial assets other than financial investments and the loan portfolio, Management has estimated the expected credit loss, concluding that it is neither significant nor relevant, given that the maximum period considered for measuring expected credit losses is very small or, even if it implies a longer term, because the main debtor is the Central Reserve Bank ("BCRP", by its Spanish acronym) or corresponds to cash in vaults of the Group.

(ii) Calculation of ECL -

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are described below, and the key elements are the following:

- PD ("Probability of default") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The definition of PD is further explained in Note 30.1(d).

- EAD (“Exposure at default”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The definition of EAD is further explained in Note 30.1(d).
- LGD (“Loss Given Default”) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The definition of LGD is further explained in Note 30.1(d).

When estimating the ECLs, the Group considers three scenarios (optimistic, base and pessimistic). Each of these is associated with different PDs, as presented in Note 30.1(d). When is relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will “cure” and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards, for which the treatment is separately set out in (iv) below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument (considering the prepayments) unless the Group has the legal right to call it earlier.

Impairment losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value.

The criteria followed for calculating the ECL based on each stage are described below:

- Stage 1: The provision for credit losses of those financial instruments that do not show a significant increase in risk since the initial recognition, will be calculated as the expected credit losses in the following 12 months. The group calculates the expectation that there is a probability of default (PD) in the 12 months after the reporting date. To this probability of default is multiplied and expected loss in case of default (LGD) and exposure on the date of default (EAD) and discounting the original effective interest rate. This calculation is made for each of the three scenarios (optimistic, base and pessimistic) defined by the Group.

- Stage 2: When the financial instrument shows a significant increase in credit risk since initial recognition, the provision of credit losses of this financial instrument will be calculated as the expected credit loss throughout the life of this asset. The calculation method is similar to that for Stage 1, including the use of multiple scenarios, but expected credit loss is estimated over the lifetime of the instrument.
- Stage 3: When there is objective evidence that the financial instrument is impaired, the provision of credit losses will be calculated as the expected credit loss over the life of the asset. The method is similar to that for Stage 2, with the PD set at 100 percent.

It is possible that the inputs and models used to calculate the expected loss do not reflect all the characteristics of the market as of the date of the financial statements. This is why, occasionally, subsequent qualitative adjustments to the model are performed when there are significant differences. See Note 30.1(d.7).

Financial guarantee contracts

The Group measures each financial guarantee as the highest of the amount initially recognized minus cumulative amortization recognized in the consolidated statement of income, and the ECL provision. For this purpose, the Group estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The deficits are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognized in provisions.

(iii) Debt instruments measured at fair value through other comprehensive income -

The ECLs for debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. However, the expected losses that arise at each measurement date must be reclassified from other comprehensive income to results of the period.

(iv) Credit cards -

The Group calculates the expected losses in a period that reflects the Group's expectations regarding the client's behavior, probability of default and the Group's future risk mitigation procedures that could include the reduction or cancellation of lines of credit. Based on past experience and the Group's expectations, until October 2021, the period during which the Group calculates the expected lifetime losses of this product was 17 months. From November 2021 onwards, that period was adjusted to 16 months, period that was maintained for 2022.

The assessment of whether there has been a significant increase in credit risk for revolving products is similar to other credit products. This is based on changes in the customer's credit rating, as explained in Note 30.1(d).

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

(v) Forward-looking information -

In its expected credit loss models, the Group relies on the following macroeconomic variables as forward-looking information inputs as of December 31, 2022 and 2021:

	2022	2021
GDP growth	X	X
Unemployment rate	X	
Gross capital formation		X
Consumer		X
Domestic demand	X	X
Formal labor salary	X	
Informal labor salary	X	

The inputs and models used, see Note 30.1, for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs are provided in Note 30.1(d).

(vi) Valuation of guarantees -

To mitigate the credit risks on financial assets, the Group generally uses three types of guarantees: physical guarantee, personal guarantees and title guarantees.

The guarantee, unless recovered, is not recorded in the Group's consolidated statement of financial position. However, the fair value of the guarantee affects the calculation of the expected losses, and because of that, it is assessed periodically.

The nominal contract value of the guarantees and the letters of credit not used where the loan was agreed to be granted is in market terms, is not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding expected losses are disclosed in Note 30.1(d).

To the extent possible, the Group uses active market data for valuing financial assets held as guarantees. Non-financial guarantees, such as real estate, is valued based on data provided by third parties such as appraisers.

(vii) Write-offs -

Financial assets are written off only when the Group has stopped pursuing the recovery, at which time the cumulative provision recorded coincides with the total amount of the asset.

(viii) Refinanced and modified loans -

The Group may make concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of guarantees. Once the terms have been renegotiated, any impairment is measured using the original EIR (as calculated before the modification of terms). It is the Group's policy to monitor refinanced loans to help ensure that future payments continue to be likely to occur.

A refinanced asset is initially classified into Stage 2 and there will be no clean-up period. However, if the financial asset presents a default mark, it will be reclassified from Stage 2 to Stage 3.

(j) Hedge derivatives -

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are recognized as assets when the fair value is positive and they are recorded as "Accounts receivables related to derivative financial instruments" under "Other accounts receivable and other assets, net" and as liabilities when they are negative and they are recorded as "Accounts payable related to derivative financial instruments" under "Other accounts payable, provisions and other liabilities" in the consolidated statement of financial position.

Derivatives can be designated as hedging instruments under hedge accounting and in the event they qualify, depending upon the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge exposures to risk or modify the characteristics of financial assets and liabilities and that meet IFRS 9 criteria, are recognized as hedging accounting.

Derivatives not designated as hedging instruments or that do not qualify for hedging accounting are initially recognized at fair value and are subsequently remeasured at their fair value, which is estimated based on the market exchange rate and interest rate. Gains or losses due to changes in their fair value are recorded in the consolidated statement of income, see Note 3.4(f.2).

In accordance with IFRS 9, to qualify for hedge accounting, all of the following conditions must be met:

- (i) The hedging relationship consists of only hedging instruments and eligible hedged items.
- (ii) At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. This documentation will include the identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and the way the entity will assess if the hedging relationship meets the hedge effectiveness requirements.
- (iii) The hedging relationship meets all the following hedge effectiveness requirements:
 - There is an economic relationship between the hedged item and the hedging instrument.
 - The effect of the credit risk does not dominate the value changes that result from that economic relationship.
 - The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

IFRS 9 presents three hedge accounting categories: fair value hedge, cash flow hedge, and hedge of net investments in a foreign operation. The Group uses derivatives as hedging instruments under cash flow hedges, as detailed in Note 10(b).

For derivatives that are designated and qualify as cash flow hedge, the effective portion of derivative gains or losses is recognized in other comprehensive income for cash flow hedge, and reclassified to income in the same period or periods in which the hedge transaction affects income. The portion of gain or loss on derivatives that represents the ineffective portion or the hedge components excluded from the assessment of effectiveness is recognized immediately in income. Amounts originally recorded in other comprehensive income and subsequently reclassified to income are recorded in the corresponding income or expenses lines in which the related hedged item is reported.

When a hedging instrument expires, is sold, when a hedge no longer meets the criteria for hedge accounting or when the Group re-designates a hedge, the cumulative gain or loss existing in other comprehensive income is kept and recognized in income when the hedged item is ultimately recognized in the consolidated statement of income. When a projected transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is immediately transferred to the consolidated statement of income.

(k) Leases -

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at contract inception: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset., even if it is not explicitly specified in the contract in exchange for consideration.

(i) The Group as a lessee -

The Group, as a lessee, applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

- Right-of-use assets -

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The Group holds as right-of-use assets: land lots, buildings and facilities and furniture and equipment. Land lots do not depreciate; buildings and facilities and furniture and equipment depreciate based on the straight-line method during the lease term and are presented in Note 8 “Property, furniture and equipment, net”, and are subject to impairment.

- Lease liabilities -

The Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Given that this interest rate implicit in the lease agreement is not easily determinable, in the calculation of the present value of the lease payments, the Group uses the rate it applies to its loans. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. Lease liabilities are presented in Note 10 as “Lease liabilities” in the caption “Other accounts payable, provisions and other liabilities”.

The Group performs accounting estimates related to the determination of terms and rates of the lease agreements, as detailed below:

- **Determination of the lease term for lease contracts with renewal and termination options** The Group as a lessee determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).
- **Estimating the incremental borrowing rate** To determine the interest rate implicit in the lease, the Group uses its incremental borrowing rate - “IBR” to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs such as the free-risk interest rates, Peruvian government yield curves of global bonds (in Dollars) and sovereign bonds (in Soles), and a credit risk differential, using a spread on the most recent debt issuance.

The Group used the exemption proposed by the standard for short term and low value assets; thus, short term and low value lease agreements are kept classified as operating leases, and the disbursements incurred due to these leases are recorded in the caption “Administrative expenses” of the consolidated statement of income.

(ii) The Group as a lessor -

As of December 31, 2022 and 2021, the Group holds the following types of leases:

- Financial leases -

Leases in which the Group substantially transfers all risks and benefits related to the ownership of the asset are classified as financial leases.

Financial leases are recognized as loans at the present value of the installments. The difference between the total value receivable and the present value of the loan is recognized as accrued interest. This income is recognized during the term of the lease using the effective interest rate method, which reflects a constant rate of return.

As of December 31, 2022 and 2021, leasing receivables are subject to the financial asset impairment policy; see Notes 3.4(f.1) and (g).

- Operating leases -

Leases in which the Group does not substantially transfers all risks and benefits related to the ownership of the asset are classified as operating leases.

Lease revenues obtained from investment properties are recorded using the straight-line method for the contract terms, and they are recorded as a revenue in the consolidated statement of income due to their operative nature, except for contingent lease revenues, which are recorded when realized.

The lease term is the non-cancelable period, together with any other additional period for which a lessee has the option of continuing with the lease, where, at the start date of the lease, Management is reasonably confident that a lessee will exercise such option.

Amounts received from tenants to terminate leases or to compensate impairment of leased facilities are recognized as revenues in the consolidated statement of income when the right to receive them arises.

Service charges, administration expenses and other recoverable expenses paid by the lessees and the revenues resulting from expenses charged to the lessees are recognized in the period in which the compensation becomes an account receivable. Service charges and administration expenses and other receipts are included in the gross revenues from rentals of the related costs, given that Management considers that the Group acts as principal party.

(l) Customer Loyalty Program -

The Group has a customer loyalty program, which allows customers to accumulate points that can be exchanged for products. Loyalty points give rise to a separate performance obligation, since they provide a material right to the customer. A part of the transaction price is allocated to the loyalty points granted to customers on the basis of the relative independent selling price and is recognized as a contractual liability until the points are redeemed and presented as “Other accounts payable” in the item “Other accounts payable, provisions and other liabilities” of the consolidated statement of financial position. Expenses are provisioned monthly regardless of the customer’s redemption of products.

By estimating the selling price independent of the loyalty points, the Group considers the probability of a client will use the cumulated points. The Group updates the estimates of points to be monthly redeemed and any adjustment to the liability balance will be recognized in the caption “Administrative expenses” of the consolidated statement of income.

(m) Services of purchase-sale of financial investments “principal versus agent”-

The Group has contracts with customers to buy and sell, on their behalf, financial investments in the stock market and over-the-counter market. The Group acts as an agent in these agreements.

When another party participates in the supply of services to their client, the Group determines whether it is a principal or an agent in these transactions when evaluating the nature of its agreement with the client. The Group is a principal and records the revenue by gross amounts if it controls the committed services before transferring to the customer. However, if the Group’s role is only to arrange for another entity to provide the services, then the Group is an agent and records the revenues for the net amount it retains for its services as an agent.

(n) Investments in associates -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but without having control over those policies. The considerations taken for determining significant influence are similar to those needed to determine control over Subsidiaries.

The Group’s investments in its associates are recognized initially at cost and then are accounted for using the equity method. The Group’s investments in associates are included in the caption “Other accounts receivable and other assets, net” of the consolidated statement of financial position, see note 10. Gains resulting from the use of the equity method of accounting are included in the caption “Other income” of the consolidated statement of income.

(o) Investment property -

Investment property comprises land and buildings (mainly shopping malls, educational institutions and offices) that are not occupied substantially for use in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented and not intended to be sold in the ordinary course of business. Investment property comprises completed property and property under construction or re-development.

The Group measures its investment property at fair value according to the requirements of IAS 40 “Investment Property”, as it has chosen to use the fair value model as its accounting policy.

Investment property is measured initially at cost, including transaction costs, that include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary to start operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values (e.g. work-in-progress incurred on properties under construction) cannot be readily determined. Accordingly, the work-in-progress incurred on properties under construction is measured at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). Investment property under construction includes the value of land, which is determined by appraisals performed by an accredited appraiser using the price per square meter as a market comparable method.

Subsequent to initial recognition, investment property is recorded at fair value. Gains or losses arising from changes in fair values are included in the caption “Net gain on investment property” of the consolidated statement of income in the year in which they arise.

Fair values are assessed periodically by Management, based on the discounted cash flows that are expected to be obtained from these investments. Fair values of investment properties under construction or investment properties held to operate in the future are assessed by an independent external appraiser, through the application of a recognized valuation model. See Note 7 for details of fair value and related assumptions.

Transfers to or from Investment property are made only when there is a change in the use of the asset. In case of assets transferred from Investment property to Property, furniture and equipment, the reclassified amount corresponds to the asset's fair value at the date when the asset's use was changed. If an item of Property, furniture and equipment moves to Investment property, the Group transfers the fixed asset's net cost to Investment property and the asset is subsequently measured at fair value according to the policies established by the Group.

During 2022, the Group transferred part of the "Orquideas and Andres Reyes" buildings, located in San Isidro, Lima, from caption "Property, furniture and equipment" to caption "Investment property", for S/9,357,000 (during 2021, the Group transferred part of the "Pardo y Aliaga" building, located in San Isidro, Lima, from caption "Property, furniture and equipment" to caption "Investment property", for S/1,615,000); see Note 7(c).

Investment property is derecognized when it has been disposed or withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognized in the consolidated statement of income of the year of retirement or disposal.

(p) Property, furniture and equipment, net -

Property, furniture and equipment are stated at historical acquisition cost less residual value, cumulative depreciation and impairment losses, if applicable. The historical acquisition cost includes the expenses that are directly attributable to the acquired property, furniture or equipment. Maintenance and repair costs are charged to the consolidated statement of income; significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will result from the use of the acquired property, furniture or equipment.

Land does not depreciate. Depreciation of property, furniture and equipment is calculated using the straight-line method over the estimated useful lives, which are as follows:

	Years
Buildings and facilities	40 - 75
Leasehold improvements	5
Furniture and equipment	10
Vehicles	5

An item of property, furniture and equipment and any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

The residual value of each asset, its useful life and the selected depreciation method are periodically reviewed to ensure that they are consistent with current economic benefits and useful life expectations.

(q) Assets seized through legal actions -

Assets seized through legal actions are recorded in the item “Others” of the caption “Other accounts receivable and other assets, net” of the consolidated statement of financial position, see note 10; and are recognized at the lower value between the cost or the estimated market value (minus cost to sell), determined from valuations made by independent appraisers. Reductions in book value are recorded in the consolidated statement of income.

(r) Intangible assets with finite or indefinite useful lives -

Intangible assets with finite or indefinite useful lives are included in the caption “Intangibles and goodwill, net” of the consolidated statement of financial position. Intangibles assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Intangibles assets with finite useful lives include costs incurred in connection with the acquisition of computer software used in operations and other minor intangible assets. The amortization expense is calculated following the straight-line method over the useful life estimated between 4 and 5 years; see Note 9.

Intangibles assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be sustainable. If not, the charge in useful life from indefinite to finite is made on a prospective basis.

On the other hand, when an insurance contract portfolio is acquired, whether directly from another insurance company, as described in Note 14(b), regarding the purchase of the portfolio of Complementary Accident Insurance for High-risk Activities (“SCTR” by its Spanish acronym) from Mapfre Peru Vida made in 2020, or as part of a business combination (the acquisition of Seguros Sura, see Note 9(b)), the difference between the fair value of the insurance contracts liability and the value of the insurance contract liability, as measured with the acquirer’s accounting policies, is recognized as an intangible asset named “Present Value of In-Force Business” (henceforth “PVIF”).

The PVIFs resulting from the acquisition of Seguros Sura are recognized in the consolidated statement of financial position at their estimated market value at the acquisition date. After the initial recognition, the PVIF is recorded at cost, minus the cumulative amortization and cumulative impairment loss, if any. The PVIF is amortized on a linear basis over the useful life of the acquired policies, which has been estimated in ten years.

The recoverability of PVIF is considered as part of the liability adequacy test performed at each reporting period. PVIF is derecognized when the related contracts are settled or disposed of.

Changes in the estimated useful life or in the pattern of consumption of the expected future economic benefits embedded in the PVIF are recorded by changing the amortization period or method and are treated as a change in an accounting estimate.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net amount of the disposal of the asset and the book value of said asset and they are recognized in the consolidated statement of income at the derecognition date.

(s) Goodwill -

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, if any, over the net identifiable assets acquired and liabilities assumed. If the fair value of net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If from the reassessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any cumulative impairment loss, if any. A goodwill impairment testing is performed on a yearly basis. To perform an impairment testing, goodwill acquired in a business combination is allocated, since the acquisition date, to one of the Group's cash-generating units (henceforth "CGU") that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

Goodwill impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Where the goodwill has been allocated to the CGU and part of the operation within that unit is disposed of, the goodwill associated to the disposed operation is included in the carrying amount of the operation when determining the gain or loss of disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the withheld portion of the CGU retained.

Goodwill, recorded by the Group; see Note 9(b), arises from the acquisition of Izipay, allocated to the CGU of Payments business unit and, Seguros Sura, allocated to the CGU of the insurance business unit.

(t) Business combinations -

Business combinations are accounted for using the acquisition method established by IFRS 3 “Business Combinations”. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date’s fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group chooses whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in the caption “Administrative expenses” of the consolidated statement of income, see Note 1(d).

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical for the capacity to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without incurring in significant costs, effort or delay in the ability of continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer shall be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 “Financial Instruments: Recognition and Measurement”, is measured at fair value with the changes in the consolidated statement of income or in the consolidated statement of other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, this shall be measured according to the applicable IFRS. The contingent consideration that is classified as equity must not be measured again and its subsequent settlement shall be recorded in equity. As of December 31, 2022 and 2021, there have been no contingencies arising from business combinations.

A business combination between entities or businesses under common control is beyond the scope of IFRS 3, because it corresponds to a business combination in which all entities or businesses that are combined are ultimately controlled by the same part or parts, both before and after the business combination. In these transactions, the Group recognizes the assets acquired under the method of unification of interest, whereby the assets and liabilities of the combined companies are reflected in their book values and no commercial credit is recognized as a result of the combination.

(u) Impairment of non-financial assets -

Property, furniture and equipment, right-of-use assets and intangible assets with a finite life are assessed to determine whether there are any indications of impairment as of the closing of each period. If any indication exists, the Group estimates the asset's recoverable value. The recoverable amount of the assets is the highest between the value of an asset or a CGU less the costs of sale and its use value, and it is determined for an individual asset, unless the asset does not generate cash revenues that are largely independent from those of other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value minus costs to sell, an appropriate valuation model is used.

Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually to determine if circumstances indicate that the value of the recoverable amount of the asset or a CGU (or group of CGUs) is greater than its carrying amount or recognize an impairment loss. Impairment losses relating to goodwill cannot be reversed in future periods.

(v) Due from customers on acceptances -

Due from customers on acceptances corresponds to accounts receivable from customers for import and export transactions, whose obligations have been accepted by the Group. The obligations that must be assumed by the Group for such transactions are recorded as liabilities.

(w) Defined contribution pension plan -

The Group only operates a defined contribution pension plan. The defined contribution payable in the pension plan is in proportion to the services rendered to the Group by the employees and it is recorded as an expense in the caption "Salaries and employee benefits" of the consolidated statement of income. Unpaid contributions are recorded as liabilities.

(x) Provisions -

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the specific risks of the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

(y) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed in notes to the consolidated financial statements, unless the probability of an outflow of resources is remote. Contingent assets are not recorded in the consolidated financial statements, but they are disclosed if it is probable that an inflow of economic benefits will emerge.

(z) Fair value measurement -

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- On the principal market for the asset or liability; or
- In the absence of a principal market, on the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. Also, the fair value of a liability reflects its non-performance risk.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When possible, the Group measures the fair value of a financial instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price on an active market, then the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximizing the use of relevant and observable data and variables, and minimizing the use of unobservable data and variables. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

In the case of investment property, the Group has considered the specific requirements relating to highest and best use, valuation of premises and principal (or most advantageous) market. The determination of investment property fair value requires the use of estimations such as the future cash flows of the assets (e.g., leases, sales, fixed rents for the different lessees, variable rents based on the sales percentage, operating costs, construction costs, maintenance costs, and the use of discount rates).

Additionally, real estate development risks (such as construction and abandonment) are also taken into account when determining the fair value of the land related to the investment property under construction.

The fair value of investment property in the consolidated statement of financial position must reflect the volatile nature of real estate markets; therefore, Management and its appraisers use their market knowledge and professional criteria and do not depend solely on historical comparable transactions. In this sense, there is a higher degree of uncertainty than when a more active market exists for the estimation of fair value. Significant methods and assumptions used in the estimation of fair value of investment property are detailed in Note 7.

All assets and liabilities for which the fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy described below:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which data and variables of the lowest significant level to measure fair value are unobservable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of hierarchy of the fair value, as explained above.

Fair values of financial instruments measured at amortized cost are disclosed in Note 31(b).

(aa) Income Tax -

Income Tax is computed based on the separate financial statement of each Subsidiary.

Deferred Income Tax is accounted for in accordance with IAS 12 "Income Taxes". In this sense, the deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates that are expected to be in force in the years in which such temporary differences are expected to be recovered or settled. Consequently, the deferred Income Tax has been calculated by applying the rates that are in force; see Note 17(c). The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that arise from the manner in which each individual entity of the Group expects, at the consolidated statement of financial position dates, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At each consolidated statement of financial position date, unrecognized deferred assets and the carrying amount of deferred tax assets registered are assessed. A previously unrecognized deferred tax asset is recognized to the extent that it has now become probable that future taxable income will allow the deferred tax asset to be recovered. Likewise, the carrying amount of a deferred tax asset is reduced when it is no longer probable the generation of a sufficient taxable income that allow the application of the tax deferred asset.

According to IAS 12, the deferred Income Tax is determined by applying the Income Tax rate applicable to the retained earnings, recognizing any additional tax on distribution of dividends that may arise on the date when the liability is recognized.

(ab) Segment information -

IFRS 8 “Operating Segments” requires that the information of operating segments be disclosed consistently with information provided by the chief operating decision maker, who allocates resources to the segments and assesses their performance. Segment information is presented in Note 28.

(ac) Fiduciary activities and management of funds -

The Group provides trust management, investment management, advisory and custody services to third parties that result in the holding of assets on their behalf. These assets and the income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group; see Note 32.

Commissions generated from these activities are included in the caption “Fee income from financial services, net” of the consolidated statement of income.

(ad) Earnings per share -

The amount of basic earnings per share is calculated by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. As of December 31, 2022 and 2021, the Group does not have financial instruments with dilutive effect, therefore, basic and diluted earnings per share are identical for the years reported.

(ae) Capital surplus -

It is the difference between the nominal value of shares issued and their public offering price made in 2007 and 2019. Capital surplus is presented net of expenses incurred in the issuance of shares.

(af) Treasury stock -

Shares repurchased are recorded in the shareholders' equity under treasury stock caption at their purchase price. No loss or gain is recorded in the consolidated statement of income arising from the purchase, sale, issuance or amortization of these instruments. Shares that are subsequently sold are recorded as a reduction in treasury stock, measured at the average price of treasury stock held at such date; and the resulting gain or loss is recorded in the consolidated statement of changes in net equity in the caption "Retained earnings".

(ag) Cash and cash equivalents -

Cash presented in the consolidated statement of cash flows includes cash and due from banks balances with original maturities lower than three months, excludes the restricted funds, which are subject to an insignificant risk of changes in value. The cash and cash equivalent item does not include accrued interest.

On the other hand, the cash collateral committed as part of a repurchase agreement is included in the "Cash and due from banks" caption of the consolidated statement of financial position; see Note 4(d).

(ah) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform" - Phase 1 -

Since the year 2019, the Group applies the exceptions of the Interest Rate Benchmark reform to all affected hedging relationships. A hedging relationship will be affected if the reform generates uncertainty about the moment or the amount of the cash flows related to the hedged account of the hedging instrument in the period prior to the replacement of the rate benchmark with the alternate rate benchmark, given that this rate can be almost risk free. With exceptions applied, the Group has the intention of avoiding any disruption in the existing relationships in the hedge accounting of cash flows and the fair value of interest rate risk which, in the absence of these amendments, would result in the ineffectiveness of the hedge and potential inconsistencies in the hedge accounting as result of the interest rate benchmark reform.

The exceptions provided by the amendments are:

- "Highly probable" requirement for cash flow hedges: If the hedged item is a forecast transaction, it will be determined that the forecast transaction is highly probable by assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as result of the interest rate benchmark reform.
- Reclassification of the cash flow hedge reserve to statement of income: To determine if it is not expected that the hedged cash flows occur, it is assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as result of the interest rate benchmark reform.
- Economic relationship between the hedged item and the hedge instrument: It is assumed that the interest rate benchmark on which the hedged cash flows are based, and/or the interest rate benchmark on which the cash flows of the hedge instrument are based, is not altered as result of the interest rate benchmark reform.

At the end of the period 2022, the Group has exposure to mainly USD-LIBOR rates; thus, the impact was the change to the SOFR reference rate.

The main affected items within the Group are the derivative positions (interest rate swaps – IRS, and cross currency swaps – CCS, outstanding as of the transition date which accrue USD-LIBOR interest) as well as USD LIBOR interest-bearing loans.

Additionally, the Group holds some financial instruments with exposure to the inter-bank EURIBOR rate (Euro Interbank Offered Rate). However, said exposure will continue at the indicated rate, since EURIBOR is considered a benchmark based in real transactions. The rate is defined by the European Money Markets Institute (EEMI).

According to the explained above, these amendments, did not have a significant impact on the Group's consolidated financial statements.

(ai) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform" - Phase 2 -

Phase 2 of the Reference Interest Rate Reform provides temporary exceptions that address the effects on financial instruments when a benchmark interest rate offered is replaced by an alternative interest rate (virtually risk-free rates).

The amendments include the following practical exceptions:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by Interbank Offered Rates (henceforth "IBOR") reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when the risk-free interest rate instrument is designated as a hedge of a risk component.

In March 2021, the FCA informed that all LIBOR rates would stop being published or no longer be representative, defining two dates: the first one, immediately after December 31, 2021, in the case of Sterling Pound, Euro, Swiss Franc, Yen and US dollar, references to one week and two months; and the second one, immediately after June 30, 2023, in the case of the rest of US dollar rates, references to overnight, one, three, six and twelve months. In addition, in July 2021, the Alternative Reference Rates Committee (henceforth the “ARRC”) announced that it was formally recommending the CME Group’s forward-looking Secured Overnight Financing Rate term rates (henceforth the “SOFR Term Rates”) as the benchmark rate.

As of December 31, 2022, Interbank maintains exposure to mainly USD-LIBOR rates; thus, the impact has been the change to another rate benchmark. In the United Kingdom, the Financial Conduct Authority (henceforth the “FCA”) is responsible of the regulation of the LIBOR rates. In the United States, the Federal Reserve Bank of New York is leading the transition of the USD-LIBOR into the robust rate benchmark Secured Overnight Financial Rate (henceforth “SOFR”).

Regarding the exposures, among the items potentially affecting the Group are commercial loans, financing liabilities and derivative positions. The positions within the balance sheet that accrue interest at the USD-LIBOR rate are not significant and represents less than 3 percent of the asset or liability, respectively. In the case of commercial loans, the agreements have been reviewed and they are being changed to SOFR or replacement clauses (fallbacks) are being incorporated that imply changing to the SOFR rate before June 30, 2023. In the case of liabilities, there were exposures in loans and bonds. In the case of loans, the last date of interest calculation will be before June 30, 2023. All new loans are already based on SOFR. In the case of issued bonds, there is one issuance that could pay interest based on LIBOR in the future, but this issuance has a fallback clause, which determines the conditions governing contracts when indexes are not available. In derivative products, the Group adhered to the “ISDA Protocol”, to be aligned to the global market standard. Considering the local contracts, progress is being made in the negotiation process with clients and it is expected to finish before the stipulated period.

Note 10(b)(vi) details the nominal value and the average term in years of derivative financial instruments that are subject to the interest rate benchmark reform.

3.5 Standards issued but not yet effective -

Following is the description of the new and amended standards and interpretations issued, but which are not yet in force at the date of issuance of these consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- IFRS 17 “Insurance contracts”

In May 2017, the IASB issued IFRS 17 “Insurance Contracts”, a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, reporting and disclosure. Once effective, this new accounting standard will replace IFRS 4 “Insurance Contracts”, issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. On the other hand, IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

IFRS 17 is effective for comparative reporting periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date that it first applies IFRS 17. The Group is applying these two standards since 2018.

Following is the description of the main impacts from the adoption of IFRS 17:

(a) Classification and measurement -

The adoption of IFRS 17 has not changed the classification of the Group’s insurance contracts. However, it establishes specific principles for the recognition and measurement of insurance contracts held by the Group.

The key principles of IFRS 17 consider that the Group:

- Identifies insurance contracts as those under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Recognizes and separates in insurance contracts investment components and goods or services components from insurance services and records them according to other standards.
- Divides insurance contracts into groups that it recognizes and measures:
 - A risk-adjusted present value of the future cash flows (fulfilment cash flow, or “FCF”) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
 - Plus:
 - An amount representing the unearned profit in the group of contracts (the contractual service margin, or “CSM”).
- Recognizes profit from a group of insurance contracts over each period the Group provides insurance contract services, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognizes the loss immediately.

(b) Transition

(b.1) Transition methodology -

The Group decided to apply the transition methodology under Fair Value, which consists of obtaining the amount under which a liability portfolio could be transferred to a third party. This amount was compared with the balance of the estimate of technical provisions (Best Estimate Liability – “BEL”) and Risk Adjustment existing at the transition date, and the result was the CSM as of said date. Also, it was determined the future benefit provided by the insurance contracts (Contractual Service Margin – CSM), and will be decommitted to the statement of income to the extent that the Group renders its services to the insured. The CSM balance at the date of transition into IFRS 17 was applied retrospectively for the policies in force at said date.

(b.1.1) Calculation methodology

The calculation methodology that the Group has applied to determine the Fair Value amount of its portfolios in force as of the date of transition into IFRS 17 is the valuation technique of present value. In this sense, the following calculation components are taken into account:

- An estimation of the future cash flows for the asset or liability subject to valuation.
- The expectations of possible variations in the amount and the cash flows calendar that represent the uncertainty inherent to cash flows.
- The time value of money, represented by the interest rate on risk-free monetary assets that present maturity dates or lives that coincide with the periods covered by the cash flows and do not involve neither uncertainty regarding the calendar nor risk of default for the holder (i.e., risk-free interest rate).
- The price to bear the uncertainty inherent to cash flows (i.e., a risk premium).
- Other factors that market participants may take into account considering the circumstances.
- For a liability, the risk of default related to said liability, including the credit risk of the entity (i.e., the debtor).

(b.2) Impact on the financial statements -

On the basis on current preliminary estimations, it is expected that the adoption of IFRS 17 may result in a reduction of the Group's net equity that would oscillate between 8 and 10 percent, to be recorded in retained earnings as of January 1, 2022.

- Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current”

In January 2020, the IASB issued amendments to IAS 1 with the purpose of specifying the requisites for the classification of liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer a settlement arrangement.
- That a right to defer must exist at the end of the reporting period.
- That liability classification unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual periods beginning on January 1, 2023 and must be applied in a retrospectively manner. These amendments are not applicable to the Group because given the nature of its operations (mainly banking and insurance), it does not perform the classification of current and non-current in its financial statements.

- Amendments to IAS 8 “Accounting policies, changes in estimates and errors”: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is allowed as long as this fact is disclosed.

It is not expected that the amendment will have a significant impact on the Group’s consolidated financial statements.

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 “Making Materiality Judgements”, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

As of the date of this report, the Group’s Management is assessing these amendments to determine their impact on their accounting policy information.

- Amendments to IAS 12 “Income Taxes”: Deferred Tax related to assets and Liabilities arising from a single transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing these amendments to determine their impact on the consolidated financial statements.

3.6 Significant accounting judgments, estimates and assumptions -

The preparation of the consolidated financial statement of the Group requires Management to make judgments, estimates and assumptions that affect the reported amount of income, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. In the process of applying the Group’s accounting policies, Management has used judgments and assumptions about the future and other key sources to make its estimates at the reporting date, which have a significant risk that may cause a material adjustment to the value in books of assets and liabilities within the next financial year. The estimates and existing assumptions may change due to circumstances beyond the control of the Group and are reflected in assumptions if they occur. The items with the most impact recognized in the consolidated financial statements with judgements and/or considerable estimates are the following: the calculation of the impairment of the portfolio of loans and financial investments, the measurement of the fair value of the financial investments and investment properties, the assessment of the impairment of the goodwill, the liabilities for insurance contracts and the measurement of the fair value of derivative financial instruments; also, there are other estimates such as provisions for litigation, the estimated useful life of intangible assets, and property, furniture and equipment, and the estimation of assets and liabilities for deferred Income Tax, and the determination of terms and estimation of the interest rate of lease agreements. The accounting criteria used for each of these items are described in Note 3.4.

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

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

	2022 S/(000)	2021 S/(000)
Cash and clearing (b)	2,865,251	2,363,326
Deposits in the BCRP (b)	6,918,526	10,445,851
Deposits in banks (c)	2,923,999	3,607,134
Accrued interest	17,391	3,350
	<u>12,725,167</u>	<u>16,419,661</u>
Restricted funds (d)	468,244	684,804
Total	<u>13,193,411</u>	<u>17,104,465</u>

Cash and cash equivalents presented in the consolidated statements of cash flows exclude the restricted funds and accrued interest; see Note 3.4(ag).

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

	2022 S/(000)	2021 S/(000)
Legal reserve (*)		
Deposits in the BCRP	6,055,726	6,366,151
Cash in vaults	<u>2,719,277</u>	<u>2,171,601</u>
Subtotal legal reserve	8,775,003	8,537,752
Non-mandatory reserve		
Overnight deposit in BCRP (**)	762,800	—

Notes to the consolidated financial statements (continued)

	2022 S/(000)	2021 S/(000)
Cash and clearing	145,903	191,673
Term deposits in BCRP (***)	100,000	4,079,700
Subtotal non-mandatory reserve	1,008,703	4,271,373
Cash balances not subject to legal reserve	71	52
Total	9,783,777	12,809,177

- (*) 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 a nominal annual rate. According to the information note “Interest rate of the reserve funds in the Central Reserve Bank of Peru”, starting in February 2022, the rate used for the calculation of interest was the Secured Overnight Financing Rate (“SOFR”) (in the year 2021, the rate used was the London Inter-Bank Offered Rate (LIBOR)). As of December 31, 2022 and 2021, the excess in foreign currency accrued interest in US Dollars at an annual average rate of 3.79 and 0.01 percent. During 2022 and 2021, Interbank did not maintain excess reserves in national currency.

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

- (**) As of December 31, 2022, corresponds to an overnight deposit in foreign currency for US\$200,000,000 (approximately equivalent to S/762,800,000) in the BCRP, with maturity in the first days of January 2023 and accrued interest an annual interest rate of 4.39 percent.
- (***) As of December 31, 2022, corresponds to a term deposit in local currency that Interbank maintained in the BCRP, mature in the first days of January 2023, and accrues interest at an annual interest rate of 7.50 percent (five term deposits in local currency that Interbank maintained in the BCRP, matured in the first days of January 2022, and accrued interest at an annual interest rate of 2.50 percent, as of December 31, 2021).

Notes to the consolidated financial statements (continued)

- (c) Deposits in domestic banks and abroad are mainly in Soles and US Dollars, they are freely available and accrue interest at market rates.
- (d) The Group maintains restricted funds related to:

	2022 S/(000)	2021 S/(000)
Inter-bank transfers (*)	431,052	141,681
Derivative financial instruments, Note 10(b)(i)	34,784	121,613
Repurchase agreements with BCRP (**)	—	419,410
Others	2,408	2,100
Total	468,244	684,804

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

(**) As of December 31, 2021, correspond to deposits maintained in the BCRP which guarantee agreements with said entity; see Note 12(b).

- (e) Inter-bank funds

These are loans made between financial institutions with maturity, in general, minor than 30 days. As of December 31, 2022, Inter-bank funds assets and liabilities accrue interest at an annual rate of 7.50 percent in local currency (annual rate of 2.50 percent in local currency for Inter-bank funds assets, as of December 31, 2021); and do not have specific guarantees.

5. Financial investments

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

	2022 S/(000)	2021 S/(000)
Debt instruments measured at fair value through other comprehensive income (b) and (c)	16,716,517	17,629,787
Investments at amortized cost (d)	3,231,139	3,225,174
Investments at fair value through profit or loss (e)	1,932,993	2,706,271
Equity instruments measured at fair value through other comprehensive income (f)	512,884	623,718
Total financial investments	22,393,533	24,184,950
Accrued income		
Debt instruments measured at fair value through other comprehensive income (b)	322,425	291,488
Investments at amortized cost (d)	71,640	70,856
Total	22,787,598	24,547,294

In the determination of the expected loss for the financial investments' portfolio, the Group has not needed to apply any subsequent adjustment to the model through the expert judgment, as it has been in the case of the loan portfolio, see Note 30.1, because the most significant investments held as of December 31, 2022 and 2021 are permanently evaluated by local and international credit-rating agencies, in an individual manner. Said agencies periodically modify the ratings of the issuers in accordance with the risk variation of each of the financial instrument, based on the particular situation of issuers.

Notes to the consolidated financial statements (continued)

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

	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Maturity	Annual effective interest rates			
		Gains S/(000)	Losses (c) S/(000)			S/		US\$	
						Min %	Max %	Min %	Max %
2022									
Corporate, leasing and subordinated bonds (*)	8,707,969	9,477	(1,143,244)	7,574,202	Jan-23 / Feb-97	1.60	13.26	5.10	13.14
Sovereign Bonds of the Republic of Peru (**)	7,878,445	590	(1,270,254)	6,608,781	Sep-23 / Feb-55	1.89	8.14	—	—
Variable interest Certificates of Deposit issued by the Central Reserve Bank of Peru	1,434,752	89	(5)	1,434,836	Jan-23 / Mar-23	7.29	7.46	—	—
Bonds guaranteed by the Peruvian Government	512,316	1,698	(26,286)	487,728	Oct-24 / Oct-33	3.48	6.01	6.86	8.25
Global Bonds of the Republic of Peru	508,813	—	(55,527)	453,286	Jul-25 / Dec-32	—	—	5.18	5.60
Global Bonds of the Republic of Colombia	82,836	—	(2,026)	80,810	Mar-23 / Feb-24	—	—	6.07	6.23
Negotiable Certificates of Deposit issued by the Central Reserve Bank of Peru	44,234	—	(366)	43,868	Mar-23	2.28	2.28	—	—
Other	39,627	—	(6,621)	33,006	Nov-31 / Feb-34	—	—	3.85	6.06
Total	19,208,992	11,854	(2,504,329)	16,716,517					
Accrued interest				322,425					
Total				17,038,942					

	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Maturity	Annual effective interest rates			
		Gains S/(000)	Losses (c) S/(000)			S/		US\$	
						Min %	Max %	Min %	Max %
2021									
Corporate, leasing and subordinated bonds (*)	8,125,394	326,929	(300,143)	8,152,180	Jan-22 / Feb-97	0.31	12.48	0.74	23.15
Sovereign Bonds of the Republic of Peru (**)	7,374,357	44	(655,048)	6,719,353	Aug-24 / Feb-55	3.03	6.91	—	—
Variable interest Certificates of Deposit issued by the Central Reserve Bank of Peru	1,440,926	131	(113)	1,440,944	Jan-22 / Mar-22	0.04	0.04	—	—
Global Bonds of the Republic of Peru	537,871	—	(11,148)	526,723	Jul-25 / Dec-32	—	—	1.81	2.83
Bonds guaranteed by the Peruvian Government	529,142	7,973	(12,710)	524,405	Oct-24 / Oct-33	3.35	5.51	3.53	7.62
Negotiable Certificates of Deposit issued by the Central Reserve Bank of Peru	179,815	—	(608)	179,207	Jan-22 / Mar-23	0.31	2.28	—	—
Global Bonds of the Republic of Colombia	88,180	—	(1,205)	86,975	Mar-23 / Feb-24	—	—	1.93	2.48
Total	18,275,685	335,077	(980,975)	17,629,787					
Accrued interest				291,488					
Total				17,921,275					

(*) As of December 31, 2022, Inteligo holds corporate bonds from several entities for approximately S/116,603,000, which guarantee loans with Bank J. Safra Sarasin, see Note 12(h). As of December 31, 2021, Inteligo held corporate bonds and mutual funds from several entities for approximately S/391,616,000, which guarantee loans with Credit Suisse First Boston and Bank J. Safra Sarasin; see Note 12(h) and (i).

(**) As of December 31, 2022 and 2021, Interbank holds Sovereign Bonds of the Republic of Peru for approximately S/1,047,815,000 and S/335,529,000, respectively, which guarantee loans with the BCRP, see Note 12(b).

The following table shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating of debt instruments measured at fair value through other comprehensive income as of December 31, 2022 and 2021. The amounts presented do not consider impairment.

Notes to the consolidated financial statements (continued)

	2022				2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	2,271,038	—	—	2,271,038	1,917,827	—	—	1,917,827
Standard grade	13,499,740	945,321	—	14,445,061	14,815,454	896,506	—	15,711,960
Sub-standard grade	—	—	—	—	—	—	—	—
Impaired								
Individual	—	—	418	418	—	—	—	—
Total	<u>15,770,778</u>	<u>945,321</u>	<u>418</u>	<u>16,716,517</u>	<u>16,733,281</u>	<u>896,506</u>	<u>—</u>	<u>17,629,787</u>

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

The following table shows the analysis of changes in fair value and the corresponding expected credit loss:

Gross carrying amount of debt instruments measured at fair value through other comprehensive income	2022			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Beginning of year balances	16,733,281	896,506	—	17,629,787
New originated or purchased assets	3,211,041	—	—	3,211,041
Assets matured or derecognized (excluding write-offs)	(1,939,686)	(10,531)	—	(1,950,217)
Change in fair value	(1,906,272)	(14,416)	(9,210)	(1,929,898)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	(88,095)	88,095	—	—
Transfers to Stage 3	(2,162)	(7,805)	9,967	—
Write-offs	—	—	—	—
Foreign exchange effect	(237,329)	(6,528)	(339)	(244,196)
End of year balances	<u>15,770,778</u>	<u>945,321</u>	<u>418</u>	<u>16,716,517</u>

Movement of the allowance for expected credit losses for debt instruments measured at fair value through other comprehensive income	2022			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Expected credit loss at the beginning of the period	9,456	31,652	—	41,108
New originated or purchased assets	3,132	—	—	3,132
Assets matured or derecognized (excluding write-offs)	(416)	(46)	—	(462)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	(105)	105	—	—
Transfers to Stage 3	(305)	(993)	1,298	—
Effect on the expected credit loss due to the change of the stage during the year	—	3,237	12,311	15,548
Others (*)	(1,186)	(4,282)	—	(5,468)
Write-offs	—	—	—	—
Recoveries	—	—	—	—
Foreign exchange effect	246	(73)	(57)	116
Expected credit loss at the end of the period	<u>10,822</u>	<u>29,600</u>	<u>13,552</u>	<u>53,974</u>

- (*) Corresponds mainly to the effects on the expected loss because of changes in investment ratings and that not necessarily have resulted in stage transfers during the year.

Gross carrying amount of debt instruments measured at fair value through other comprehensive income	2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Beginning of year balances	17,690,212	212,140	—	17,902,352
New originated or purchased assets	4,515,849	—	—	4,515,849
Assets matured or derecognized (excluding write-offs)	(3,104,080)	(149,785)	—	(3,253,865)
Change in fair value	(2,845,868)	608,321	—	(2,237,547)
Transfers to Stage 1	3,979	(3,979)	—	—
Transfers to Stage 2	(217,915)	217,915	—	—
Transfers to Stage 3	—	—	—	—
Write-offs	—	—	—	—
Foreign exchange effect	691,104	11,894	—	702,998
End of year balances	<u>16,733,281</u>	<u>896,506</u>	<u>—</u>	<u>17,629,787</u>

Movement of the allowance for expected credit losses for debt instruments measured at fair value through other comprehensive income	2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Expected credit loss at the beginning of the period	9,417	62,143	—	71,560
New originated or purchased assets	2,723	246	—	2,969
Assets matured or derecognized (excluding write-offs)	(3,360)	(27)	—	(3,387)
Transfers to Stage 1	1,058	(1,058)	—	—
Transfers to Stage 2	(857)	857	—	—
Transfers to Stage 3	—	—	—	—
Effect on the expected credit loss due to the change of the stage during the year	—	15,696	—	15,696
Others (*)	80	(46,256)	—	(46,176)
Write-offs	—	—	—	—
Recoveries	—	—	—	—
Foreign exchange effect	395	51	—	446
Expected credit loss at the end of the period	<u>9,456</u>	<u>31,652</u>	<u>—</u>	<u>41,108</u>

- (*) Corresponds mainly to the effects on the expected loss because of changes in investment ratings and that not necessarily have resulted in stage transfers during the year.

In the determination of the expected loss for the portfolio of financial investments, for the years 2022 and 2021; it has not been necessary to perform a subsequent adjustment to the model because it captures the expected loss in a satisfactory manner considering the Group portfolio investments.

As a result of the assessment of the impairment of its debt instruments at fair value through other comprehensive income, the Group recorded a loss of S/12,752,000 during the year 2022, a reversal of impairment of S/30,898,000 during the year 2021, and an expense of S/32,904,000 during the year 2020, which are presented in the caption “(Loss) recovery to impairment of financial investments” in the consolidated statement of income. The movement of unrealized results of investments at fair value through other comprehensive income, net of Income Tax and non-controlling interest, is presented in Notes 16(d) and (e).

Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2022 and 2021, investments at amortized cost corresponds to Sovereign Bonds of the Republic of Peru issued in Soles, for an amount of S/3,302,779,000 and S/3,296,030,000, respectively, including accrued interest. Said investments present low credit risk and the expected credit loss is not significant.

As of December 31, 2022, these investments have maturity dates that range from September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 6.64 percent, and estimated fair value amounting to approximately S/2,949,507,000 (as of December 31, 2021, their maturity dates ranged from September 2023 to August 2037, accrued interest at effective annual rates between 4.29 percent and 6.58 percent, and its estimated fair value amounted to approximately S/3,181,392,000).

As of December 31, 2022 and 2021, Interbank keeps loans with the BCRP that are guaranteed with these sovereign bonds, classified as restricted, for approximately S/2,310,536,000 and S/1,643,293,000, respectively; see Note 12(b).

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

	2022 S/(000)	2021 S/(000)
Equity instruments		
Local and foreign mutual funds and investment funds participations	1,517,075	1,830,098
Listed shares	315,820	651,813
Non-listed shares	74,430	184,973
Debt instruments		
Corporate, leasing and subordinated bonds	25,668	39,387
Total	<u>1,932,993</u>	<u>2,706,271</u>

As of December 31, 2022 and 2021, investments at fair value through profit or loss include investments held for trading for approximately S/209,549,000 and S/282,781,000, respectively; and those assets that are necessarily measured at fair value through profit or loss for approximately S/1,723,444,000 and S/2,423,490,000, respectively.

During the year 2022, the Group recognized losses from valuation of instruments at fair value through profit or loss for approximately S/257,570,000 (during the year 2021 and 2020, recognized gains for S/85,075,000, S/205,090,000, respectively), which are part of caption “Net (loss) gain from financial assets at fair value through profit or loss” of the consolidated statement of income.

During the years 2022, 2021 and 2020, the Group has received dividends from these investments for approximately S/33,897,000, S/2,536,000 and S/2,887,000, respectively, which are presented in the caption “Interest and similar income” of the consolidated statement of income.

Notes to the consolidated financial statements (continued)

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

	2022 S/(000)	2021 S/(000)
Listed shares (g)	474,588	583,684
Non-listed shares	38,296	40,034
Total	512,884	623,718

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

During the years 2022, 2021 and 2020, the Group received dividends from these investments for approximately S/45,031,000, S/99,200,000 and S/100,407,000, respectively, which are included in the caption “Interest and similar income” in the consolidated statement of income.

- (g) During the year 2022, the Group sold shares of several entities, which were irrevocably designated at fair value through other comprehensive income. The total amount of the sales amounted to S/345,791,000 generating total gains for approximately S/16,313,000 (in 2021, the sales amounted to S/1,240,052,000, generating total losses for approximately S/180,905,000; in 2020, the sales amounted to S/158,083,000, generating total losses for approximately S/24,154,000). Said gains were reclassified to caption “Retained Earnings” of the consolidated statement of changes in equity.

In October 2021, the Group sold the 2,396,920 shares it held in InRetail Peru Corp. (a related entity), that represented 2.33 percent of its capital stock, which were irrevocably designated at fair value through other comprehensive income. The sale was trade through Lima Stock Exchange, at market value for a total amount of US\$84,108,000, equivalent to S/341,646,000. Since the acquisition date, the Group had recorded a cumulative gain on valuation for approximately S/270,993,000. In accordance with the provisions of IFRS 9 and considering the classification of this investment; said gain was recorded as a decrease in the caption “Unrealized results, net” and an increase in the caption “Retained earnings” of the consolidated statements of changes in equity.

Notes to the consolidated financial statements (continued)

- (h) The following is the balance of investments at fair value through other comprehensive income (debt and equity instruments) and investments at amortized cost as of December 31, 2022 and 2021 classified by contractual maturity (without including accrued interest):

	2022		2021	
	Investments at fair value through other comprehensive income S/(000)	Investments at amortized cost S/(000)	Investments at fair value through other comprehensive income S/(000)	Investments at amortized cost S/(000)
Up to 3 months	1,610,691	—	1,597,490	—
From 3 months to 1 year	152,533	494,872	185,274	—
From 1 to 3 years	1,160,014	640,314	1,126,012	1,143,436
From 3 to 5 years	2,329,056	443,799	2,418,557	456,784
From 5 years onwards	11,464,223	1,652,154	12,302,454	1,624,954
Equity instruments (without maturity)	512,884	—	623,718	—
Total	17,229,401	3,231,139	18,253,505	3,225,174

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

Debt instruments measured at fair value through other comprehensive income and at amortized cost	2022			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Sovereign Bonds of the Republic of Peru	9,839,920	—	—	9,839,920
Corporate, leasing and subordinated bonds	6,709,273	864,511	418	7,574,202
Variable interest Certificates of Deposit issued by the BCRP	1,434,836	—	—	1,434,836
Bonds guaranteed by the Peruvian government	487,728	—	—	487,728
Global Bonds of the Republic of Peru	453,286	—	—	453,286
Global Bonds of the Republic of Colombia	—	80,810	—	80,810
Negotiable Certificates of Deposit issued by the BCRP	43,868	—	—	43,868
Others	33,006	—	—	33,006
Total	19,001,917	945,321	418	19,947,656

Debt instruments measured at fair value through other comprehensive income and at amortized cost	2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Sovereign Bonds of the Republic of Peru	9,944,527	—	—	9,944,527
Corporate, leasing and subordinated bonds	7,342,649	809,531	—	8,152,180
Variable interest Certificates of Deposit issued by the BCRP	1,440,944	—	—	1,440,944
Global Bonds of the Republic of Peru	526,723	—	—	526,723
Bonds guaranteed by the Peruvian Government	524,405	—	—	524,405
Negotiable Certificates of Deposit issued by the BCRP	179,207	—	—	179,207
Global Bonds of the Republic of Colombia	—	86,975	—	86,975
Total	<u>19,958,455</u>	<u>896,506</u>	<u>—</u>	<u>20,854,961</u>

6. Loan, net

(a) This caption is made up as follows:

	2022 S/(000)	2021 S/(000)
Direct loans		
Loans (*)	35,977,734	35,490,230
Credit cards and other loans (**)	6,239,314	4,814,758
Leasing	1,174,542	1,110,958
Factoring	1,011,496	867,765
Discounted notes	894,588	572,334
Advances and overdrafts	38,763	40,978
Refinanced loans	322,941	236,520
Past due and under legal collection loans	1,365,972	1,554,679
	<u>47,025,350</u>	<u>44,688,222</u>
Plus (minus)		
Accrued interest from performing loans	527,615	404,923
Unearned interest and interest collected in advance	(22,112)	(22,645)
Impairment allowance for loans (d)	(2,027,855)	(2,064,917)
Total direct loans, net	<u>45,502,998</u>	<u>43,005,583</u>
Indirect loans, Note 18(a)	<u>4,487,347</u>	<u>4,440,458</u>

(*) As of December 31, 2022 and 2021, Interbank maintains repo operations of loans represented in securities according to the BCRP's definition. In consequence, loans provided as guarantee amounts to S/1,909,375,000 and S/4,389,903,000, respectively, and is presented in the caption "Loan, net", and the related liability is presented in the caption "Due to banks and correspondents" of the consolidated statement of financial position; see Note 12(b).

(**) As of December 31, 2022 and 2021, it includes non-revolving consumer loans related to credit card lines for approximately S/3,225,874,000 and S/2,536,448,000, respectively.

Notes to the consolidated financial statements (continued)

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

	2022 S/(000)	2021 S/(000)
Commercial loans (c.1)	21,412,126	22,118,918
Consumer loans (c.1)	14,967,799	12,514,499
Mortgage loans (c.1)	9,286,944	8,552,304
Small and micro-business loans (c.1)	1,358,481	1,502,501
Total	47,025,350	44,688,222

Following is the balance of loans under the “Reactiva Peru” program as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Commercial loans	1,704,203	3,848,904
Small and micro-business loans	595,744	1,047,233
Total	2,299,947	4,896,137

As of December 31, 2022 and 2021, the balance of rescheduled loans as a consequence of the Covid-19 explained in Note 1(c.2) amounted to S/5,048,978,000 and S/6,266,601,000, respectively.

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

Notes to the consolidated financial statements (continued)

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

Direct loans, (c.1)	2022				2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	35,613,991	1,111,421	—	36,725,412	33,465,863	428,269	—	33,894,132
Standard grade	4,282,904	835,217	—	5,118,121	4,408,249	371,023	—	4,779,272
Sub-standard grade	776,603	940,391	—	1,716,994	1,918,709	1,191,914	—	3,110,623
Past due but not impaired	1,124,557	1,150,139	—	2,274,696	729,660	862,359	—	1,592,019
Impaired								
Individually	—	—	45,907	45,907	—	—	41,069	41,069
Collectively	—	—	1,144,220	1,144,220	—	—	1,271,107	1,271,107
Total direct loans	41,798,055	4,037,168	1,190,127	47,025,350	40,522,481	2,853,565	1,312,176	44,688,222

Contingent Credits: Guarantees and stand-by letters, import and export letters of credit (substantially, all indirect loans correspond to commercial loans)	2022				2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	3,945,307	402,336	—	4,347,643	3,871,575	347,420	—	4,218,995
Standard grade	12,083	39,541	—	51,624	79,334	798	—	80,132
Sub-standard grade	2,051	59,953	—	62,004	33,453	82,821	—	116,274
Past due but not impaired	—	—	—	—	—	—	—	—
Impaired								
Individually	—	—	9,330	9,330	—	—	12,909	12,909
Collectively	—	—	16,746	16,746	—	—	12,148	12,148
Total indirect loans	3,959,441	501,830	26,076	4,487,347	3,984,362	431,039	25,057	4,440,458

Notes to the consolidated financial statements (continued)

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

	2022				2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Commercial loans								
Not impaired								
High grade	16,213,146	914,480	—	17,127,626	16,535,489	372,946	—	16,908,435
Standard grade	1,991,637	230,180	—	2,221,817	2,229,068	163,143	—	2,392,211
Sub-standard grade	380,679	171,648	—	552,327	1,094,980	509,141	—	1,604,121
Past due but not impaired	704,067	398,185	—	1,102,252	376,301	324,017	—	700,318
Impaired								
Individually	—	—	45,907	45,907	—	—	41,069	41,069
Collectively	—	—	362,197	362,197	—	—	472,764	472,764
Total direct loans	<u>19,289,529</u>	<u>1,714,493</u>	<u>408,104</u>	<u>21,412,126</u>	<u>20,235,838</u>	<u>1,369,247</u>	<u>513,833</u>	<u>22,118,918</u>
	2022				2021			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Consumer loans								
Not impaired								
High grade	11,331,807	181,066	—	11,512,873	9,365,186	53,219	—	9,418,405
Standard grade	1,139,837	579,625	—	1,719,462	1,386,872	75,474	—	1,462,346
Sub-standard grade	60,415	542,841	—	603,256	527,381	391,980	—	919,361
Past due but not impaired	153,865	526,042	—	679,907	89,186	270,241	—	359,427
Impaired								
Individually	—	—	—	—	—	—	—	—
Collectively	—	—	452,301	452,301	—	—	354,960	354,960
Total direct loans	<u>12,685,924</u>	<u>1,829,574</u>	<u>452,301</u>	<u>14,967,799</u>	<u>11,368,625</u>	<u>790,914</u>	<u>354,960</u>	<u>12,514,499</u>

Notes to the consolidated financial statements (continued)

	2022				2021			
	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)
Mortgage loans								
Not impaired								
High grade	7,490,495	1,033	—	7,491,528	6,749,848	1,838	—	6,751,686
Standard grade	667,599	15,411	—	683,010	715,652	43,702	—	759,354
Sub-standard grade	334,967	200,226	—	535,193	287,750	159,549	—	447,299
Past due but not impaired	205,728	132,958	—	338,686	231,610	93,827	—	325,437
Impaired								
Individually	—	—	—	—	—	—	—	—
Collectively	—	—	238,527	238,527	—	—	268,528	268,528
Total direct loans	8,698,789	349,628	238,527	9,286,944	7,984,860	298,916	268,528	8,552,304
	2022				2021			
	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)
Small and micro-business loans								
Not impaired								
High grade	578,543	14,842	—	593,385	815,340	266	—	815,606
Standard grade	483,831	10,001	—	493,832	76,657	88,704	—	165,361
Sub-standard grade	542	25,676	—	26,218	8,598	131,244	—	139,842
Past due but not impaired	60,897	92,954	—	153,851	32,563	174,274	—	206,837
Impaired								
Individually	—	—	—	—	—	—	—	—
Collectively	—	—	91,195	91,195	—	—	174,855	174,855
Total direct loans	1,123,813	143,473	91,195	1,358,481	933,158	394,488	174,855	1,502,501

Notes to the consolidated financial statements (continued)

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

(d.1) Direct loans

Gross carrying amount of direct loans	2022				2021			
	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)
Beginning of year balances	40,522,481	2,853,565	1,312,176	44,688,222	34,893,278	5,744,690	2,443,936	43,081,904
New originated or purchased assets	22,393,323	—	—	22,393,323	21,545,125	—	—	21,545,125
Assets matured or derecognized (excluding write-offs)	(14,636,477)	(1,194,405)	(429,348)	(16,260,230)	(14,791,609)	(760,419)	(126,811)	(15,678,839)
Transfers to Stage 1	1,019,478	(1,014,657)	(4,821)	—	4,351,705	(3,843,213)	(508,492)	—
Transfers to Stage 2	(3,131,710)	3,161,335	(29,625)	—	(2,064,223)	2,730,130	(665,907)	—
Transfers to Stage 3	(401,017)	(317,282)	718,299	—	(810,812)	(775,058)	1,585,870	—
Write-offs	—	—	(960,918)	(960,918)	—	—	(1,444,538)	(1,444,538)
Others (*)	(3,383,889)	575,338	590,017	(2,218,534)	(3,593,568)	(316,605)	(16,412)	(3,926,585)
Foreign exchange effect	(584,134)	(26,726)	(5,653)	(616,513)	992,585	74,040	44,530	1,111,155
End of year balances	<u>41,798,055</u>	<u>4,037,168</u>	<u>1,190,127</u>	<u>47,025,350</u>	<u>40,522,481</u>	<u>2,853,565</u>	<u>1,312,176</u>	<u>44,688,222</u>

Changes in the allowance for expected credit losses for direct loans, see (d.1.1)	2022				2021			
	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)
Expected credit loss at the beginning of year balances	956,456	404,881	703,580	2,064,917	180,241	1,145,207	1,659,403	2,984,851
Impact of the expected credit loss in the consolidated statement of income -								
New originated or purchased assets	503,454	—	—	503,454	397,989	—	—	397,989
Assets matured or derecognized (excluding write-offs)	(173,872)	(237,110)	(302,861)	(713,843)	(114,680)	(65,927)	(43,917)	(224,524)
Transfers to Stage 1	166,755	(163,090)	(3,665)	—	439,400	(438,283)	(1,117)	—
Transfers to Stage 2	(259,226)	268,700	(9,474)	—	(208,937)	428,732	(219,795)	—
Transfers to Stage 3	(74,178)	(88,551)	162,729	—	(116,057)	(271,149)	387,206	—
Impact on the expected credit loss for credits that change stage in the year (***)	(129,388)	176,416	340,244	387,272	(107,177)	(238,805)	239,241	(106,741)
Others (**)	(382,355)	375,448	666,581	659,674	479,443	(159,658)	13,495	333,280
Total	<u>(348,810)</u>	<u>331,813</u>	<u>853,554</u>	<u>836,557</u>	<u>769,981</u>	<u>(745,090)</u>	<u>375,113</u>	<u>400,004</u>
Write-offs	—	—	(1,021,539)	(1,021,539)	—	—	(1,525,094)	(1,525,094)
Recovery of written-off loans	—	—	155,070	155,070	—	—	181,969	181,969
Foreign exchange effect	912	592	(8,654)	(7,150)	6,234	4,764	12,189	23,187
Expected credit loss at the end of year balances	<u>608,558</u>	<u>737,286</u>	<u>682,011</u>	<u>2,027,855</u>	<u>956,456</u>	<u>404,881</u>	<u>703,580</u>	<u>2,064,917</u>

(*) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the year and its amortized cost at the end of the year (partial amortizations that did not represent a reduction or derecognized of the loan), and (ii) the execution of contingent loans (conversion of indirect debt into direct debt).

(**) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the year and its amortized cost at the end of the year (variation in the provision recorded for partial amortizations that did not represent a reduction or derecognized of the loan), (ii) variations in credit risk that did not generate transfers to other stages; and (iii) the execution of contingent loans (conversion of indirect debt into direct debt).

(***) During 2022 and 2021, the Group applied its expert judgement with the purpose of reflecting the effects of the political and economic uncertainty that were not considered in the forward-looking model, which led to incur in a higher provision for expected loss, see Note 30.1(d.7).

Notes to the consolidated financial statements (continued)

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

Commercial loans	2022				2021			
	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)
Expected credit loss at beginning of year	100,874	60,100	182,467	343,441	71,272	98,040	68,448	237,760
Impact of the expected credit loss in the consolidated statement of income -								
New originated or purchased assets	33,506	—	—	33,506	30,045	—	—	30,045
Assets derecognized or matured (excluding write-offs)	(18,984)	(37,865)	(92,529)	(149,378)	(33,005)	(12,728)	(2,726)	(48,459)
Transfers to Stage 1	41,140	(40,152)	(988)	—	26,456	(26,456)	—	—
Transfers to Stage 2	(15,952)	16,311	(359)	—	(19,847)	19,847	—	—
Transfers to Stage 3	(6,603)	(48,516)	55,119	—	(22,205)	(16,355)	38,560	—
Impact on the expected credit loss for credits that change stage in the year (**)	(31,403)	4,752	16,864	(9,787)	(16,399)	44,934	143,162	171,697
Others (*)	(57,822)	91,880	63,218	97,276	58,996	(50,913)	(44,625)	(36,542)
Total	(56,118)	(13,590)	41,325	(28,383)	24,041	(41,671)	134,371	116,741
Write-offs	—	—	(68,362)	(68,362)	—	—	(27,392)	(27,392)
Recovery of written-off loans	—	—	5,942	5,942	—	—	1,404	1,404
Foreign exchange effect	718	801	(7,073)	(5,554)	5,561	3,731	5,636	14,928
Expected credit loss at end of year	<u>45,474</u>	<u>47,311</u>	<u>154,299</u>	<u>247,084</u>	<u>100,874</u>	<u>60,100</u>	<u>182,467</u>	<u>343,441</u>

Consumer loans	2022				2021			
	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)
Expected credit loss at beginning of year	802,421	263,219	336,041	1,401,681	85,321	901,602	1,426,470	2,413,393
Impact of the expected credit loss in the consolidated statement of income -								
New originated or purchased assets	438,109	—	—	438,109	348,647	—	—	348,647
Assets derecognized or matured (excluding write-offs)	(141,201)	(144,553)	(100,740)	(386,494)	(77,181)	(49,433)	(25,906)	(152,520)
Transfers to Stage 1	44,453	(43,487)	(966)	—	382,412	(381,300)	(1,112)	—
Transfers to Stage 2	(229,316)	234,062	(4,746)	—	(149,863)	362,940	(213,077)	—
Transfers to Stage 3	(59,129)	(13,433)	72,562	—	(77,865)	(223,051)	300,916	—
Impact on the expected credit loss for credits that change stage in the year (**)	(35,112)	163,681	293,678	422,247	(74,056)	(332,709)	(22,895)	(429,660)
Others (*)	(286,212)	198,393	580,849	493,030	364,973	(15,296)	109,462	459,139
Total	(268,408)	394,663	840,637	966,892	717,067	(638,849)	147,388	225,606
Write-offs	—	—	(886,200)	(886,200)	—	—	(1,414,948)	(1,414,948)
Recovery of written-off loans	—	—	140,438	140,438	—	—	175,287	175,287
Foreign exchange effect	(8)	(408)	(14)	(430)	33	466	1,844	2,343
Expected credit loss at end of year	<u>534,005</u>	<u>657,474</u>	<u>430,902</u>	<u>1,622,381</u>	<u>802,421</u>	<u>263,219</u>	<u>336,041</u>	<u>1,401,681</u>

- (*) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the year and its amortized cost at the end of the year (variation in the provision recorded for partial amortizations that did not represent a reduction or derecognized of the loan), (ii) variations in credit risk that did not generate transfers to other stages; and (iii) the execution of contingent loans (conversion of indirect debt into direct debt).
- (**) During 2022 and 2021, the Group applied its expert judgement with the purpose of reflecting the effects of the political and economic uncertainty that were not considered in the forward-looking model, which led to incur in a higher provision for expected loss, see Note 30.1(d.7).

Notes to the consolidated financial statements (continued)

Mortgage loans	2022				2021			
	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)
Expected credit loss at beginning of year	12,669	42,681	99,850	155,200	11,123	62,782	114,079	187,984
Impact of the expected credit loss in the consolidated statement of income -								
New originated or purchased assets	1,473	—	—	1,473	2,357	—	—	2,357
Assets derecognized or matured (excluding write-offs)	(435)	(763)	(10,957)	(12,155)	(1,787)	(1,038)	(12,929)	(15,754)
Transfers to Stage 1	6,103	(6,103)	—	—	9,458	(9,458)	—	—
Transfers to Stage 2	(778)	4,871	(4,093)	—	(2,896)	9,457	(6,561)	—
Transfers to Stage 3	(467)	(1,254)	1,721	—	(1,106)	(1,753)	2,859	—
Impact on the expected credit loss for credits that change stage in the year (**)	(5,871)	4,342	11,518	9,989	(4,155)	(20,041)	(11,576)	(35,772)
Others (*)	(8,663)	(31,688)	(49,097)	(89,448)	(915)	2,170	11,800	13,055
Total	(8,638)	(30,595)	(50,908)	(90,141)	956	(20,663)	(16,407)	(36,114)
Write-offs	—	—	(2,267)	(2,267)	—	—	(2,419)	(2,419)
Recovery of written-off loans	—	—	—	—	—	—	—	—
Foreign exchange effect	205	199	(1,574)	(1,170)	590	562	4,597	5,749
Expected credit loss at end of year	4,236	12,285	45,101	61,622	12,669	42,681	99,850	155,200

Small and micro-business loans	2022				2021			
	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)
Expected credit loss at beginning of year	40,492	38,881	85,222	164,595	12,525	82,783	50,406	145,714
Impact of the expected credit loss in the consolidated statement of income -								
New originated or purchased assets	30,366	—	—	30,366	16,940	—	—	16,940
Assets derecognized or matured (excluding write-offs)	(13,252)	(53,929)	(98,635)	(165,816)	(2,707)	(2,728)	(2,356)	(7,791)
Transfers to Stage 1	75,059	(73,348)	(1,711)	—	21,074	(21,069)	(5)	—
Transfers to Stage 2	(13,180)	13,456	(276)	—	(36,331)	36,488	(157)	—
Transfers to Stage 3	(7,979)	(25,348)	33,327	—	(14,881)	(29,990)	44,871	—
Impact on the expected credit loss for credits that change stage in the year (**)	(57,002)	3,641	18,184	(35,177)	(12,567)	69,011	130,550	186,994
Others (*)	(29,658)	116,863	71,611	158,816	56,389	(95,619)	(63,142)	(102,372)
Total	(15,646)	(18,665)	22,500	(11,811)	27,917	(43,907)	109,761	93,771
Write-offs	—	—	(64,710)	(64,710)	—	—	(80,335)	(80,335)
Recovery of written-off loans	—	—	8,690	8,690	—	—	5,278	5,278
Foreign exchange effect	(3)	—	7	4	50	5	112	167
Expected credit loss at end of year	24,843	20,216	51,709	96,768	40,492	38,881	85,222	164,595

(*) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the year and its amortized cost at the end of the year (variation in the provision recorded for partial amortizations that did not represent a reduction or derecognized of the loan), (ii) variations in credit risk that did not generate transfers to other stages; and (iii) the execution of contingent loans (conversion of indirect debt into direct debt).

(**) During 2022 and 2021, the Group applied its expert judgement with the purpose of reflecting the effects of the political and economic uncertainty that were not considered in the forward-looking model, which led to incur in a higher provision for expected loss, see Note 30.1(d.7).

Notes to the consolidated financial statements (continued)

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

Gross carrying amount of contingent credits, guarantees and stand-by letters, import and export letters of credit	2022				2021			
	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)
Beginning of year balances	3,984,362	431,039	25,057	4,440,458	4,042,757	539,112	30,062	4,611,931
New originated or purchased assets	1,829,985	—	—	1,829,985	1,667,947	—	—	1,667,947
Assets derecognized or matured	(1,470,891)	(168,603)	(9,627)	(1,649,121)	(1,887,316)	(139,391)	(13,564)	(2,040,271)
Transfers to Stage 1	25,315	(25,315)	—	—	114,321	(114,261)	(60)	—
Transfers to Stage 2	(258,992)	258,992	—	—	(136,230)	136,230	—	—
Transfers to Stage 3	(633)	(10,035)	10,668	—	(3,065)	(5,325)	8,390	—
Others (*)	(58,323)	25,454	(22)	(32,891)	(14,239)	(15,369)	—	(29,608)
Foreign exchange effect	(91,382)	(9,702)	—	(101,084)	200,187	30,043	229	230,459
End of year balances	3,959,441	501,830	26,076	4,487,347	3,984,362	431,039	25,057	4,440,458

Changes in the allowance for expected credit losses for contingent credits, guarantees and stand-by letters, import and export letters of credit	2022				2021			
	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)
Expected credit loss at beginning of year balances	8,594	18,492	13,243	40,329	15,741	18,945	23,037	57,723
Impact of the expected credit loss in the consolidated statement of income -								
New originated or purchased assets	5,615	—	—	5,615	4,016	—	—	4,016
Assets derecognized or matured	(4,838)	(2,016)	(6,241)	(13,095)	(8,737)	(1,222)	(9,991)	(19,950)
Transfers to Stage 1	109	(109)	—	—	485	(474)	(11)	—
Transfers to Stage 2	(854)	854	—	—	(1,464)	1,464	—	—
Transfers to Stage 3	(57)	(171)	228	—	(754)	(294)	1,048	—
Impact on the expected credit loss for credits that change stage in the year	(47)	585	623	1,161	(138)	542	681	1,085
Others (**)	(274)	(467)	1,054	313	(1,198)	(815)	(1,565)	(3,578)
Total	(346)	(1,324)	(4,336)	(6,006)	(7,790)	(799)	(9,838)	(18,427)
Foreign exchange effect	106	1,037	29	1,172	643	346	44	1,033
Expected credit loss at the end of year balances, Note 10(a)	8,354	18,205	8,936	35,495	8,594	18,492	13,243	40,329

(*) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the year and its amortized cost at the end of the year (partial amortizations that did not represent a reduction or derecognized of the loan), and (ii) the execution of contingent loans (conversion of indirect debt into direct debt).

(**) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the year and its amortized cost at the end of the year (variation in the provision recorded for partial amortizations that did not represent a reduction or derecognized of the loan), (ii) variations in credit risk that did not generate transfers to other stages; and (iii) the execution of contingent loans (conversion of indirect debt into direct debt).

Notes to the consolidated financial statements (continued)

- (e) In Management's opinion, the allowance for loan losses recorded as of December 31, 2022 and 2021, has been established in accordance with IFRS 9; and it is sufficient to cover incurred losses on the loan portfolio.
- (f) The interest that the loan portfolio generates is freely agreed considering the interest rates prevailing on the market. In March 2021, the government published Act No. 31143, "Act Protecting Consumers of Financial Services from Usury", through which the Congress of the Republic of Peru established that the BCRP is the entity responsible for setting the maximum and minimum interest rates that the Peruvian financial system can charge. In April 2021, the BCRP established the methodology for the calculation of the maximum interest rate for consumer, small and micro-business loans, which shall be updated semi-annually in May and November. The maximum interest rate for the period November 2022 - April 2023 is 87.91 percent in national currency and 68.27 percent in foreign currency (the maximum interest rate for the period November 2021 - April 2022 was 83.64 percent in national currency and 66.08 percent in foreign currency, as of December 31, 2021).
- (g) Interest income from loans classified in Stage 3 is calculated through the effective interest rate adjusted for credit quality at amortized cost.
- (h) The refinanced loans during the 2022 period amounted to approximately S/192,045,000 (S/114,747,000, during 2021) which had no significant impact on the consolidated statement of income.

During 2020, the Group modified the contractual conditions of a determined number of loans as relief for its clients' liquidity as consequence of the Covid-19 pandemic, for a total of approximately S/12,663,960,000. Said loans are not considered as refinanced loans. As of December 31, 2022 and 2021, the balances of the rescheduled loans amount to approximately S/5,048,978,000 and S/6,266,601,000; see further detail in Note 30.1 (d.6).

Additionally, during 2022 and 2021, the Group modified the contractual conditions of a determined number of loans that were granted under the "Reactiva Peru" program, for a total amount of approximately S/133,046,000 and S/2,012,855,000, respectively. Said loans were not deemed as refinanced loans. As of December 31, 2022 and 2021, the balance of rescheduled loans amounts of approximately S/1,473,770,000 and S/1,974,180,000, respectively, see further detail in Note 30.1 (d.6).

- (i) The table below presents the maturity of direct loan portfolio without including accrued interest, interest to be accrued and interest collected in advance as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Outstanding		
Up to 1 month	4,945,881	3,345,496
From 1 to 3 months	5,708,262	5,935,876

	2022 S/(000)	2021 S/(000)
From 3 months to 1 year	10,220,204	10,222,266
From 1 to 5 years	18,916,603	18,131,367
Over 5 years	5,868,428	5,498,538
	<u>45,659,378</u>	<u>43,133,543</u>
Past due and under legal collection loans, see (i.1) -		
Up to 4 months	423,906	512,669
Over 4 months	401,508	515,237
Under legal collection	540,558	526,773
	<u>47,025,350</u>	<u>44,688,222</u>

(i.1) The tables below present past due and under legal collection loans for each classification of the direct loan portfolio:

	2022 S/(000)	2021 S/(000)
Commercial loans		
Up to 4 months	150,607	226,342
Over 4 months	106,081	187,670
Under legal collection	245,786	224,948
	<u>502,474</u>	<u>638,960</u>
Consumer loans		
Up to 4 months	143,867	77,144
Over 4 months	220,226	205,038
Under legal collection	108,162	83,747
	<u>472,255</u>	<u>365,929</u>

Notes to the consolidated financial statements (continued)

	2022 S/(000)	2021 S/(000)
Mortgage loans		
Up to 4 months	30,484	32,230
Over 4 months	48,316	65,878
Under legal collection	155,587	177,418
	<u>234,387</u>	<u>275,526</u>
Small and micro-business loans		
Up to 4 months	98,948	176,953
Over 4 months	26,885	56,651
Under legal collection	31,023	40,660
	<u>156,856</u>	<u>274,264</u>

See credit risk analysis in Note 30.1

- (j) Part of the loan portfolio is collateralized with guarantees received from clients, which mainly consist of mortgages, trust assignments, financial instruments as well as industrial commercial pledges.

Notes to the consolidated financial statements (continued)

(k) The following tables present the maturities of direct and indirect loans of Stages 2 and 3 as of December 31, 2022 and 2021, as follows:

- Stage 2: Loans with maturity longer or shorter than 30 days, regardless the criteria that caused their classification into Stage 2.
- Stage 3: Loans with maturity longer or shorter than 90 days, regardless the criteria that caused their classification into Stage 3.

2022											
	Stage 2			Stage 3			Total		Stage 2		
	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)
Maturity shorter than:											
30 days	3,934,328	595,372	—	1,816	1,583	3,934,328	595,372	2,825,245	318,953	—	2,825,245
90 days	—	—	—	—	—	1,816	1,583	—	—	709	1,505
Maturity longer than:											
30 days	604,670	160,119	—	—	—	604,670	160,119	459,359	104,420	—	459,359
90 days	—	—	1,214,387	689,364	1,214,387	689,364	—	—	1,335,728	716,114	1,335,728
Total	<u>4,538,998</u>	<u>755,491</u>	<u>1,216,203</u>	<u>690,947</u>	<u>5,755,201</u>	<u>1,446,438</u>	<u>3,284,604</u>	<u>423,373</u>	<u>1,337,233</u>	<u>716,823</u>	<u>4,621,837</u>
											<u>1,140,196</u>

(k.1) The following tables present the maturities of direct and indirect loans of Stages 2 and 3 as of December 31, 2022 and 2021, for each classification:

	2022						2021					
	Stage 2			Stage 3			Stage 2			Stage 3		
Commercial loans	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)	Gross amount S/(000)	Expected loss S/(000)	Expected amount S/(000)
Maturity shorter than:												
30 days	2,089,059	60,403	—	—	—	2,089,059	60,403	1,663,448	60,842	—	1,663,448	60,842
90 days	—	—	—	250	214	250	—	—	—	134	20	20
Maturity longer than:												
30 days	127,264	5,113	—	—	—	127,264	5,113	136,838	17,750	—	136,838	17,750
90 days	—	—	433,930	163,021	433,930	163,021	—	—	—	538,756	195,690	538,756
Total	<u>2,216,323</u>	<u>65,516</u>	<u>434,180</u>	<u>163,235</u>	<u>2,650,503</u>	<u>228,751</u>	<u>1,800,286</u>	<u>78,592</u>	<u>538,890</u>	<u>195,710</u>	<u>2,339,176</u>	<u>274,302</u>

Notes to the consolidated financial statements (continued)

	2022						2021					
	Stage 2		Stage 3		Total		Stage 2		Stage 3		Total	
	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)
Consumer loans												
Maturity shorter than:												
30 days	1,500,325	511,105	—	—	1,500,325	511,105	620,485	195,221	—	—	620,485	195,221
90 days	—	—	1,356	1,194	1,356	1,194	—	—	578	509	578	509
Maturity longer than:												
30 days	329,249	146,369	—	—	329,249	146,369	170,429	67,998	—	—	170,429	67,998
90 days	—	—	450,945	429,708	450,945	429,708	—	—	354,382	335,532	354,382	335,532
Total	<u>1,829,574</u>	<u>657,474</u>	<u>452,301</u>	<u>430,902</u>	<u>2,281,875</u>	<u>1,088,376</u>	<u>790,914</u>	<u>263,219</u>	<u>354,960</u>	<u>336,041</u>	<u>1,145,874</u>	<u>599,260</u>
2022												
	Stage 2		Stage 3		Total		Stage 2		Stage 3		Total	
	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)
Mortgage loans												
Maturity shorter than:												
30 days	271,622	9,266	—	—	271,622	9,266	246,833	33,713	—	—	246,833	33,713
90 days	—	—	—	—	—	—	—	—	232	83	232	83
Maturity longer than:												
30 days	78,006	3,019	—	—	78,006	3,019	52,083	8,968	—	—	52,083	8,968
90 days	—	—	238,527	45,101	238,527	45,101	—	—	268,296	99,767	268,296	99,767
Total	<u>349,628</u>	<u>12,285</u>	<u>238,527</u>	<u>45,101</u>	<u>588,155</u>	<u>57,386</u>	<u>298,916</u>	<u>42,681</u>	<u>268,528</u>	<u>99,850</u>	<u>567,444</u>	<u>142,531</u>
2021												
	Stage 2		Stage 3		Total		Stage 2		Stage 3		Total	
	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)	Gross amount S/(000)	Expected loss S/(000)
Small and micro-business loans												
Maturity shorter than:												
30 days	73,322	14,598	—	—	73,322	14,598	294,479	29,177	—	—	294,479	29,177
90 days	—	—	210	175	210	175	—	—	561	97	561	97
Maturity longer than:												
30 days	70,151	5,618	—	—	70,151	5,618	100,009	9,704	—	—	100,009	9,704
90 days	—	—	90,985	51,534	90,985	51,534	—	—	174,294	85,125	174,294	85,125
Total	<u>143,473</u>	<u>20,216</u>	<u>91,195</u>	<u>51,709</u>	<u>234,668</u>	<u>71,925</u>	<u>394,488</u>	<u>38,881</u>	<u>174,855</u>	<u>85,222</u>	<u>569,343</u>	<u>124,103</u>

Notes to the consolidated financial statements (continued)

- (1) The following tables present the exposure and the expected credit losses by economic sector for direct loans as of December 31, 2022 and 2021:

2022												
	Carrying amount				Expected credit loss				Percentage expected credit loss			
	Stage 1	Stage 2	Stage 3	Total	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)				
Direct loans												
Consumer loans	12,685,924	1,829,574	452,301	14,967,799	534,005	657,474	430,902	1,622,381	4.2%	35.9%	95.3%	10.8%
Mortgage loans	8,698,789	349,628	238,527	9,286,944	4,236	12,285	45,101	61,622	0.0%	3.5%	18.9%	0.7%
Commerce	3,837,304	402,454	173,236	4,412,994	31,844	29,009	78,028	138,881	0.8%	7.2%	45.0%	3.1%
Manufacturing	4,346,251	451,393	63,397	4,861,041	8,403	12,389	21,611	42,403	0.2%	2.7%	34.1%	0.9%
Professional, scientific and technical activities	3,529,961	298,534	64,078	3,892,573	12,056	10,186	26,497	48,739	0.3%	3.4%	41.4%	1.3%
Communications, storage and transportation	1,102,988	194,840	75,427	1,373,255	7,047	7,035	23,645	37,727	0.6%	3.6%	31.3%	2.7%
Agriculture	1,747,159	134,545	10,863	1,892,567	1,391	967	1,381	3,739	0.1%	0.7%	12.7%	0.2%
Electricity, gas, water and oil	867,431	55,187	1,652	924,270	886	462	220	1,568	0.1%	0.8%	13.3%	0.2%
Leaseholds and real estate activities	499,385	84,056	23,441	606,882	1,595	1,825	14,518	17,938	0.3%	2.2%	61.9%	3.0%
Construction and infrastructure	415,827	91,910	49,736	557,473	1,667	1,654	32,569	35,890	0.4%	1.8%	65.5%	6.4%
Others	4,067,036	145,047	37,469	4,249,552	5,428	4,000	7,539	16,967	0.1%	2.8%	20.1%	0.4%
Total direct loans	41,798,055	4,037,168	1,190,127	47,025,350	608,558	737,286	682,011	2,027,855	1.5%	18.3%	57.3%	4.3%
2021												
	Carrying amount				Expected credit loss				Percentage expected credit loss			
	Stage 1	Stage 2	Stage 3	Total	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)				
Direct loans												
Consumer loans	11,368,625	790,914	354,960	12,514,499	802,421	263,219	336,041	1,401,681	7.1%	33.3%	94.7%	11.2%
Mortgage loans	7,984,860	298,916	268,528	8,552,304	12,669	42,681	99,850	155,200	0.2%	14.3%	37.2%	1.8%
Commerce	4,312,851	587,020	288,015	5,187,886	66,774	56,404	128,780	251,958	1.5%	9.6%	44.7%	4.9%
Manufacturing	4,302,980	357,496	90,736	4,751,212	15,944	8,059	29,627	53,630	0.4%	2.3%	32.7%	1.1%
Professional, scientific and technical activities	3,730,237	183,600	95,722	4,009,559	22,647	9,045	31,143	62,835	0.6%	4.9%	32.5%	1.6%
Communications, storage and transportation	1,212,288	201,274	96,227	1,509,789	13,393	8,637	28,837	50,867	1.1%	4.3%	30.0%	3.4%
Agriculture	1,726,488	39,153	11,722	1,777,363	2,547	342	1,672	4,561	0.1%	0.9%	14.3%	0.3%
Electricity, gas, water and oil	863,358	55,895	260	919,513	2,856	439	161	3,456	0.3%	0.8%	61.9%	0.4%
Leaseholds and real estate activities	487,331	172,016	35,160	694,507	3,701	1,789	12,451	17,941	0.8%	1.0%	35.4%	2.6%
Construction and infrastructure	651,956	69,781	50,175	771,912	4,747	9,451	24,781	38,979	0.7%	13.5%	49.4%	5.0%
Others	3,881,507	97,500	20,671	3,999,678	8,757	4,815	10,237	23,809	0.2%	4.9%	49.5%	0.6%
Total direct loans	40,522,481	2,853,565	1,312,176	44,688,222	956,456	404,881	703,580	2,064,917	2.4%	14.2%	53.6%	4.6%

Notes to the consolidated financial statements (continued)

(m) The following tables present the exposure and the expected credit losses by economic sector for indirect loans as of December 31, 2022 and 2021:

2022												
	Carrying amount				Expected credit loss				Percentage expected credit loss			
	Stage 1	Stage 2	Stage 3	Total	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)				
Indirect loans												
Commerce	264,926	40,527	76	305,529	309	424	49	782	0.1%	1.0%	64.5%	0.3%
Manufacturing	518,115	134,469	—	652,584	487	153	—	640	0.1%	0.1%	0.0%	0.1%
Professional, scientific and technical activities	1,183,657	75,946	485	1,260,088	1,486	700	52	2,238	0.1%	0.9%	10.7%	0.2%
Communications, storage and transportation	467,018	19,117	—	486,135	489	91	—	580	0.1%	0.5%	0.0%	0.1%
Agriculture	4,487	—	—	4,487	7	—	—	7	0.2%	0.0%	0.0%	0.2%
Electricity, gas, water and oil	155,621	—	—	155,621	135	—	—	135	0.1%	0.0%	0.0%	0.1%
Leaseholds and real estate activities	45,037	19,150	—	64,187	193	97	—	290	0.4%	0.5%	0.0%	0.5%
Construction and infrastructure	412,388	130,886	24,956	568,230	4,470	4,463	8,775	17,708	1.1%	3.4%	35.2%	3.1%
Others	908,192	81,735	559	990,486	778	12,277	60	13,115	0.1%	15.0%	10.7%	1.3%
Total indirect loans	<u>3,959,441</u>	<u>501,830</u>	<u>26,076</u>	<u>4,487,347</u>	<u>8,354</u>	<u>18,205</u>	<u>8,936</u>	<u>35,495</u>	<u>0.2%</u>	<u>3.6%</u>	<u>34.3%</u>	<u>0.8%</u>
2021												
	Carrying amount				Expected credit loss				Percentage expected credit loss			
	Stage 1	Stage 2	Stage 3	Total	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)				
Indirect loans												
Commerce	238,699	1,726	80	240,505	382	78	51	511	0.2%	4.5%	63.8%	0.2%
Manufacturing	409,193	357	—	409,550	288	4	—	292	0.1%	1.1%	0.0%	0.1%
Professional, scientific and technical activities	1,200,833	50,564	402	1,251,799	1,651	992	48	2,691	0.1%	2.0%	11.9%	0.2%
Communications, storage and transportation	565,359	110,311	—	675,670	416	174	—	590	0.1%	0.2%	0.0%	0.1%
Agriculture	3,190	4	16	3,210	2	—	2	4	0.1%	0.0%	12.5%	0.1%
Electricity, gas, water and oil	143,789	—	—	143,789	89	—	—	89	0.1%	0.0%	0.0%	0.1%
Leaseholds and real estate activities	72,809	16,187	—	88,996	412	250	—	662	0.6%	1.5%	0.0%	0.7%
Construction and infrastructure	501,712	168,980	24,559	695,251	4,785	4,721	13,142	22,648	1.0%	2.8%	53.5%	3.3%
Others	848,778	82,910	—	931,688	569	12,273	—	12,842	0.1%	14.8%	0.0%	1.4%
Total indirect loans	<u>3,984,362</u>	<u>431,039</u>	<u>25,057</u>	<u>4,440,458</u>	<u>8,594</u>	<u>18,492</u>	<u>13,243</u>	<u>40,329</u>	<u>0.2%</u>	<u>4.3%</u>	<u>52.9%</u>	<u>0.9%</u>

During the years 2022, 2021 and 2020, the Group decided to apply the expert judgment, which led to incur in a higher provision for expected losses, see Note 30.1(d.7).

7. Investment property

(a) This caption is made up as follows:

	2022 S/(000)	2021 S/(000)	Acquisition or construction year	Hierarchy level (i)	Valuation methodology (e) 2022 / 2021
Land					
San Isidro – Lima	264,868	281,535	2009	Level 3	Appraisal
San Martín de Porres – Lima	88,182	66,408	2015	Level 3	Appraisal
Nuevo Chimbote	33,747	33,863	2021	Level 3	Appraisal
Santa Clara – Lima	26,352	17,906	2017	Level 3	Appraisal
Sullana	22,689	19,818	2012	Level 3	Appraisal
Others	8,716	9,680	—	Level 3	Appraisal / Cost
	<u>444,554</u>	<u>429,210</u>			
Completed investment property - “Real Plaza” shopping malls					
Talara	43,728	32,554	2015	Level 3	DCF
	<u>43,728</u>	<u>32,554</u>			
Buildings					
Ate Vitarte – Lima	149,720	116,432	2006	Level 3	DCF/Appraisal
Orquídeas - San Isidro – Lima	138,643	153,452	2017	Level 3	DCF
Piura (d)	123,508	116,595	2008/2020	Level 3	DCF/Appraisal
Paseo del Bosque (d)	96,194	105,398	2021	Level 3	DCF
Chorrillos – Lima (d)	81,516	67,043	2017	Level 3	DCF
Chimbote	45,069	44,212	2015	Level 3	DCF
Maestro-Huancayo	32,342	31,965	2017	Level 3	DCF
Cusco	27,513	30,852	2017	Level 3	DCF
Panorama – Lima	20,669	20,509	2016	Level 3	DCF
Pardo y Aliaga – Lima, Note 3.4(o)	16,755	19,569	2008	Level 3	DCF
Trujillo	15,815	17,681	2016	Level 3	DCF
Cercado de Lima – Lima	14,543	16,025	2017	Level 3	DCF
Others	37,148	22,957	—	Level 3	DCF
	<u>799,435</u>	<u>762,690</u>			
Total	<u><u>1,287,717</u></u>	<u><u>1,224,454</u></u>			

DCF: Discounted cash flow

- (i) During 2022 and 2021, there were no transfers between levels of hierarchy, see Note 3.4(z)
- (ii) As of December 31, 2022 and 2021, there are no liens on investment property.

- (b) The net gain on investment properties as of December 31, 2022, 2021 and 2020, consists of the following:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Income from rental of investment property	65,485	57,430	39,491
Gain on valuation of investment property	19,146	21,969	5,438
Total	84,631	79,399	44,929

- (c) The movement of investment property for the years ended December 31, 2022, 2021 and 2020, is as follows:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Beginning of year balances	1,224,454	1,043,978	972,096
Additions (d)	34,760	156,892	61,243
Valuation gain	19,146	21,969	5,438
Net transfers, Note 3.4(o)	9,357	1,615	5,201
End of year balances	1,287,717	1,224,454	1,043,978

- (d) During 2022, the main additions correspond to contributions in the participation of a property called “Rex” and disbursements related to the expansion of the educational center called “Chorrillos”.

During 2021, it mainly corresponds to the purchase of the “Paseo del Bosque” building, which was purchased from a third party.

During 2020, it mainly corresponds to outlays related to the purchase of the “Piura” building, which was purchased from a related entity.

- (e) Fair value measurement – Investment property and investment property under construction

Valuation techniques -

The discounted cash flow (“DCF”) method is used for completed shopping malls, buildings and investment property built on land leases and own lands.

This method involves the projection of a series of periodic cash flows at present value through a discount rate. The periodic calculation of the cash flows is normally determined as rental income net of operating expenses. The series of periodic net operating income, together with an estimation of the terminal value (which uses the traditional valuation method) at the end of the projection period, is discounted at present value. The sum of the net current values is equal to the investment property’s fair value.

The fair value of land is determined based on the value assigned by an external appraiser. The external appraiser uses the market comparable method, under this method a property’s fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter. Following are the minimum ranges, maximum ranges and the average price for the land, before any adjustment:

	Minimum range US\$ per m2	Maximum range US\$ per m2	Average US\$ per m2
San Isidro – Lima	5,000	8,800	6,761
San Martin de Porres – Lima	1,050	1,425	1,268
Piura	615	1,000	791
Ate Vitarte - Lima	1,188	1,800	1,619
Others	170	335	222

Main assumptions

Below is a brief description of the assumptions considered in the determination of cash flows as of December 31, 2022 and 2021:

- **ERV (Estimated Rental Value) -**
Corresponds to the Estimated Rental Value, that is, the rent under to which the space could be rented under the market conditions prevailing at the valuation date.
- **Long-term inflation -**
It is the increase of the general level of prices expected in Peru for the long term.
- **Long-term occupancy rate -**
It is the expected occupancy level of lessees in the leased properties.
- **Average growth rate of rental income -**
It is the rate that expresses the rental income growth and includes growth factors of the industry, inflation rates, stable exchange rate, per capita income and increasing expenses.
- **Average Net Operating Income (NOI) margin -**
It is projected from the rental income from leasable areas, by property and marketing income, minus costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.
- **Discount rate -**
It reflects the current market risk and the uncertainty associated to obtaining cash flows.

Notes to the consolidated financial statements (continued)

The main assumptions used in the valuation and estimation of the market value of investment property are detailed below:

	US\$ / Percentage	
	2022	2021
Average ERV	US\$125.9	US\$99.0
Long-term inflation	3.1%	2.6%
Long-term occupancy rate	97.1%	98.4%
Average growth rate of rental income	2.9%	2.6%
Average NOI margin	93.7%	93.4%
Discount rate	10.3%	9.3%

Sensitivity analysis -

The sensitivity analysis on the valuation of investment property, against changes in factors deemed relevant by Management, is presented below:

		2022 S/(000)	2021 S/(000)
Average growth rate of rental income (basis) -			
Increase	+0.25%	10,474	15,291
Decrease	-0.25%	(10,107)	(14,733)
Long-term inflation (basis) -			
Increase	+0.25%	16,133	17,592
Decrease	-0.25%	(15,017)	(16,308)
Discount rate (basis) -			
Increase	+0.5%	(47,957)	(48,381)
Decrease	-0.5%	55,135	55,881

Likewise, a significant increase (decrease) in the price per square meter of the land lots could result in a significantly higher (lower) fair value measurement.

- (f) Below are the nominal amounts of the future minimum fixed rental income of the Group's investment property (operating leases) are as follows:

Year	2022 S/(000)	2021 S/(000)
Within 1 year	61,557	62,880
After 1 year but not more than 5 years	241,546	231,768
Over 5 years	865,407	834,997
Total	1,168,510	1,129,645

The minimum rental income is computed considering a period between 20 and 28 years.

Notes to the consolidated financial statements (continued)

8. Property, furniture and equipment, net

- (a) The movement of property, furniture and equipment and depreciation for the years ended December 31, 2022, 2021 and 2020, is as follows:

Description	Land S/	Buildings, facilities and leasehold improvements S/(000)	Furniture and equipment S/(000)	Vehicles S/(000)	Assets and work-in-progress S/(000)	Right-of-use assets					
						Land S/	Buildings and facilities S/(000)	Furniture and equipment S/(000)	Total 2022 S/(000)	Total 2021 S/(000)	Total 2020 S/(000)
Cost											
Balance as of January 1	185,217	571,210	641,688	1,523	57,890	69,281	296,950	2,292	1,826,051	1,781,765	1,800,466
Acquisition of Izipay, Note 1(d)	347	2,867	76,781	6	3,485	—	6,593	—	90,079	—	—
Additions	—	16,130	97,446	124	21,336	—	33,178	—	168,214	118,974	75,441
Transfers	—	36,526	8,272	—	(44,798)	—	—	—	—	—	—
Transfer (to) from investment property, Note 3.4(c)	(4,623)	(5,757)	(263)	—	—	—	—	—	(10,643)	(2,029)	(4,182)
Disposals, write-offs and others (d)	(39,735)	(20,808)	(17,858)	(420)	(3,899)	(69,281)	(56,723)	—	(208,724)	(72,659)	(89,960)
Balance as of December 31	141,206	600,168	806,066	1,233	34,014	—	279,998	2,292	1,864,977	1,826,051	1,781,765
Depreciation											
Balance as of January 1	—	(309,543)	(538,038)	(824)	—	(6,751)	(154,154)	(1,623)	(1,010,933)	(937,338)	(849,523)
Depreciation of the year	—	(20,739)	(59,661)	(291)	—	(1,119)	(51,442)	(573)	(133,825)	(121,932)	(137,551)
Transfer to (from) investment property, Note 3.4(c)	—	1,253	33	—	—	—	—	—	1,286	1,038	360
Disposals, write-offs and others (d)	—	16,879	15,379	164	—	7,870	29,635	—	69,927	47,299	49,376
Balance as of December 31	—	(312,150)	(582,287)	(951)	—	—	(175,961)	(2,196)	(1,073,545)	(1,010,933)	(937,338)
Net book value	141,206	288,018	223,779	282	34,014	—	104,037	96	791,432	815,118	844,427

- (b) Financial entities in Peru are prohibited from pledging their fixed assets.

- (c) Management periodically reviews the residual values, useful life and the depreciation method to ensure they are consistent with the economic benefits and life expectation of property, furniture and equipment. In Management's opinion, there is no evidence of impairment in property, furniture and equipment as of December 31, 2022, 2021 and 2020.

- (d) During 2022, includes the sale of a land lot, performed by Interbank to a related entity, for US\$14,100,000 (equivalent to approximately S/54,313,000), with a net disposal cost of S/44,374,000. The gain generated from the sale amounted to S/9,939,000, and was recorded as "Gain on sale of Property, furniture and equipment" in the caption "Other income and (expenses)" in the consolidated statement of income; see Note 21. Additionally, includes the sale of two land lots from Interseguro to a related entity, recorded as financial lease according to IFRS 16. This sale implied the derecognition of a right-of-use asset, net of depreciation, for S/59,051,000, alongside a derecognition of a right-of-use liability for S/77,305,000 (see Note 8(e)), generating a net disposal cost of S/18,253,000 and a gain amounted to S/1,841,000, presented as "Gain on sale of Property, furniture and equipment" in the caption "Other income and (expenses)" in the consolidated statement of income.

During the years 2021 and 2020, correspond mainly to assets fully depreciated and written-off, except for right-of-use assets. Right-of-use write-offs are related to the early termination of lease agreements due to the closing of offices and less ATMs (which were located inside facilities whose operations were interrupted by the Covid-19 pandemic, see Note 1(c)). In that sense, the Group has derecognized the cost for right-of-use and the cumulative depreciation of the assets related to early terminated agreements. In the same way, the Group has derecognized the future installments of said obligations, which were recorded as financial lease liabilities; see (e) below. The early termination of these agreements has not had impacts on the Group's results.

Notes to the consolidated financial statements (continued)

- (e) The following table shows the book values of lease liabilities (included in the caption “Other accounts payable, provisions and other liabilities”); see Note 10(a) and the movement of the year:

	2022 S/(000)	2021 S/(000)
As of January 1	234,946	269,755
Additions	40,610	34,052
Interest expenses, Note 19(a)	9,283	14,004
Disposals (*)	(106,990)	(23,657)
Exchange differences	(2,948)	7,438
Payments	(62,320)	(66,646)
As of December 31	<u>112,581</u>	<u>234,946</u>

(*) These disposals are related to the early termination of lease agreements; see (d) above.

As of December 31, 2022 and 2021, the amortization schedule of these obligations is as follows:

	2022 S/(000)	2021 S/(000)
2022	-	46,142
2023	38,095	38,406
2024	27,497	23,972
2025	18,571	15,877
2026 onwards	28,418	110,549
Total	<u>112,581</u>	<u>234,946</u>

The following table shows the amounts recognized in the consolidated statement of income:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Depreciation expenses of right-of-use assets	53,134	58,698	65,815
Interest expenses of lease liabilities, Note 19(a)	9,283	14,004	15,288
Expenses related to short term and low value assets leases (included in administrative expenses, see Note 25(c))	10,958	11,841	6,781
Total amount recognized in the consolidated statement of income	<u>73,375</u>	<u>84,543</u>	<u>87,884</u>

During the year 2022, the Group paid its leases for approximately S/146,982,000, out of which S/62,320,000 correspond to financial lease installments recorded according to IFRS 16 “Leases”, see letter (e) above, and S/84,662,000 correspond to financial lease installments recorded according to IAS 17 “Leases” (as of December 31, 2021, payments for S/93,379,000, related to leases according to IFRS 16 for S/66,646,000 and financial leases according to IAS 17 for S/26,733,000).

Notes to the consolidated financial statements (continued)

9. Intangible assets and goodwill, net

(a) Intangible assets

The movement of intangible assets and amortization for the years ended December 31, 2022, 2021 and 2020, is as follows:

Description	2022							2021		2020
	Present value of									
	Software development S/(000)	Software acquired in-force business (PVI) S/(000)	Relationship with clients S/(000)	Brand S/(000)	Database S/(000)	Other intangible assets S/(000)	Goodwill (b) S/(000)	Total S/(000)	Total S/(000)	Total S/(000)
Cost										
Balance as of January 1	1,041,398	215,863	137,900	—	—	82,337	430,646	1,908,144	1,748,222	1,553,949
Acquisition of Izipay, Note 1(d)	41,817	—	—	110,042	82,546	97,016	—	238,429	569,850	—
Additions and transfers	222,890	(3,177)	—	—	—	7,557	—	227,270	170,528	196,056
Disposals and write-offs, Note 21(a)	(298)	(6,266)	—	—	—	(214)	—	(6,778)	(10,606)	(1,783)
Balance as of December 31	<u>311,305,807</u>	<u>206,420</u>	<u>137,900</u>	<u>110,042</u>	<u>82,546</u>	<u>97,016</u>	<u>669,075</u>	<u>2,698,486</u>	<u>1,908,144</u>	<u>1,748,222</u>
Amortization										
Balance as of January 1	(776,149)	—	(57,458)	—	—	(29,788)	—	(863,395)	(705,637)	(574,687)
Amortization of the year	(166,291)	—	(13,790)	(8,253)	—	(7,276)	(6,791)	(202,401)	(157,758)	(131,199)
Disposals and write-offs	298	—	—	—	—	214	—	512	—	249
Balance as of December 31	<u>(942,142)</u>	<u>—</u>	<u>(71,248)</u>	<u>(8,253)</u>	<u>—</u>	<u>(7,276)</u>	<u>(1,065,284)</u>	<u>(863,395)</u>	<u>(705,637)</u>	<u>(705,637)</u>
Net book value	<u>363,665</u>	<u>206,420</u>	<u>66,652</u>	<u>101,789</u>	<u>82,546</u>	<u>89,740</u>	<u>53,315</u>	<u>669,075</u>	<u>1,633,202</u>	<u>1,042,585</u>

Management assesses periodically the amortization method used with the purpose of ensuring that it is consistent with the economic benefit of the intangible assets. In Management's opinion, there is no evidence of impairment in the Group's intangible assets as of December 31, 2022, 2021 and 2020.

(b) Goodwill

Seguros Sura:

In 2017, IFS acquired 99.39 percent of Seguros Sura's capital stock and 99.42 percent of Hipotecaria Sura's capital stock. In March 2018, Interseguro merged with Seguro Sura, using the method of absorption, originating the transfer of all the assets and liabilities of Seguros Sura to the absorbing company and extinguishing without having to liquidate.

The goodwill resulting from the purchase of Seguros Sura and Hipotecaria Sura equivalent to S/430,646,000 represents the future synergies that are expected to arise from the combination of operations, distribution channels, workforce and other efficiencies not included in the intangible assets of the present value of acquired in-force business.

The goodwill recorded by the Group has been allocated to the CGU (cash generated unit) comprised of the merged entity.

The recoverable amount for the CGU was determined based on the income approach, specifically the dividend discount model.

As of December 31, 2022 and 2021, the key assumptions used for the calculation of fair value are:

- Perpetuity growth rate: 4.5%.
- Discount rate: 12.5% (2022 and 2021)

10-year cash flows and a perpetuity estimates were included in the dividend discount model. The estimated growth rates are based on the historical performance and the expectations of Management over the development of the market. Long-term perpetuity growth rate was determined based on reports from the sector.

The discount rate represents the assessment of the CGU specific risks. The discount rate was established considering the Company's capital structure, the cost of capital coming from the benefits that the Group's investors expect to obtain, from the specific risk incorporated by applying comparable individual beta factors adapted to the CGU's debt structure and from the country and market specific risk premiums for the CGU. Beta factors are assessed on an annual basis using available market information.

The key assumptions described above can change if the market conditions and the economy change. As of December 31, 2022 and 2021, the Group estimates that the reasonableness of possible changes in these assumptions would not make the recoverable amount of the CGU decrease to an amount lower than its book value.

Izipay:

In April 2022, IFS acquired 50 percent of Izipay, through the method of step acquisitions, adjusting at fair value the previous participation held by IFS in Izipay through its Subsidiary Interbank (50 percent).

The goodwill resulting from the acquisition of Izipay, equivalent to S/ 238,429,000, represents the future synergies that are expected to arise from the combination of operations and other efficiencies not included in the intangibles of the current value of the ongoing business.

The goodwill recorded by the Group has been assigned to the CGU (cash-generating unit) consisting of the acquired entities, Izipay.

The recoverable amount for the CGU has been determined based on the method of discounted cash flows.

As of December 31, 2022, the key assumptions used for the calculation of the fair value are the following:

- Perpetual growth rate: 3%
- Discount rate: 13.65%

5-year cash flows plus an estimation of the value at perpetuity were included in the model of discounted cash flows. The estimated growth rates are based on the historical performance and the expectations of Management over the market development. The long-term perpetual growth rate has been determined considering the upper target range of inflation established by the BCRP.

The discount rate represents the assessment of the CGU's specific risks. The discount rate was originated considering the data obtained from market information sources.

The key assumptions described before can change if market conditions and the economy change. As of December 31, 2022, the Group estimates that the reasonableness of these possible changes in these assumptions would not originate that the recoverable amount of the CGU decreases below its book value.

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

(a) These captions are comprised of the following:

	2022 S/(000)	2021 S/(000)
Other accounts receivable and other assets		
Financial instruments		
Other accounts receivable, net	633,926	455,060
Accounts receivable related to derivative financial instruments (b)	515,800	793,361
Operations in process (d)	112,195	86,193
POS Commission accounts receivable	110,906	—
Accounts receivable from sale of investments (c)	37,987	12,366
Assets for technical reserves for claims and premiums by reinsurers	34,596	53,104
Others	24,753	22,749
	<u>1,470,163</u>	<u>1,422,833</u>
Non-financial instruments		
Deferred cost of POS affiliation and registration	95,265	—
Deferred charges	92,865	75,316
Realizable assets, received as payment and seized through legal actions	27,266	26,871
Payments in advance of Income Tax	26,759	255,437
Investments in associates	22,728	99,767
POS equipment supplies (*)	18,698	—
Tax credit for General Sales Tax - IGV	17,623	—
Prepaid rights to related entity	3,399	3,399
Others	3,793	3,831
	<u>308,396</u>	<u>464,621</u>
Total	<u><u>1,778,559</u></u>	<u><u>1,887,454</u></u>

(*) Comprises the Points of Sale (“POS”) required for the rendering of the service. Their supplies are recorded at cost, which is determined by applying the weighted average method.

	2022 S/(000)	2021 S/(000)
Other accounts payable, provisions and other liabilities		
Financial instruments		
Contract liability with investment component, Note 3.4(d)	883,268	736,637
Other accounts payable	726,983	547,747
Third party compensation (**)	386,136	—
Accounts payable related to derivative financial instruments (b)	297,038	413,797
Operations in process (d)	184,584	169,515
Workers' profit sharing and salaries payable	154,460	113,874
Lease liabilities, Note 8(e)	112,581	234,946
Accounts payable for acquisitions of investments (c)	53,905	17,817
Allowance for indirect loan losses, Note 6(d.2)	35,495	40,329
Accounts payable to reinsurers and coinsurers	5,648	4,215
	<u>2,840,098</u>	<u>2,278,877</u>
Non-financial instruments		
Taxes payable	138,819	76,823
Provision for other contingencies	79,304	64,935
Deferred income (***)	57,001	46,145
Registration for use of POS	17,029	—
Others	6,681	10,821
	<u>298,834</u>	<u>198,724</u>
Total	<u><u>3,138,932</u></u>	<u><u>2,477,601</u></u>

(**) Accounts payable for compensations correspond mainly to outstanding balances payable to affiliated businesses, for the consumptions made by the cards users, net of the respective fee charged by Izipay, which are mainly settled the day after the transaction was made.

(***) Corresponds mainly to deferred fees for indirect loans (mainly guarantee letters) and the transactions registered in Izipay related to installments pending of accrual within the contract's term (36 months) with affiliated businesses.

Notes to the consolidated financial statements (continued)

- (b) The following table presents, as of December 31, 2022 and 2021, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts. The notional gross amount is the nominal amount of the derivative's underlying asset and it is the base over which changes in the fair value of derivatives are measured; see Note 18(a):

	Note	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive income during the year S/(000)	Maturity	Hedged instruments	Caption of the consolidated statement of financial position where the hedged item has been recognized
2022								
Derivatives held for trading								
(*) -								
Forward exchange contracts		58,201	27,556	6,328,060	—	Between January 2023 and December 2023	—	—
Currency swaps		77,045	141,823	2,672,533	—	Between January 2023 and March 2029	—	—
Interest rate swaps		67,737	38,551	2,424,566	—	Between January 2023 and June 2036	—	—
Cross currency swaps		—	75,489	224,485	—	January 2023	—	—
Options		99	463	80,151	—	Between January 2023 and December 2023	—	—
		<u>203,082</u>	<u>283,882</u>	<u>11,729,795</u>	<u>—</u>			
Derivatives held as hedges -								
Cash flow hedges:								
Cross currency swaps (CCS)	13(g)	237,438	—	1,681,974	(20,199)	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	13(i)	75,280	—	573,000	(33,565)	October 2027	Senior bond	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	12(e)	—	3,916	114,420	360	August 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	12(f)	—	6,295	114,420	(355)	October 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	12(g)	—	931	57,210	(225)	January 2025	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	12(k)	—	2,014	38,140	(156)	November 2024	Due to banks	Due to banks and correspondents
		<u>312,718</u>	<u>13,156</u>	<u>2,579,164</u>	<u>(54,140)</u>			
		<u>515,800</u>	<u>297,038</u>	<u>14,308,959</u>	<u>(54,140)</u>			

Notes to the consolidated financial statements (continued)

	Note	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive income during the year S/(000)	Maturity	Hedged instruments	Caption of the consolidated statement of financial position where the hedged item has been recognized
2021								
Derivatives held for trading (*) -								
Forward exchange contracts		53,421	128,250	8,631,830	—	Between January 2022 and December 2022	—	—
Interest rate swaps		40,139	30,325	2,969,027	—	Between January 2022 and June 2036	—	—
Currency swaps		220,979	162,917	4,162,325	—	Between January 2022 and April 2028	—	—
Cross currency swaps		—	92,299	234,667	—	January 2023	—	—
Options		—	6	1,816	—	Between January 2022 and June 2022	—	—
		<u>314,539</u>	<u>413,797</u>	<u>15,999,665</u>	<u>—</u>			
Derivatives held as hedges -								
Cash flow hedges:								
Cross currency swaps (CCS)	13(g)	343,535	—	1,758,267	37,251	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	13(i)	135,287	—	599,700	44,735	October 2027	Senior bond	Bonds, notes and obligations outstanding
		<u>478,822</u>	<u>—</u>	<u>2,357,967</u>	<u>81,986</u>			
		<u>793,361</u>	<u>413,797</u>	<u>18,357,632</u>	<u>81,986</u>			

- (*) During the years 2022, 2021 and 2020, the Group recognized losses for S/4,523,000, S/60,275,000 and S/39,207,000, respectively, for valuation of derivative financial instruments held for trading, which were recorded in the caption “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated statement of income.
- (i) As of December 31, 2022 and 2021, certain derivative financial instruments hold collateral deposits; see Note 4(d).
- (ii) For the designated hedging derivatives mentioned in the table above, changes in fair values of hedging instruments completely offset the changes in fair values of hedged items; therefore, there has been no hedge ineffectiveness in 2022 and 2021. During 2022 and 2021, there were no discontinued hedges accounting.
- (iii) Derivatives held for trading are traded mainly to satisfy clients’ needs. The Group may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption includes any derivatives which do not comply with IFRS 9 hedging accounting requirements.
- (iv) The future effect of current cash flow hedges on the consolidated statement of income, net of the deferred Income Tax, which will be included in the caption “Net (loss) gain of financial assets at fair value through profit or loss” when realized, is presented below:

	As of December 31, 2022				As of December 31, 2021			
	Up to 1 year S/(000)	From 1 to 3 years S/(000)	Over 3 years S/(000)	Expected effect S/(000)	Up to 1 year S/(000)	From 1 to 3 years S/(000)	Over 3 years S/(000)	Expected effect S/(000)
Consolidated statement of income – Income (expense)	<u>429</u>	<u>(731)</u>	<u>(8,960)</u>	<u>(9,262)</u>	<u>1,507</u>	<u>20,871</u>	<u>22,500</u>	<u>44,878</u>

The transfer of net unrealized losses on cash flow hedges to the consolidated statement of income is presented in Note 16(d) and (e).

Notes to the consolidated financial statements (continued)

- (v) The gain (loss) for cash flow hedges reclassified to the consolidated statement of income for the year ended as of December 31, 2022 and 2021, is as follows:

	2022 S/(000)	2021 S/(000)
Interest expenses from cash flow hedges	(78,300)	(71,009)
Interest income from cash flow hedges	62,158	57,550
Expenses for exchange differences from cash flow hedges	(337,907)	(128,820)
Income for exchange differences from cash flow hedges	225,399	346,326
	<u>(128,650)</u>	<u>204,047</u>

These amounts offset the effects of interest rate risk and exchange rate risk of the hedged item.

The following table shows hedging instruments that the Group uses in its cash flow hedges due to maturities:

December 31, 2022	Up to 1 month	3 to 12 months	1 to 5 years	Over 5 years	Total
Cross currency swaps (CCS)					
Notional	1,681,974	—	897,190	—	2,579,164
Average interest rate in US Dollars	3.38%	—	3.80%	—	—
Average interest rate in Soles	4.87%	—	5.03%	—	—
Average exchange rate Soles / US Dollar	3.26	—	3.58	—	—
December 31, 2021	Up to 1 month	3 to 12 months	1 to 5 years	Over 5 years	Total
Cross currency swaps (CCS)					
Notional	—	—	1,758,267	599,700	2,357,967
Average interest rate in US Dollars	—	—	3.38%	—	—
Average interest rate in Soles	—	—	4.87%	1.88%	—
Average exchange rate Soles / US Dollar	—	—	3.26	3.24	—

Notes to the consolidated financial statements (continued)

- (vi) The following table shows the nominal value and the weighted average maturity of derivative and non-derivative financial instruments that are subject to the reform of the reference interest rate; see Note 3.4(ah):

	2022		2021	
	Derivative nominal value (*) S/(000)	Average term in years (*)	Derivative nominal value (*) S/(000)	Average term in years (*)
Derivative financial instruments				
Position purchased (LIBOR is paid)				
Interest rate swaps 3-month LIBOR	208,002	5.8	315,555	5.9
6-month LIBOR	278,060	8.2	301,871	9.4
	<u>486,062</u>		<u>617,426</u>	
Cross currency swaps				
6-month LIBOR	114,420	1.5	119,610	2.5
Total	<u>600,482</u>		<u>737,036</u>	
Position sold (LIBOR is received)				
Interest rate swaps 3-month LIBOR	251,873	5.3	473,042	5.0
6-month LIBOR	346,712	7.1	373,637	8.3
	<u>598,585</u>		<u>846,679</u>	
Cross currency swaps				
6-month LIBOR	202,142	1.8	231,246	2.7
Total	<u>800,727</u>		<u>1,077,925</u>	

(*) Balances as of December 31, 2022 and 2021, that will change no later than June 30, 2023 to the new benchmark rate.

Notes to the consolidated financial statements (continued)

As of December 31, 2022 and 2021, the Group does not present derivative financial instruments classified as hedge accounting that are subject to the interest rate benchmark reform; see Note 3.4(ah).

Non-derivative financial instruments	2022		2021	
	Nominal value S/(000)	Average term in years	Nominal value S/(000)	Average term in years
Assets				
Loans 1-month LIBOR	—	—	3,220	6.5
3-month LIBOR	465,494	3.8	573,727	4.1
6-month LIBOR	197,891	11.8	517,590	7.4
Total	<u>663,385</u>		<u>1,094,537</u>	
Liabilities				
Issuances 3-month LIBOR	1,144,200	5.0	1,196,100	5.0
Total	<u>1,144,200</u>		<u>1,196,100</u>	

- (c) As of December 31, 2022 and 2021, corresponds to accounts receivable and payable for the sale and purchase of financial investments negotiated during the last days of the month, which were settled at the beginning of the following month. As of said dates, the balance corresponds mainly to the purchase and sale of Sovereign Bonds issued by the Peruvian Government and Global Bonds issued by the Treasury of the United States of America.
- (d) Operations in process include transactions made during the last days of the month and other types of similar transactions that are reclassified to their corresponding accounting accounts in the following month. These transactions do not affect the consolidated statement of income.

11. Deposits and obligations

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

	2022 S/(000)	2021 S/(000)
Saving deposits	20,911,746	22,541,822
Demand deposits	13,824,824	14,433,164
Time deposits (e)	12,866,602	10,954,233
Compensation for service time (c)	921,288	962,596
Other obligations	6,248	6,129
Total	48,530,708	48,897,944

- (b) Interest rates applied to deposits and obligations are determined based on the market interest rates.
- (c) In May 2022, through Act No. 31480 “Act Authorizing the Withdrawal of Severance Indemnities to Cover Economic Needs Caused by the Covid-19 Pandemic”, the Peruvian government authorized clients, until December 31, 2023, to withdraw one hundred percent of these deposits. As part of this benefit, as of December 31, 2022; approximately 261,000 clients withdrew approximately S/767,470,000.
- In April 2021, through Act No. 31171, the Peruvian government authorized clients to withdraw the 100 percent of these deposits accumulated until December 31, 2021. As part of this benefit, as of December 31, 2021, approximately 242,000 customers withdrew approximately S/1,630,000,000.
- (d) As of December 31, 2022 and 2021, approximately S/18,368,816,000 and S/17,180,174,000, respectively, of deposits and obligations are covered by the Peruvian Deposit Insurance Fund. Likewise, at those dates, the coverage of the Deposit Insurance Fund by each client is up to S/125,603 and S/115,637, respectively.
- (e) The table below presents the balance of time deposits classified by maturity as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Up to 1 month	2,797,703	4,679,045
From 1 to 3 months	1,973,288	2,205,213
From 3 months to 1 year	6,788,680	3,430,805
From 1 to 5 years	1,023,473	377,889
Over 5 years	283,458	261,281
Total	12,866,602	10,954,233

12. Due to banks and correspondents

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

	2022 S/(000)	2021 S/(000)
By type -		
Banco Central de Reserva del Peru (b)	4,481,138	6,332,527
Promotional credit lines (c)	1,863,482	1,595,405
Loans received from foreign entities (d)	339,446	322,947
Loans received from Peruvian entities (k)	357,770	226,713
	<u>7,041,836</u>	<u>8,477,592</u>
Interest and commissions payable	58,810	45,257
	<u>7,100,646</u>	<u>8,522,849</u>
By term -		
Short term	2,433,459	1,068,838
Long term	4,667,187	7,454,011
Total	<u>7,100,646</u>	<u>8,522,849</u>

- (b) As part of the exceptional measures implemented to mitigate the financial and economic impact generated by the Covid-19 pandemic, see Note 1(c.2), the BCRP issued a series of regulations related to the loans repurchase agreements. In this sense, during 2022, Interbank took in repurchase agreements of loan portfolio for an amount of S/42,461,000 (S/4,183,571,000 during 2021, which was aimed to the “Reactiva Peru” program; Note 1(c.2)).

As of December 31, 2022, includes repurchase operations on loans represented by securities according to which Interbank received a debit in local currency for approximately S/1,909,375,000 (S/4,389,903,000 as of December 31, 2021), and gives to commercial and micro and small business loans as guarantee; see Note 6(a). As of December 31, 2022, these obligations have maturities between May 2023 and November 2025, and accrue interest at effective rates 0.50 percent; these operations accrued interest payable for approximately S/4,049,000 (as of December 31, 2021, these obligations have maturities between May 2023 and November 2025, and accrue interest at effective rates between 0.50 percent; these operations accrued interest payable for S/11,218,000).

Additionally, as of December 31, 2022, it includes repurchase agreements whereby Interbank receives Soles for approximately S/2,571,763,000 and delivers securities of its investment portfolio as guarantees. In relation to said operations, Interbank delivered Peruvian Sovereign Bonds as guarantee, which are recorded as investments at fair value through other comprehensive income and investments at amortized cost; see Note 5(b) and (d), respectively. These operations have a maturity between January 2023 and October 2024 and bear interest at effective interest rates between 0.50 percent and 8.64 percent. These operations bear interest payable for approximately S/45,150,000 (as of December 31, 2021, Interbank received a loan in Soles for approximately S/1,572,624,000, and gave as guarantee Peruvian Sovereign Bonds, which are recorded as investments at fair value through other comprehensive income and at amortized cost, see Note 5(b) and (d), with maturities between April 2023 and October 2024, and bear interest at effective interest rates between 0.50 percent and 2.04 percent, and bear interest payable for approximately S/9,746,000).

Likewise, as of December 31, 2021, corresponded to currency repurchase operations according to which Interbank receives Soles for approximately S/370,000,000, and delivers US Dollars to the BCRP (for an amount equivalent to the one received). The US Dollars delivered are recorded as restricted funds; see Note 4(d). These obligations matured in March 2022 and bore an effective interest rate between 2.74 and 3.29 percent; these operations generated interest payable for approximately S/19,925,000.

- (c) Promotional credit lines are loans in Soles and US Dollars from the Corporación Financiera de Desarrollo (“COFIDE”) and Fondo Mivivienda (“FMV”) whose purpose is to promote development in Peru. These liabilities are guaranteed by a loan portfolio up to the amount of the line and include specific agreements on the use of funds, the financial conditions to be met and other management issues. In Management’s opinion, Interbank is meeting these requirements.

As of December 31, 2022, COFIDE’s loans accrued, in local currency, an effective annual interest rate that fluctuated between 7.55 percent and 7.67 percent, and maturities in January 2027 and in foreign currency fluctuated between 5.81 and 8.05 percent, and maturities between December 2029 and October 2034 (as of December 31, 2021, they accrued, in local currency, an effective annual interest rate that fluctuated between 7.55 percent and 7.67 percent, and maturities in January 2027, and in foreign currency fluctuated between 5.86 percent and 8.05 percent, and maturities between December 2029 and October 2034).

As of December 31, 2022, FMV’s loans accrued, in local currency, an effective annual interest rate that fluctuated between 5.00 percent and 8.30 percent, and maturities between January 2023 and December 2047 and in foreign currency of 7.75 percent and maturities between January 2023 and November 2028 (as of December 31, 2021, accrued in local currency, an effective annual interest rate between 5.00 and 8.30 percent, and maturities between January 2022 and December 2046, and in foreign currency, 7.75 percent and maturities between February 2022 and November 2028).

Notes to the consolidated financial statements (continued)

(d) As of December 31, 2022 and 2021, corresponds to the following funding in foreign currency:

Entity	Country	Final maturity	2022 S/(000)	2021 S/(000)
Caixabank S.A. Barcelona (e)	Spain	2024	114,420	—
JP Morgan Chase Bank NY (f)	United States of America	2024	114,420	—
Banco del Estado de Chile (g)	Chile	2025	57,210	—
Bank J. Safra Sarasin (h)	Switzerland	2023/2022	53,396	23,922
Credit Suisse First Boston (i)	Switzerland	2022	—	159,480
Development Bank of Latin America (j)	Supranational	2022	—	139,545
			<u>339,446</u>	<u>322,947</u>

As of December 31, 2022, the operations with foreign entities accrue interest at effective annual rates between 0.66 and 6.92 percent (effective annual rates between 0.43 percent and 1.62 percent, as of December 31, 2021).

- (e) Corresponds to a loan received in July 2022 for US\$30,000,000 that accrues interest at a 6-month Term SOFR rate plus 1.35 percent. In July 2022, Interbank entered into a currency swap that was designated as cash flow hedge; see Note 10(b), through this operation, the loan was economically converted into a fixed rate of 7.74 percent.
- (f) Corresponds to a loan received in September 2022 for US\$30,000,000 that accrues interest at 6-month Term SOFR rate plus 1.75 percent. In September 2022, Interbank entered into a currency swap that was designated as cash flow hedge; see Note 10(b). Through this operation, the loan was economically converted into a fixed rate of 8.4 percent.
- (g) Corresponds to a loan received in December 2022 for US\$15,000,000 that accrues interest at 6-month Term SOFR rate plus 1.99 percent. In December 2022, Interbank entered a currency swap that was designated as cash flow hedge; see Note 10(b). Through this operation, the loan was economically converted into a fixed rate of 8.59 percent.
- (h) Corresponds to a loan received by Inteligo Bank in December 2022 for US\$14,000,000, which accrues interest at an effective annual rate of 5.61 percent, guaranteed by corporate bonds. As of December 31, 2021, corresponded to a loan received by Inteligo Bank in December 2021 for US\$6,000,000, which accrued interest at an effective annual rate of 0.84 percent, and it was guaranteed by corporate bonds. See Note 5(b).
- (i) Corresponded to a loan received by Inteligo Bank in December 2021 for US\$40,000,000, which accrues interest at an effective annual rate of 0.65 percent, guaranteed by corporate bonds and was totally canceled IN 2022. See Note 5(b).

Notes to the consolidated financial statements (continued)

- (j) Corresponded to a financing from the Development Bank of Latin America in foreign currency for US\$35,000,000, equivalent to S/139,545,000, which accrues interest at a 6-month LIBOR rate plus 0.57 percent and matured in April 2022.
- (k) As of December 31, 2022 and 2021, corresponds to the following funding in local and foreign currency:

Entity	2022		
	Maturity	Currency	Book value S/(000)
Scotiabank	Jan-23 / Oct-25	PEN	120,718
Banco de Credito del Peru	Jan-23 / Oct-23	PEN	81,644
GNB	Jan-23	PEN	71,500
Bank of China Peru (i)	Nov-24	PEN	38,140
BBVA Continental	Jan-23	USD	45,768
			<u>357,770</u>

Entity	2021		
	Maturity	Currency	Book value S/(000)
Scotiabank	Jan-22	USD	99,675
GNB	Jan-22	USD	63,194
BBVA Continental	Jan-22	USD	47,844
Banco de Credito del Peru	Jan-22	PEN	16,000
			<u>226,713</u>

- (l) As of December 31, 2022, includes a loan received from Bank of China Peru in October 2022 for US\$10,000,000, which accrues interest at a 6-month Term SOFR rate plus 1.50 percent. In October 2022, Interbank entered into a currency swap, which was designated as cash flow hedge; see Note 10(b). Through this operation, the loan was economically converted to a fixed rate of 8.18 percent.
- (m) As of December 31, 2022 and 2021, maturities are the following:

Notes to the consolidated financial statements (continued)

Year	2022 S/(000)	2021 S/(000)
2022	—	1,068,838
2023	2,433,459	3,685,027
2024	1,888,657	1,639,319
2025 onwards	2,778,530	2,129,665
Total	7,100,646	8,522,849

13. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued (000)	2022 S/(000)	2021 S/(000)
Local issuances							
Subordinated bonds – first program (b)							
Eighth (A series)	Interbank	6.91%	Semi-annually	2022	S/137,900	—	137,900
						—	137,900
Subordinated bonds – second program (b)							
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	149,998	149,938
Third (A series)	Interbank	7.50%	Semi-annually	2023	US\$50,000	190,616	199,175
						340,614	349,113
Subordinated bonds – third program (b)							
Third - single series (c)	Interseguro	4.84%	Semi-annually	2030	US\$25,000	95,350	99,675
First - single series	Interseguro	6.00%	Semi-annually	2029	US\$20,000	76,213	79,663
Second - single series	Interseguro	4.34%	Semi-annually	2029	US\$20,000	76,280	79,740
						247,843	259,078
Corporate bonds – second program							
Fifth (A series)		3.41% + VAC (*)	Semi-annually	2029	S/150,000	150,000	150,000
	Interbank					150,000	150,000
Total local issuances						738,457	896,091
International issuances							
Subordinated bonds (d)	Interbank	4.000%	Semi-annually	2030	US\$300,000	1,137,691	1,188,394
Corporate bonds (e)	Interbank	5.000%	Semi-annually	2026	S/312,000	311,522	311,401
Corporate bonds (f)	Interbank	3.250%	Semi-annually	2026	US\$400,000	1,517,661	1,584,288
Corporate bonds (g)	Interbank	3.375%	Semi-annually	2023	US\$484,895	1,849,133	1,912,330
Subordinated bonds (h)	Interbank	6.625%	Semi-annually	2029	US\$300,000	1,142,764	1,193,461
Senior bonds (i)	IFS	4.125%	Semi-annually	2027	US\$300,000	1,074,396	1,178,000
Total international issuances						7,033,167	7,367,874
Total local and international issuances						7,771,624	8,263,965
Interest payable						134,679	125,707
Total						7,906,303	8,389,672

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

Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees and in accordance with SBS rules, qualify as second level equity (Tier 2) in the determination of the effective equity; see Note 16(f).
- (c) On September 29, 2020, Interseguro issued subordinated bonds denominated “Third Issuance of the Third Program of Subordinated Bonds Interseguro (Single Series)” for the amount of US\$25,000,000, recorded in Section “Transferable Securities and Issuance Programs” of the Public Registry of the Stock Market, under the Third Program of Subordinated Bonds of Interseguro.
- (d) On June 30, 2020, Interbank placed 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. The issuance date of these bonds was July 8, 2020.

Starting on July 8, 2025, prior authorization by the SBS, Interbank will be able to redeem the entirety of the bonds, having to pay a redemption price of 100 percent of the issued subordinated bonds. From that date onwards, in case Interbank does not perform the early redemption, the interest rate will increase by 371.1 basis points. After July 8, 2025, prior authorization by the SBS, Interbank will be able to redeem the entirety of the bonds, having to pay a redemption price of 100 percent of the issued subordinated bonds plus the present value of each scheduled coupon payment, discounted at the redemption date.

- (e) On September 24, 2019, Interbank placed corporate bonds denominated “5.00% Senior Notes due 2026” for S/312,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1993 of the United States of America. These bonds were issued on October 1, 2019.
- (f) On September 25, 2019, Interbank placed corporate bonds denominated “3.25% Senior Notes due 2026” for US\$400,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1993 of the United States of America. These bonds were issued on October 4, 2019.
- (g) In January 2018, Interbank issued corporate bonds called “3.375 Senior Unsecured Notes” for US\$200,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1993 of the United States of America.

Considering the issuance of bonds in January 2018 and the exchange of bonds previously issued carried out on said date, the total balance of the “3.375 Senior Unsecured Notes” amounted to US\$484,895,000.

As of December 31, 2022 and 2021, Interbank maintains fourteen cross-currency swaps for a total of US\$441,000,000 (equivalent to approximately S/1,681,974,000 and S/1,758,267,000, respectively), see Note 10(b). Through these operations, part of the issued amount by these bonds was economically converted into Soles at a fixed rate of 4.88 percent.

As of December 31, 2022, Management does not intend to redeem these bonds before their maturity date; said situation may change in the future, depending on market conditions.

- (h) Starting in March 2024, the interest rate changes to 8.625%. Starting on that date and on any interest payment date, Interbank can redeem all the notes without penalties.

In accordance with SBS regulation, this issuance qualifies as second level equity (Tier 2) in the determination of the effective equity; see Note 16(f).

As of December 31, 2022, Management does not intend to redeem these bonds before their maturity date; said situation may change in the future, depending on market conditions.

- (i) From 2018 until July 2027, IFS, on any time, can redeem these bonds, paying a penalty equal to the United States of America Treasury rate plus 30 basis points. The payment of principal will take place on the maturity date of the bonds or when IFS redeems them.

In October 2017, IFS entered a cross currency swap for US\$150,000,000 (equivalents to approximately S/573,000,000 and S/599,700,000, as of December 31, 2022 and 2021, respectively), which was designated as a cash flow hedge, see Note 10(b); through this operation part of the issued amount of these bonds was economically converted to Soles at a fix rate of 5.06 percent.

As of December 31, 2022, Management does not intend to redeem these bonds before their maturity date; said situation may change in the future, depending on market conditions.

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

As of December 31, 2022 and 2021, the international issuances maintain mainly this common clause: submit audited financial statements on an annual basis and unaudited financial statements on a quarterly basis (both in Spanish and English). In the opinion of Group Management and its legal advisers, this clause has been met by the Group as of December 31, 2022 and 2021. In addition, Interbank maintains the following additional clauses: (i) limits regarding related party transactions that are not under market conditions and (ii) limits regarding consolidation, merger or transfer of Interbank assets. In the opinion of Interbank Management and its legal advisers, these clauses has been met by Interbank as of December 31, 2022 and 2021.

Notes to the consolidated financial statements (continued)

- (k) As of December 31, 2022 and 2021, the repayment schedule of these obligations is as follows:

Year	2022 S/(000)	2021 S/(000)
2022	—	249,609
2023	2,296,506	2,261,443
2024	—	—
2025	—	—
2026 onwards	5,609,797	5,878,620
Total	<u>7,906,303</u>	<u>8,389,672</u>

14. Insurance contract liabilities

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

	2022 S/(000)	2021 S/(000)
Technical reserves for insurance premiums (b)	10,400,667	11,735,995
Technical reserves for claims (c)	201,705	222,063
	<u>10,602,372</u>	<u>11,958,058</u>
By term -		
Short term	1,023,856	949,512
Long term	9,578,516	11,008,546
Total	<u>10,602,372</u>	<u>11,958,058</u>

Notes to the consolidated financial statements (continued)

- (b) The movement of technical reserves for insurance premiums (disclosed by type of insurance) for the years ended December 31, 2022, 2021 and 2020, is as follows:

	2022						2021						2020					
	Retirement, disability and survival annuities S.(000)	Life insurance S.(000)	General insurance S.(000)	SCTR S.(000)	Total S.(000)	Annuities S.(000)	Retirement, disability and survival annuities S.(000)	Life insurance S.(000)	General insurance S.(000)	SCTR S.(000)	Total S.(000)	Annuities S.(000)	Retirement, disability and survival annuities S.(000)	Life insurance S.(000)	General insurance S.(000)	SCTR S.(000)	Total S.(000)	
Beginning of year balances	9,923,679	618,452	892,992	40,762	260,110	11,735,995	10,448,455	745,292	746,171	38,015	320,142	12,298,075	9,741,241	779,455	630,801	41,073	30,886	11,223,456
Insurance subscriptions	319,876	—	2,882	40,220	—	362,978	482,508	115	11,770	30,411	2,562	527,566	249,380	—	2,259	31,808	—	283,447
Acquisition of Mapfre portfolio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Time passage adjustments (**)	(1,482,660)	(34,745)	122,237	(27,962)	(16,933)	(1,440,063)	(1,347,987)	(126,955)	131,533	(28,112)	(62,674)	(1,434,195)	162,654	(34,163)	110,102	(35,167)	(3,326)	200,100
Maturities and recoveries	—	—	(66,517)	—	—	(66,517)	—	(65,587)	—	—	(65,587)	—	—	—	(50,654)	—	—	(50,654)
Exchange differences	(157,132)	—	(34,286)	(283)	(25)	(191,726)	340,703	—	69,105	448	80	410,336	295,180	—	53,663	301	83	349,227
End of year balances	8,603,763	583,707	917,308	52,737	243,152	10,400,667	9,923,679	618,452	892,992	40,762	260,110	11,735,995	10,448,455	745,292	746,171	38,015	320,142	12,298,075

- (*) In December 2019, SBS authorized the transfer of risk insurance contracts from Complementary Insurance for High-risk Activities ("SCTR", by its Spanish acronym), of Mapfre Peru Vida Compañía de Seguros y Reaseguros S.A. (henceforth, "Mapfre", an unrelated entity), which entered into force on January 2, 2020. The assets received by said contracts were cash and financial debt instruments of a value equivalent to S/246,101,000; also recognized a liability for technical reserves of premiums for S/292,499,000, the difference amounting to S/46,398,000, was recorded in the caption "Intangibles and goodwill, net", as part of the "Other Intangibles", see Note 9(a).

- (**) The table below presents the composition of the adjustments due to time passage as of December 31, 2022, 2021 and 2020:

	2022					2021					2020				
	Annuities (***)	Life insurance	General insurance	SCTR	Total	Annuities (***)	Life insurance	General insurance	SCTR	Total	Annuities (***)	Life insurance	General insurance	SCTR	Total
Interest rate effect (****), Note 3.4(d)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Aging insured population effect	(1,484,394)	—	(36,586)	(1,520,980)	(1,318,573)	—	(73,707)	(1,397,280)	333,761	(1,225)	332,536	(7,495)	(190,100)	332,536	(1,225)
Inflation and other effects	(270,339)	122,237	(27,962)	(184,335)	(325,914)	131,533	(28,112)	(229,188)	(257,549)	110,102	(35,167)	—	—	5,394	57,673
Time passage adjustments	237,328	—	27,924	265,252	169,545	—	—	17,738	187,283	52,279	—	—	—	—	—
	(1,517,405)	122,237	(27,962)	(16,933)	(1,440,063)	(1,474,942)	131,533	(28,112)	(62,674)	(1,434,195)	128,491	110,102	(35,167)	(3,326)	200,100

- (***) It includes retirement (disability and survival annuities) and "Renta Particular Plus – Vitalicio".

- (****) Comprises the variations of the market interest rate for each period. The Company uses market rates. In 2022, 2021 and 2020, the rates for annuities, retirement, disability and survival annuities and SCTR in US Dollars presented an increase, fluctuating around 6.10 percent, 3.70 percent and 3.53 percent, respectively; whereas for annuities, retirement, disability and survival annuities and SCTR in adjustable S/ presented an increase, fluctuating around 8.14 percent, 6.84 percent and 5.07 percent, respectively; and for of annuities, retirement, disability and survival annuities and SCTR in S/ VAC presented an increase, fluctuating around 4.78 percent, 3.77 percent and 2.05 percent, respectively.

Notes to the consolidated financial statements (continued)

(c) Below is the balance of technical reserves for outstanding claims (according to the type of insurance) as of December 31, 2022 and 2021:

	2022						2021					
	Retirement, disability and survival			Life insurance			Retirement, disability and survival			Life insurance		
	Annuities S/(000)	annuities S/(000)	insurance S/(000)	General insurance S/(000)	SCTR S/(000)	Total S/(000)	Annuities S/(000)	annuities S/(000)	insurance S/(000)	General insurance S/(000)	SCTR S/(000)	Total S/(000)
Reported claims	15,673	56,816	42,449	19,399	5,731	140,068	12,233	61,700	46,411	12,514	5,762	138,620
IBNR	—	5,855	50,201	4,984	597	61,637	—	18,352	58,911	5,383	797	83,443
	<u>15,673</u>	<u>62,671</u>	<u>92,650</u>	<u>24,383</u>	<u>6,328</u>	<u>201,705</u>	<u>12,233</u>	<u>80,052</u>	<u>105,322</u>	<u>17,897</u>	<u>6,559</u>	<u>222,063</u>

The movement of technical reserves for claims for the years ended December 31, 2022, 2021 and 2020, is as follows:

	2022						2021					
	Retirement, disability and survival			Life insurance			Retirement, disability and survival			Life insurance		
	Annuities S/(000)	annuities S/(000)	insurance S/(000)	General insurance S/(000)	SCTR S/(000)	Total S/(000)	Annuities S/(000)	annuities S/(000)	insurance S/(000)	General insurance S/(000)	SCTR S/(000)	Total S/(000)
Beginning of year balances	12,233	80,052	105,322	17,897	6,559	222,063	699,977	55,272	57,104	43,343	16,189	871,885
Claims of the period	4,027	(16,117)	—	—	(165)	(12,255)	(700,538)	(56,532)	(68,909)	(36,657)	(16,255)	(878,891)
Adjustments to prior years claims	(26)	(4)	(867)	(200)	—	(1,097)	(26)	(4)	(867)	(200)	—	(1,097)
Payments	15,673	62,671	92,650	24,383	6,328	201,705	15,673	62,671	92,650	24,383	6,328	201,705
Exchange difference												
End of year balances												

	2021					
	Retirement, disability and survival			Life insurance		
	Annuities S/(000)	annuities S/(000)	insurance S/(000)	General insurance S/(000)	SCTR S/(000)	Total S/(000)
Beginning of year balances	8,201	89,676	83,712	14,189	7,870	203,648
Claims of the period	713,226	75,185	134,615	27,622	15,329	965,977
Adjustments to prior years claims	4,135	(22,096)	26,629	183	(790)	8,061
Payments	(713,309)	(62,713)	(142,013)	(23,877)	(15,850)	(957,762)
Exchange difference	(20)	—	2,379	(220)	—	2,139
End of year balances	<u>12,233</u>	<u>80,052</u>	<u>105,322</u>	<u>17,897</u>	<u>6,559</u>	<u>222,063</u>

	2020					
	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life insurance S/(000)	General insurance S/(000)	SCTR S/(000)	Total S/(000)
Beginning of year balances	3,691	116,130	60,032	13,250	10,072	203,175
Claims of the period	626,106	58,841	64,133	22,278	14,269	785,627
Adjustments to prior years claims	5,011	(17,764)	36,973	(3,064)	(1,482)	19,674
Payments	(626,632)	(67,531)	(78,393)	(18,394)	(14,989)	(805,939)
Exchange difference	25	—	967	119	—	1,111
End of year balances	<u>8,201</u>	<u>89,676</u>	<u>83,712</u>	<u>14,189</u>	<u>7,870</u>	<u>203,648</u>

- (d) In Management's opinion, these balances reflect the exposure of life and general insurance contracts as of December 31, 2022, 2021 and 2020, in accordance with IFRS 4.
- (e) The main assumptions used in the estimation of retirement, disability and survival annuities and individual life reserves as of December 31, 2022 and 2021, are the following:

Type	Mortality table		Interest rate	
	2022	2021	2022	2021
Annuities and Lifetime RPP	SPP-S-2017, SPP-I-2017 with improvement factor for mortality		6.10% in US\$ 4.78% in S/ VAC 8.14% adjustable in S/	3.70% in US\$ 3.77% in S/ VAC 6.84% adjustable in S/
Retirement, disability and survival	SPP-S-2017, SPP-I-2017 with improvement factor for mortality		4.78% in S/ VAC	3.77% in S/ VAC
SCTR insurance	SPP-S-2017, SPP-I-2017 with improvement factor for mortality		4.78% in S/ VAC	3.77% in S/ VAC
Individual life insurance contracts (included linked insurance contracts)	CSO 80 adjustable		4.00 - 5.00%	4.00 - 5.00%

Notes to the consolidated financial statements (continued)

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by life insurance risks; the main variables as of December 31, 2022 and 2021, are the interest rates and the mortality tables. The Group has assessed the changes of the reserves related to its most significant life insurance contracts included in the reserves of annuities, retirement, disability and survival of +/- 100 basis points (bps) in the interest rates and of +/- 500 basis points (bps) of the mortality factors, being the results as follows:

Variables	2022			2021		
	Reserves S/(000)	Variation in reserves Amount S/(000)	Percentage %	Reserves S/(000)	Variation in reserves Amount S/(000)	Percentage %
Annuities -						
Portfolio in S/ and US Dollars - basis amount						
Changes in interest rate: + 100 bps	7,890,881	(712,882)	(8.29)	8,995,287	(928,392)	(9.37)
Changes in interest rate: - 100 bps	9,447,412	843,649	9.81	11,041,604	1,117,925	11.27
Changes in mortality table at 105%	8,531,246	(72,517)	(0.84)	9,823,769	(99,910)	(1.01)
Changes in mortality table at 95%	8,679,442	75,678	0.88	10,028,431	104,752	1.06
Retirements, disability and survival -						
Portfolio in S/ - basis amount						
Changes in interest rate: + 100 bps	531,597	(52,110)	(8.93)	557,818	(60,634)	(9.80)
Changes in interest rate: - 100 bps	645,981	62,274	10.67	691,971	73,519	11.89
Changes in mortality table at 105%	577,279	(6,428)	(1.10)	611,223	(7,229)	(1.17)
Changes in mortality table at 95%	590,423	6,716	1.15	626,020	7,568	1.22
SCTR insurance -						
Portfolio in S/ - basis amount						
Changes in interest rate: + 100 bps	217,035	(26,117)	(10.74)	228,990	(31,120)	(11.96)
Changes in interest rate: - 100 bps	275,699	32,548	13.39	299,710	39,600	15.22
Changes in mortality table at 105%	241,489	(1,663)	(0.68)	258,161	(1,949)	(0.75)
Changes in mortality table at 95%	244,880	1,728	0.71	262,143	2,033	0.78

15. Deferred Income Tax asset and liability

- (a) As indicated in Note 3.4(aa), the net tax position has been met based on the separate financial statement of each Subsidiary domiciled in Peru. The following table presents a summary of the items comprising the Subsidiaries' deferred Income Tax:

	2022 S/(000)	2021 S/(000)
Deferred asset		
Provision for loan portfolio and other provisions	291,634	316,208
Modification of rescheduled loan cash flows	(7,943)	4,184
Deferred income from indirect credits (stand-by letters)	2,319	3,958
Right-of-use assets	3,405	3,281
Net unrealized losses from fluctuation in investments through other comprehensive income	11,688	3,151
Unrealized (loss) gain from derivatives	245	(7,453)
Leveling of assets and liabilities	16,357	(27,773)
Recording of past-due and refinanced loans (Stages 1, 2, 3)	(74,401)	(47,746)
Tax loss	28,054	408
Deferred service income	7,485	—
Others	40,593	29,621
Deferred liability		
Deemed cost of fixed assets	(61,403)	(62,125)
Amortization of intangible assets, net	(62,213)	(69,465)
Deferred cost of POS affiliation and registration	(26,980)	—
Others	(3,053)	(3,882)
Total deferred Income Tax asset, net	<u>165,787</u>	<u>142,367</u>
Deferred liability (*)		
Higher value of intangibles generated by business combination, Note 1(d)	80,852	—
Higher value of IME and right-of-use generated by business combination, Note 1(d)	1,047	—
Total deferred Income Tax liability, net	<u>81,899</u>	<u>—</u>

(*) Includes S/4,642,000 in results for the period.

- (b) In Management's opinion, the deferred Income Tax assets will be recovered from the taxable income that will be generated by each company of the Group over the coming years, including the portion that is recorded in the consolidated statement of changes in equity.

Notes to the consolidated financial statements (continued)

- (c) The table below presents the amounts reported in the consolidated statement of income for the years 2022, 2021 and 2020:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Current – Expense	432,392	257,252	236,652
Current – Dividend expense, Note 17(b)	30,587	39,108	(1,518)
Deferred – (Income) expense	(442)	205,752	(308,067)
	<u>462,537</u>	<u>502,112</u>	<u>(72,933)</u>

- (d) The table below presents the reconciliation of the effective Income Tax rate to the statutory tax rate for the Group:

	2022		2021		2020	
	S/(000)	%	S/(000)	%	S/(000)	%
Income before Income Tax	<u>2,133,194</u>	<u>100.0</u>	<u>2,302,291</u>	<u>100.0</u>	<u>310,616</u>	<u>100.0</u>
Theoretical tax	629,292	29.5	679,176	29.5	91,632	29.5
Increase (decrease) in income of Subsidiaries not domiciled in Peru	11,412	0.5	(39,498)	(1.7)	(54,020)	(17.4)
Non-taxable income, net	(244,154)	(11.4)	(224,780)	(9.8)	(131,595)	(42.4)
Permanent non-deductible expenses	61,833	2.9	69,367	3.0	28,452	9.2
Non-taxable translation results	4,154	0.2	17,847	0.8	(7,402)	(2.4)
Income Tax	<u>462,537</u>	<u>21.7</u>	<u>502,112</u>	<u>21.8</u>	<u>(72,933)</u>	<u>(23.5)</u>

16. Equity

(a) Capital stock and distribution of dividends -

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

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

The General Shareholders' Meeting of IFS held on March 31, 2023, agreed to distribute dividends charged to profits for the year 2022 for approximately US\$136,222,000 (equivalent to approximately S/511,788,000); equivalent to US\$1.18 per share, which will be paid on May 8, 2023.

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

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

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

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

(b) Treasury stock -

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

(c) Capital surplus -

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

Notes to the consolidated financial statements (continued)

(d) Unrealized results, net —

This item is made up as follows:

	Unrealized gain (loss)					
	Instruments that will not be reclassified to consolidated statement of income		Instruments to be reclassified to the consolidated statement of income			
	Equity instruments at fair value S/(000)	Debt instruments at fair value S/(000)	Insurance premiums reserve S/(000)	Cash flow hedge reserve S/(000)	Translation of foreign operations S/(000)	Total S/(000)
Balances as of January 1, 2020	264,883	1,036,159	(923,855)	(22,758)	88,476	442,905
Effect of changes in the discount rates of pension reserves, Note 3.4(d)	—	—	(331,990)	—	—	(331,990)
Unrealized gain from equity instruments at fair value through other comprehensive income, net of unrealized loss	8,175	—	—	—	—	8,175
Transfer to retained earnings from realized loss from equity instruments at fair value through other comprehensive income	24,154	—	—	—	—	24,154
Unrealized gain from debt instruments at fair value through other comprehensive income, net of unrealized loss	—	791,762	—	—	—	791,762
Transfer to realized gain from debt instruments at fair value through other comprehensive income, net of unrealized loss	—	(193,683)	—	—	—	(193,683)
Transfer of impairment loss on debt instruments at fair value through other comprehensive income	—	32,865	—	—	—	32,865
Variation for net unrealized loss on cash flow hedges	—	—	—	(38,924)	—	(38,924)
Transfer of realized loss on cash flow hedges to consolidated statement of income, net of realized gain	—	—	—	24,574	—	24,574
Translation of foreign operations	—	—	—	—	76,935	76,935
Balances as of December 31, 2020	297,212	1,667,103	(1,255,845)	(37,108)	165,411	836,773
Effect of changes in the discount rates of pension reserves, Note 3.4(d)	—	—	1,389,995	—	—	1,389,995
Unrealized gain from equity instruments at fair value through other comprehensive income, net of unrealized loss	145,899	—	—	—	—	145,899
Transfer to retained earnings from realized loss from equity instruments at fair value through other comprehensive income	(451,898)	—	—	—	—	(451,898)

Unrealized loss from debt instruments at fair value through other comprehensive income, net of unrealized loss	—	(1,986,046)	—	—	—	(1,986,046)
Transfer to realized gain from debt instruments at fair value through other comprehensive income, net of unrealized loss	—	(249,689)	—	—	—	(249,689)
Transfer of impairment recovery on debt instruments at fair value through other comprehensive income	—	(30,994)	—	—	—	(30,994)
Variation for net unrealized loss on cash flow hedges	—	—	—	—	—	—
Transfer of realized loss on cash flow hedges to consolidated statement of income, net of realized gain	—	—	—	13,371	—	13,371
Translation of foreign operations	—	—	—	—	95,674	95,674
Balances as of December 31, 2021	(8,787)	(599,626)	134,150	44,878	261,085	(168,300)
Effect of changes in the discount rates of pension reserves, Note 3.4(d)	—	—	1,518,484	—	—	1,518,484

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Unrealized gain (loss)

	Instruments that will not be reclassified to consolidated statement of income	Instruments to be reclassified to the consolidated statement of income					Total S/(000)
	Equity instruments at fair value S/(000)	Debt instruments at fair value S/(000)	Insurance premiums reserve S/(000)	Cash flow hedge reserve S/(000)	Translation of foreign operations S/(000)		
Unrealized loss from equity instruments at fair value through other comprehensive income, net of unrealized gains	(21,663)	—	—	—	—	(21,663)	
Transfer to retained earnings from realized gain from equity instruments at fair value through other comprehensive income	(16,313)	—	—	—	—	(16,313)	
Unrealized loss from debt instruments at fair value through other comprehensive income, net of unrealized gain	—	(1,848,192)	—	—	—	(1,848,192)	
Transfer to realized loss from debt instruments at fair value through other comprehensive income, net of unrealized gain	—	14,263	—	—	—	14,263	
Transfer of impairment recovery on debt instruments at fair value through other comprehensive income	—	12,746	—	—	—	12,746	
Variation for net unrealized loss on cash flow hedges	—	—	—	(70,170)	—	(70,170)	
Transfer of realized loss on cash flow hedges to consolidated statement of income, net of realized gain	—	—	—	16,030	—	16,030	
Translation of foreign operations	—	—	—	—	(50,165)	(50,165)	
Balances as of December 31, 2022	(46,763)	(2,420,809)	1,652,634	(9,262)	210,920	(613,280)	

(e) Components of other comprehensive income -

The consolidated statement of comprehensive income include: (i) Other comprehensive income that will not be reclassified to the consolidated statement of income in future periods, such as the revaluation of gain (loss) in equity instruments at fair value through other comprehensive income; which will not be reclassified to the consolidated statement of income at the time of its disposal, but will be reclassified to retained earnings; and (ii) Other comprehensive income to be reclassified to the consolidated statement of income in future periods, such as the comprehensive income of financial instruments derivatives used as cash flow hedges, debt instruments at fair value through other comprehensive income and translation for foreign operations. Below is the movement of the caption:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Other comprehensive income that will not be reclassified to the consolidated statement of income in future periods:			
Equity instruments at fair value through other comprehensive income			
(Losses) gains on equity instruments at fair value through other comprehensive income, net	(21,663)	145,899	8,175
Subtotal	<u>(21,663)</u>	<u>145,899</u>	<u>8,175</u>
Non-controlling interest	(43)	231	(35)
Income Tax	(218)	31	36
Total	<u>(21,924)</u>	<u>146,161</u>	<u>8,176</u>
Other comprehensive income to be reclassified to the consolidated statement of income in future periods:			
Debt instruments at fair value through other comprehensive income			
Unrealized net (loss) gain on debt instruments at fair value through other comprehensive income	(1,848,192)	(1,986,046)	791,762
Transfer to income of unrealized net loss (gain) on debt instruments at fair value through other comprehensive income	14,263	(249,689)	(193,683)
Transfer to income of loss (recovery) for impairment on debt instruments at fair value through other comprehensive income	12,746	(30,994)	32,865
Subtotal	<u>(1,821,183)</u>	<u>(2,266,729)</u>	<u>630,944</u>
Non-controlling interest	(4,423)	(6,978)	2,082
Income Tax	(8,250)	(8,404)	2,643
Total	<u>(1,833,856)</u>	<u>(2,282,111)</u>	<u>635,669</u>
	2022 S/(000)	2021 S/(000)	2020 S/(000)
Insurance premiums reserve, Note 14(b)	<u>1,518,484</u>	<u>1,389,995</u>	<u>(331,990)</u>
Non-controlling interest	2,496	2,285	(546)
Total	<u>1,520,980</u>	<u>1,392,280</u>	<u>(332,536)</u>

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Cash flow hedges:			
Net (loss) gain from cash flow hedges	(70,170)	68,615	(38,924)
Transfer of net realized loss from cash flow hedge to consolidated statement of income	16,030	13,371	24,574
Subtotal	<u>(54,140)</u>	<u>81,986</u>	<u>(14,350)</u>
Non-controlling interest	(144)	261	(59)
Income Tax	(8,670)	15,696	(3,559)
Total	<u>(62,954)</u>	<u>97,943</u>	<u>(17,968)</u>
Foreign currency translation	<u>(50,165)</u>	<u>95,674</u>	<u>76,935</u>

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

IFS is not required to establish a regulatory capital for statutory purposes. As of December 31, 2022 and 2021, the regulatory capital required for Interbank, Interseguro and Inteligo Bank (a Subsidiary of Inteligo Group Corp.), is calculated based on the separate financial statement of each Subsidiary and prepared following the accounting principles and practices of their respective regulators (the SBS or the Central Bank of the Bahamas, in the case of Inteligo Bank).

The regulatory capital required for Interbank, Interseguro and Inteligo Bank is detailed below:

Interbank's regulatory capital -

According to Legislative Decree No. 1028 and amendments, Interbank's regulatory capital must be equal to or higher than 10 percent of the assets and contingent credits weighted by total risk represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the assets and contingent credits weighted by credit risk. However, through Multiple Official Letter No. 27358-2021 and Emergency Decree 003-2022, the SBS established that in the period between April 2021 and August 2022, the regulatory capital for financial companies shall be equal or higher than 8 percent of total risk-weighted assets and contingencies and for the period between September 2022 and March 2023, it will be of 8.5 percent. Once this period ends, the regulatory capital shall go back to the percentage initially defined (10 percent of the assets and contingent loans weighted by total risks).

As of December 31, 2022 and 2021, pursuant to Legislative Decree No. 1028 and amendments, Interbank maintains the following amounts related to the risk weighted assets and contingent and regulatory capital (basic and supplementary):

	2022 S/(000)	2021 S/(000)
Total risk weighted assets and credits	64,690,083	57,570,306
Total regulatory capital	9,754,806	9,135,614
Basic regulatory capital (Level 1)	7,016,417	6,262,096
Supplementary regulatory capital (Level 2)	2,738,389	2,873,518
Global capital to regulatory capital ratio	15.08%	15.87%

As of December 31, 2022 and 2021, Interbank has complied with SBS Resolutions No.2115-2009, No.6328-2009, No.14354-2009, No.4128-2014, “Regulations for the Regulatory Capital Requirement for Operational Risk”, “Market Risk” and “Credit Risk”, respectively, as amended. These resolutions establish, mainly, the methodologies to be applied by financial entities to calculate the assets and credits weighted per type of risk.

In July 2011, the SBS issued Resolution No. 8425-2011, modified by Resolution SBS No. 603-2016 and SBS No. 975-2016, through these resolutions establish that, to determine an additional regulatory capital level and develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital requirement shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rate risk in the bank book, among others. As of December 31, 2022 and 2021, the additional regulatory capital estimated by Interbank amounts to approximately S/840,914,000 and S/587,350,000, respectively.

In December 2021, the SBS issued Resolution No. 3921-2021, through which it establishes the modification to the calculation of the additional regulatory capital requirement for market concentration, considering the criteria of size, interconnection, substitutability, and complexity. Likewise, it establishes an adaptation period of two years starting in December 2022.

On March 26, 2020, the SBS issued Resolution No. 1264-2020, establishing that, for the calculation of capital requirements in relation to the weighting factor for mortgage loans and non-revolving consumer loans that have been subject to rescheduling where its expiration term has been extended, will not be increased. Likewise, such Resolution authorizes to the financial entities to use the additional regulatory capital accumulated for the economic cycle component, see Note 1(c).

In that sense, Interbank has granted loan reschedulings to its clients, which consisted of modifications to the payment schedules and/or grace periods so that the original term of loans was postponed; however, according to the SBS’s indications, this term postponement has not generated that Interbank needs higher regulatory capital requirements, by the weighting factor.

In Group Management’s opinion, Interbank has complied with the requirements established by the aforementioned Resolution.

Interseguro's regulatory capital -

In accordance with SBS Resolution No. 1124-2006, and its amendments, Interseguro is required to maintain a level of regulatory capital to maintain a minimum equity to support technical risks and other risks that could affect it. The regulatory capital must be higher than the amount resulting from the sum of the solvency net equity, the guarantee fund and the regulatory capital intended to cover credit risks.

The solvency net equity is represented by the higher amount between the solvency margin and the minimal capital. As of December 31, 2022 and 2021, the solvency net equity is represented by the solvency margin. The solvency margin is the complementary support that insurance entities must maintain to deal with possible situations of excess claims not foreseen in the establishment of technical reserves. The total solvency margin corresponds to the sum of the solvency margins of each branch in which Interseguro operates.

Also, the guarantee fund represents the additional equity support that insurance companies must maintain to deal with the other risks that can affect them and that are not covered by the solvency net equity, such as investment risks and other risks. The monthly amount of said fund must be equivalent to 35 percent of the solvency net equity, calculated in accordance with SBS Resolution No. 1124-2006.

As of December 31, 2022 and 2021, Interseguro's surplus equity is as follows:

	2022 S/(000)	2021 S/(000)
Regulatory capital	1,338,237	1,387,713
Less		
Solvency equity (solvency margin)	714,875	672,551
Guarantee fund	250,207	235,393
Surplus	<u>373,155</u>	<u>479,769</u>

Inteligo Bank's regulatory capital -

The Central Bank of the Bahamas requires Inteligo Bank to maintain a regulatory capital of not less than 8 percent of its risk weighted assets. Inteligo Bank's capital ratio as of December 31, 2022 and 2021 is the following:

	2022 US\$(000)	2021 US\$(000)
Total eligible capital	195,806	287,196
Total risk weighted assets	959,241	1,177,296
Capital adequacy ratio (in percentage)	<u>20.41</u>	<u>24.39</u>

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

(g) Reserves -

The General Shareholders' Meeting of IFS held on March 31, 2022, agreed to constitute reserves for S/800,000,000 charged to retained earnings.

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

(h) Subsidiaries' legal and special reserves –

The Subsidiaries domiciled in Peru are required to establish a reserve equivalent to a certain percentage of their paid-in capital (20 or 35 percent, depending on their economic activity) through annual transfers of not less than 10 percent of their net income. As of December 31, 2022 and 2021, the reserves constituted by the Peruvian subsidiaries amounted to S/1,545,471,000 and S/1,397,030,000, respectively.

17. Tax situation

- (a) IFS and its Subsidiaries are incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas (see Note 2), and are not subject to any Income Tax, or any other taxes on capital gains, equity or property. The Subsidiaries incorporated and domiciled in Peru (see Note 2) are subject to the Peruvian Tax legislation; see paragraph (c).

Peruvian life insurance companies are exempt from Income Tax regarding the income derived from assets linked to technical reserves for pension insurance and annuities from the Private Pension Fund Administration System; as well as income generated through assets related to life insurance contracts with savings component.

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

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

Also, an indirect disposal assumption arises when the total amount of the shares of the domiciled legal person whose indirect disposal is performed, is equal or greater than 40,000 Taxation Units (henceforth "UIT", by its Spanish acronym).

- (b) Legal entities or individuals not domiciled in Peru are subject to an additional tax (equivalent to 5 percent) on dividends received from entities domiciled in Peru. The corresponding tax is withheld by the entity that distributes the dividends. In this regard, since IFS controls the entities that distribute the dividends, it records the amount of the Income Tax on dividends as expense of the financial year of the dividends received. In this sense, during 2022 and 2021, the Company has recorded a provision for S/30,587,000 and S/39,108,000, respectively, in the caption "Income Tax" of the consolidated statement of income. The recovery recognized in the year 2020 for S/1,518,000 was consequence of: (i) the decrease in the percentage of dividends distribution by Interbank in April 2020, as part of the measures adopted to alleviate the financial impact of Covid-19, which generated that IFS recorded in the year 2020 a reversal of the provision recorded as of December 31, 2019, and; (ii) lower recognition of expenses for Income Tax provision over dividends due to a lower income in Interbank for the year 2020.
- (c) IFS's Subsidiaries incorporated in Peru are subject to the payment of Peruvian taxes; hence, they must calculate their tax expenses on the basis of their separate financial statements. The Income Tax rate as of December 31, 2022, 2021 and 2020, was 29.5 percent, over the taxable income.
- (d) The Tax Authority (henceforth "SUNAT", by its Spanish acronym) is legally entitled to perform tax audit procedures for up to four years subsequent to the date at which the tax return regarding a taxable period must be filed.

Below are the taxable periods subject to inspection by the Tax Authority as of December 31, 2022:

- Interbank: Income Tax returns for the years 2018 to 2022, and Value-Added-Tax returns for the years 2018 to 2022.
- Interseguro: Income Tax returns for the years 2018, 2019, 2021 and 2022, and Value-Added-Tax returns for the years 2018 to 2022.
- Seguros Sura: Income Tax returns for the year 2018, and Value-Added-Tax returns for the year 2018.
- Procesos de Medios de Pago: Income Tax returns for the years 2018 to 2022, and Value-Added-Tax returns for the years 2018 to 2022.
- Izipay: Income Tax returns for the years 2018 to 2022, and Value-Added-Tax returns for the years 2018 to 2022.

Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Subsidiaries; any increased tax or surcharge that could arise from possible tax audits would be applied to the results of the period in which such tax increase or surcharge may be determined.

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

Interbank:

- Between 2004 and 2010, Interbank received several Tax Determination and Tax Penalty notices corresponding mainly to the Income Tax determination for the fiscal years 2000 to 2006. As a result, claims and appeals were filed and subsequent contentious administrative proceedings were started.

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, the most relevant matter subject to discrepancy with SUNAT corresponds to whether the “interest in suspense” are subject to Income Tax or not. In this sense, Interbank considers that the interest in suspense does not constitute accrued income, in accordance with the SBS’s regulations and International Financial Reporting Standards, which is also supported by a ruling by the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009 and a pronouncement in June 2019.

As of December 31, 2022 the tax liability requested for this concept and other minor contingencies, amounts to approximately S/290,000,000 which includes the tax, fines and interest arrears, of which S/198,000,000 corresponded to interest in suspense and S/92,000,000 corresponded to other minor repairs. As of December 31, 2021, the tax liability amounted to S/425,000,000 and includes taxes, fines and interest arrears; however, during the year 2022, Interbank was notified with some rulings in its favor reaffirming its position that interest in suspense does not constitute taxable income.

From the tax and legal analysis performed, Interbank’s Management and its external legal advisers consider that there exists sufficient technical support for the prevailing of the Interbank’s position; as consequence, no provision has been recorded for this contingency as of December 31, 2022 and 2021.

- In 2017, SUNAT closed the audit process corresponding to the Income Tax for the year 2010. Interbank paid the debt under protest and filed a claim procedure. Currently, the process has been appealed and it is pending resolution by the Tax Administration.
- In 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013., the main concept observed corresponded to the deduction of loan write-offs without proof by the SBS.

During 2021, Interbank filed a claim against the Resolution of the Tax Court (“RTF” by its Spanish acronym) that confirmed, revoked and ordered to resettle the aforementioned concepts. At the end of 2022, the Tax Court reconfirmed its ruling in the aforementioned Resolution.

In December 2022, through Resolution of Coactive Collection No. 0110060065138, SUNAT notified Interbank a deadline of 7 working days to pay the third-category income tax debt corresponding to the period 2013, for approximately S/62,000,000.

As of December 31, 2022 and 2021, the tax debt requested for this concept and other minor contingencies amounts to approximately S/62,000,000 and S/41,000,000, respectively, which comprises the tax, penalties and moratorium interest. On February 2, 2023, the required payment was made; however, the process continues in the judiciary.

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

- In April 2019, SUNAT notified about the commencement of the definitive audit process on Income Tax withholdings of non-domiciled entities corresponding to the year 2018. To date, said audit is under process and no resolutions have been issued by the Tax Administration.
- In September and December, 2019, SUNAT notified Interbank about the beginning of the definitive audit process on Income Tax corresponding to the year 2014 and 2015, respectively, which are in the appeal stage.

As of December 31, 2022 and 2021, the tax debt requested in relation to the Income Tax advance payments for the period 2015 and to the application of the additional Income Tax rate of 4.1 percent, amounted to S/14,000,000 and S/13,000,000, respectively.

- In May 2020, Interbank was notified with the Resolution of Compliance related to the Income Tax and advance payments of the Income Tax for the year 2005 (linked to the interest in suspense). Through said notification, SUNAT increased the requested tax debt from S/1,000,000 to S/35,000,000 because as a result of the Resolution of Compliance, certain previously accepted deductions by SUNAT. In June 2020, Interbank filed an Appeal against the Resolution of Compliance, which is pending of pronouncement by the Tax Court.

In December 2022, the Tax Court notified of Resolution No. 09431-9-2022, through which it revoked interest in suspense, financial pro-rata, advance payments and fines. Interbank is awaiting the Resolution of Compliance.

- In July 2020, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2012. As of December 31, 2022 and 2021, the tax debt claimed by SUNAT amounted to S/14,000,000 and S/13,000,000, respectively. As of the date of this report, the process is on appeal, pending resolution.
- In February 2021, Interbank was notified with the Resolution of Compliance related to the Income Tax and prepaid income tax of the year 2006 (related to litigations about interest in suspense). Through said notification, SUNAT rejected an excess payment of S/3,500,000 and determined a tax debt of S/23,000,000.

In December 2022, the Tax Court notified of Resolution No. 09451-1-2022, through which it revoked interest in suspense, advance payments coefficient and fines. Interbank is awaiting the Resolution of Compliance.

- In December 2021, by letter No. 210011740110-01-SUNAT, SUNAT notified Interbank about the beginning of the definitive audit process on Income Tax corresponding to the year 2017. On October 28, 2022, SUNAT notified of Resolutions of Determination No. 0120030127896 and No. 0120030127908, issued regarding the third-category Income Tax corresponding to the period 2017, without additional amounts to pay.

In November 2022, Interbank filed an appeal recourse against the aforementioned resolutions of determination. The claim appeal is pending resolution by SUNAT.

- In June and September 2022, the Permanent Constitutional and Social Law Chamber of the Supreme Court notified Interbank of its ruling regarding the Income Tax 2004, which declared unfounded the appeals by SUNAT and the Ministry of Economy and Finance, thus reaffirming the position held by Interbank in the sense that interest in suspense does not constitute taxable income. The same criterion has been adopted by the aforementioned Chamber regarding the 2001 Income Tax, according to the ruling that has been notified to Interbank in December 2022.

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

Interseguro:

On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial audit of the Income Tax for non-domiciled entities for Sura corresponding to January 2015. The tax debt requested by SUNAT amounts to approximately S/19,000,000. Considering that this debt corresponds to a period prior to the acquisition of Sura by the Group, if confirmed, would be assumed by the sellers. On November 12, 2020, the Tax Court issued a favorable opinion to Interseguro, revoking the Determination Resolution issued by SUNAT.

On May 03, 2021, SUNAT notified Interseguro about the beginning of the partial audit process of the Income Tax corresponding to the year 2017. On December 24, 2021, Interseguro was notified about the Resolution of Determination regarding the conclusion of the tax audit, which readjusted the loss without additional amounts or penalties payable.

In December 2022, SUNAT notified Interseguro the beginning of the fiscalization process regarding the Income Tax corresponding to the year 2020. As of the date of this report, said inspection is in process.

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

Izipay:

As of December 31, 2022 and 2021, Izipay maintains carryforward tax losses amounting to S/82,931,174 and S/99,640,144, respectively. In application of current tax regulations, Management opted for system "B" to offset its tax losses. Through this system, the tax loss may be offset against the net income obtained in the following years, up to 50 percent of said income until they are extinguished; therefore, they do not have an expiration date.

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

- (e) Peruvian life insurance companies are exempted from the Income Tax on income from assets related to technical reserves for the payment of annuities and retirement, disability and survival annuities of the Private Pension Fund Administration System.
- (f) For the purpose of determining the Income Tax, the transfer prices of transactions with related companies and with companies domiciled in countries or territories that are non-cooperating or low or zero tax countries or territories, or with entities or permanent establishments whose income, revenues or gains from said contracts are subject to a preferential tax regime, must be supported by documented information on the valuation methods used and the criteria considered for their determination. On the basis of the analysis of the operations of the Group, Management and its internal legal advisors believe that, as a consequence of the application of these standards, contingencies of importance will not arise as of December 31, 2022 and 2021.

Through Legislative Decree No. 1312, published on December 31, 2016, the formal obligations for entities included within the scope of application of transfer pricing were modified, thus incorporating three new information requirements: the first is a Local Report; the second is a Master Report; and the third is a Country Report. The first entered into effect since 2017 for the operations that occurred during the year 2016 and the last two since 2018 for the operations that have occurred since the fiscal year 2017.

- (g) Through Legislative Decree No.1381, published on August 24, 2018, it was incorporated in the Income Tax Act the concept of “non-cooperating” countries or territories and preferential tax regimes to which defensive measures already existing for countries and territories with low or zero taxation are imposed.
- (h) In July 2018, Act No. 30823 was published, whereby the Congress delegated power to the Executive Branch to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:
 - (i) Beginning on January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the Income Tax is withheld at the payment of the compensation. For said cost or expense to be deductible for the local company, the remuneration must have been paid to the filing date of the annual tax return for the Income Tax (Legislative Decree No. 1369).

- (ii) The rules that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Act, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the natural or juridical person who manages the autonomous patrimony or the investment funds from abroad, or the natural or legal person who has the status of trustee or administrator, is domiciled in the country; c) any of the members of a consortium is domiciled in the country. This obligation will be fulfilled through the presentation to SUNAT of an informative Sworn Statement, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by SUNAT.
- (iii) The Tax Code was amended with the purpose of offering taxpayers more assurance regarding the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide SUNAT with tools for its effective implementation (Legislative Decree No.1422).

As part of this amendment, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that presumed tax avoidance cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of actions or situations or economic relations viewed as tax avoidance in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of actions, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The actions, situations and economic relations carried out within the framework of tax planning and implemented on the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the entity for the purpose of ratification or modification until March 29, 2019, without prejudice to the fact that the management or other managers of the company have approved the aforementioned actions, situations and economic relations.

Likewise, it has been established that the application of Rule XVI, regarding the re-characterization of tax avoidance assumptions, will take place in the final inspection procedures in which acts, events or situations produced since July 19, 2012.

- (iv) Amendments to the Income Tax Act were included, effective as of January 1, 2019, to improve the tax treatment applicable to the following (Legislative Decree No. 1424):
- Income obtained from the indirect transfer of shares of stock or capital representing participations of legal persons domiciled in the country. Among the most significant changes is the inclusion of a new indirect sale assumption, which is triggered when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or higher than 40,000 UITs.
 - Permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. For this purpose, new cases of permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any period of twelve months.
 - The system of credits against Income Tax for taxes paid abroad, to be included in the indirect tax credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, to avoid double economic taxation.
 - The deduction of interest expenses for the determination of corporate Income Tax. In the years 2019 and 2020, it shall be applicable the debt limit set at up to three times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties, and to loans with third parties contracted since September 14, 2018. Beginning in 2021, the limit for the deduction of financial expenses shall be equivalent to 30 percent of the entity's tax EBITDA. There are some exceptions to this limitation, such as in the case of banks, taxpayers with income lower than 2,500 UITs, infrastructure, public services, among others.
- (v) Regulations have been established for the accrual of income and expenses for tax purposes beginning on January 1, 2019 (Legislative Decree No. 1425). Until the year 2018, there was no rule definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for the purpose of determining the Income Tax, it shall be considered whether the substantial events for the generation of income or expense agreed upon by the parties have occurred, provided they are not subject to a subsequent condition, in which case the recognition shall take place when it is fulfilled and when collection or payment is to take place will not be taken into account; and, if the determination of the consideration depends on a future action or event, the total or part of the corresponding income or expense will be deferred until that action or event occurs.

- (i) Supreme Decree No. 430-2020-EF, published on December 31, 2020, approved the Regulation that establishes the financial information that companies of the financial system must provide to SUNAT in the fight against tax evasion and avoidance pursuant to Legislative Decree No. 1434. Such Regulation entered into force on January 1, 2021.

Considering that, said Regulation established the concepts that the financial entities must report to SUNAT, which are, among others, cumulative balances and/or amounts, averages or highest amounts and the returns generated in the accounts during the reporting period and are equal or higher than S/30,800 in said period. The information shall be provided to SUNAT semi-annually through informative declarations containing monthly information.

- (j) Law No. 31106 extends until December 31, 2023, the validity of all exemptions in force to date contained in Article 19 of the Income Tax Act.

On this matter, among the extended exemptions that are applicable or related to Interbank's operations, are the following:

- Subparagraph i) of Article 19 which indicates that shall be exempted any type of fixed or variable interest rate, in local or foreign currency, that is paid for any deposit or levy pursuant to the General Act of the Banking and Insurance System and Organic Act of the Superintendence of Banking, Insurance and Private Pension Funds, Law No. 26702, as well as the capital increases of said deposits and levies, in local or foreign currency, except when said income constitute third category income.

- (k) Legislative Decree No. 1529 was published on March 3, 2022, amending the Bankarization Act in order to promote the use of means of payment and reduce the minimum amount for the use of means of payment means, according to the following:

- The minimum amount for the use of means of payment is two thousand Soles (S/2,000) or five hundred American Dollars (US\$500).
- With the purpose of improving the coverage of means of payment and thus broaden the range of traceable operations, Article 3 of the Bankarization Act was amended in order to point out that the payment of sums of money in operations included in said article, for amounts equivalent or higher than 1 UIT, even when the payment is performed partially, can only be performed by using means of payment contemplated by said Act.

- The payment of obligations to non-domiciled natural and/or legal persons that must be performed through the means of payment contemplated by said Act, must be performed through either the Financial System Entities ("FSE"), or non-domiciled banking or finance companies, in the cases that the subject performs foreign trade operations, including the obligations derived from the acquisition of property and rights related to the holding of shares and other transferable securities.
- The use of means of payment is deemed complied with only if the payment is performed directly to the lender, supplier and/or service provider, or when said payment is made to a third party designated by the former, provided that such designation is informed to SUNAT prior to the Payment.
- In no case the obligation to use the means of payment pursuant to the Act is deemed complied with when the payments are performed through banking or finance companies domiciled in either non-cooperating countries or territories, with low or zero taxation, or permanent establishments (PE) in said countries or territories.

The legislation entered into effect on April 1, 2022, with the exception of the amendment referred to the payment of non-domiciled FSEs located in low or zero taxation territories, which was set to enter into effect on January 1, 2023.

- (l) On March 26, 2022, Legislative Decree No. 1539 was published. It amends the Income Tax Act in order to incorporate new methods to establish the market value of transferable securities in operations between non-related third parties. Said legislation was set to enter into effect on January 1, 2023.

18. Off-balance sheet accounts

- (a) The table below presents the components of this caption:

	2022 S/(000)	2021 S/(000)
Contingent credits - indirect loans (b), Note 6(a)		
Guarantees and stand-by letters	4,001,806	4,150,093
Import and export letters of credit	485,541	290,365
	<u>4,487,347</u>	<u>4,440,458</u>
Derivatives		
Held for trading: Note 10(b)		
Forward foreign currency agreements, see Note 30.2(b)(i):		
Forward currency agreements – purchase	1,977,324	3,925,457
Forward currency agreements – sale	4,057,830	4,390,342
Forward foreign currency agreements in other currencies	292,906	316,031
Foreign currency options	80,151	1,816
Swap agreements, see Note 30.2(b)(ii):		
Currency swaps: Foreign currency delivery / receipt in Soles	644,019	995,650
Currency swaps: Soles delivery / receipt in foreign currency	2,028,514	3,166,675
Cross currency swaps	224,485	234,667
Interest rate swaps	2,424,566	2,969,027

	2022 S/(000)	2021 S/(000)
Designated as hedges: Note 10(b)		
Cash flows:		
Cross currency swaps	2,579,164	2,357,967
	14,308,959	18,357,632
Responsibilities for credit lines granted (cancellable) (c)	13,213,024	11,213,104
Responsibilities for credit lines – commercial and others (d)	1,545,698	969,113
Total	33,555,028	34,980,307

- (b) In the normal course of its operations, the Group performs contingent operations (indirect loans). These transactions expose the Group to additional credit risks to the amounts recognized in the consolidated statement of financial position.

The Group applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations (see Note 6(a)), including obtaining guarantees when deemed necessary. Guarantees vary and include deposits in financial institutions or other assets.

Taking into account that most of the contingent operations are expected to expire without the Group having to disburse cash, the total committed amounts do not necessarily represent future cash requirements.

- (c) Responsibilities under credit lines agreements include consumer credit lines and other consumer loans that are cancellable by the Bank.
- (d) Corresponds to commitments of disbursement of future loans that Interbank has committed to carry out; provided that the borrower complies with the obligations under the corresponding loan agreements, however, they may be cancelled by Interbank.

19. Interest income and expenses, and similar accounts

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

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Interest and similar income			
Interest on loan portfolio	4,207,420	3,274,402	3,769,716
Impact from the modification of contractual cash flows due to the loan rescheduling schemes (*)	41,110	120,193	(134,376)
Interest on investments at fair value through other comprehensive income	1,202,788	928,660	769,718
Interest on due from banks and inter-bank funds	175,401	46,273	35,906
Interest on investments at amortized cost	161,966	130,326	116,338

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Dividends on financial instruments, Note 5(e) and (f)	78,928	101,736	103,294
Others	3,689	4,035	4,371
Total	<u>5,871,302</u>	<u>4,605,625</u>	<u>4,664,967</u>
Interest and similar expenses			
Interest and fees on deposits and obligations	(863,335)	(334,212)	(522,357)
Interest on bonds, notes and other obligations	(418,821)	(433,774)	(390,586)
Interest and fees on obligations with financial institutions	(234,842)	(156,490)	(181,675)
Deposit insurance fund fees	(77,920)	(70,670)	(56,177)
Interest on lease payments, Note 8(e)	(9,283)	(14,004)	(15,288)
Others	(57,897)	(48,787)	(26,201)
Total	<u>(1,662,098)</u>	<u>(1,057,937)</u>	<u>(1,192,284)</u>

(*) For rescheduled loans, during 2020, Interbank recalculated the carrying amount of these financial assets as the present value of the modified contractual cash flows, discounted at the loan's original effective interest rate. The impact of the recalculation amounted approximately to S/134,376,000 of lower interest income for the year 2020.

During 2022 and 2021, the recognition of this interest was recorded in function of the rescheduled term for approximately S/22,930,000 and S/96,627,000, respectively. Likewise, as result of the rescheduling of loans under "Reactiva Peru" program, income for approximately S/18,180,000 and S/23,566,000, respectively; was recorded. Both amounts are presented as an increase in interest income and similar income.

Notes to the consolidated financial statements (continued)

- (b) The amounts shown in literal (a) above, include interest income and expenses calculated using the effective interest rate (EIR), which are related to the following items:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Financial assets measured at amortized cost	4,585,897	3,571,194	3,787,584
Financial assets measured at fair value through other comprehensive income	1,202,788	928,660	769,718
Total interest from financial assets calculated at EIR	5,788,685	4,499,854	4,557,302
Financial liabilities measured at amortized cost	1,526,281	938,480	1,109,906

20. Fee income from financial services, net

- (a) For the years ended December 31, 2022, 2021 and 2020, this caption is comprised of the following:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Income			
Performance obligations at a point in time:			
Accounts maintenance, carriage, transfers, and debit and credit card fees	705,188	562,542	474,822
Income from services (acquirer and issuer role) (b)	523,313	—	—
Banking services fees	205,333	207,230	192,588
Brokerage and custody services (c)	5,836	8,457	6,858
Others	34,438	—	—
Performance obligations over time:			
Funds management	153,948	184,703	151,356
Contingent loans fees	70,038	64,964	52,156
Collection services	60,931	52,955	41,124
Commission for loans rescheduling “Reactiva Peru” program	16,909	23,722	—
Others	23,259	37,293	42,207
Total (d)	1,799,193	1,141,866	961,111
Expenses			
Expenses for services (acquirer and issuer role) (b)	(238,997)	—	—
Credit cards	(164,722)	(128,580)	(105,772)
Commissions Mastercard - Visa	(56,845)	—	—
Credit life insurance premiums	(54,536)	(60,231)	(59,520)
Local banks fees	(50,192)	(36,836)	(15,828)
Foreign banks fees	(24,920)	(31,767)	(15,105)

Notes to the consolidated financial statements (continued)

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Commission for loans rescheduling “Reactiva Peru” program	(22,373)	(26,215)	—
Registry expenses	(2,046)	(3,009)	(8,151)
Brokerage and custody services (c)	(961)	(824)	(630)
Others	(46,215)	(30,596)	(32,605)
Total	(661,807)	(318,058)	(237,611)
Net	1,137,386	823,808	723,500

- (b) Corresponds to the management and operation of the shared service of transaction processing of credit and debit cards, for clients of Izipay since April 2022, month in which Izipay became a consolidated subsidiary of IFS.
- (c) As of December 31, 2022, 2021 and 2020, the Group has recognized net income for transactions carried out on behalf of its clients amounting to S/4,875,000, S/7,633,000 and S/6,228,000, respectively.
- (d) Fee income by geographic distribution for the years ended December 31, 2022, 2021 and 2020 is presented below:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Geographic information			
Peru	1,678,023	1,003,858	854,082
Panama	121,170	138,008	107,029
Total	1,799,193	1,141,866	961,111

21. Other income and (expenses)

(a) This caption is comprised of the following:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Other income			
Fair value adjustment of the participation held by Interbank in Izipay, note 1(d)	222,513	—	—
Maintenance, installation and sale of POS equipment	22,000	—	—
Gain from sale of written-off-loans (c)	19,177	11,848	12,962
Gain from refunds and penalties	18,783	—	—
Income from investments in associates (b)	18,713	33,378	9,068
Profit from sale of property, furniture and equipment, Note 8(d)	11,780	—	—
Services rendered to third parties	7,611	6,836	7,843
Other technical income from insurance operations	6,489	8,115	11,547
Income from ATM rentals	6,459	4,944	3,971
Others	66,677	24,377	16,726
Total other income	<u>400,202</u>	<u>89,498</u>	<u>62,117</u>
Other expenses			
Commissions from insurance activities	(108,597)	(37,920)	(28,390)
Sundry technical insurance expenses	(67,820)	(65,757)	(47,285)
Cost of sale of POS equipment	(27,366)	—	—
Provision for sundry risk	(12,661)	(14,872)	(4,918)
Expenses related to rental income	(7,521)	(4,026)	(1,993)
Administrative and tax penalties	(7,317)	(2,672)	(543)
Write-off of intangibles, Note 9(a)	(6,266)	(10,371)	(824)
Provision for accounts receivable	(5,684)	(1,123)	(7,310)
Donations	(4,712)	(4,991)	(5,509)
Others (*)	(67,901)	(68,460)	(47,275)
Total other expenses	<u>(315,845)</u>	<u>(210,192)</u>	<u>(144,047)</u>

(*) During the year 2022, corresponds mainly to expenses for operational write-offs and technological failures, among other minor expenses. During 2022 and 2021, correspond mainly to non-recurring expenses derived from the Covid-19 pandemic (implementation of safety protocols and remote working, among others).

(b) As of December 31, 2022, includes S/5,033,000 corresponding to the participation that Interbank held in Izipay until the date of its acquisition, see Note 1(d).

(c) During the years 2022, 2021 and 2020, Interbank sold written-off loan portfolios, in cash and to non-related third parties. The nominal value of the credits sold amounted to S/973,966,000, S/501,540,000 and S/625,406,000, respectively.

Notes to the consolidated financial statements (continued)

22. Net premiums earned

This caption is comprised of the following:

	Premiums assumed			Adjustment of technical reserves			Gross premiums (*)			Premiums ceded to reinsurers			Net premiums earned		
	2022 S/(000)	2021 S/(000)	2020 S/(000)	2022 S/(000)	2021 S/(000)	2020 S/(000)	2022 S/(000)	2021 S/(000)	2020 S/(000)	2022 S/(000)	2021 S/(000)	2020 S/(000)	2022 S/(000)	2021 S/(000)	2020 S/(000)
Life insurance															
Annuities (**)	478,159	614,899	248,025	(254,567)	(291,076)	(56,021)	223,592	323,823	192,004	—	—	—	223,592	323,823	192,004
Group life	182,944	136,743	138,360	(364)	(2,189)	281	182,580	134,554	138,641	(6,861)	(4,779)	(4,890)	175,719	129,775	133,751
Individual life	224,862	182,032	139,105	(58,204)	(76,339)	(61,978)	166,658	105,693	77,127	(6,614)	(5,494)	(4,592)	160,044	100,199	72,535
Retirement (disability and survival) (***)	8,650	8,418	9,347	(19,734)	(9,661)	11,912	(11,084)	(1,243)	21,259	(422)	(534)	(527)	(11,506)	(1,777)	20,732
Others	2	2	3	(22)	(13,595)	2,085	(20)	(13,593)	2,088	—	—	—	(20)	(13,593)	2,088
Total life insurance	<u>894,617</u>	<u>942,094</u>	<u>534,840</u>	<u>(332,891)</u>	<u>(392,860)</u>	<u>(103,721)</u>	<u>561,726</u>	<u>549,234</u>	<u>431,119</u>	<u>(13,897)</u>	<u>(10,807)</u>	<u>(10,009)</u>	<u>547,829</u>	<u>538,427</u>	<u>421,110</u>
Total general insurance	<u>132,649</u>	<u>109,303</u>	<u>91,092</u>	<u>(12,239)</u>	<u>(2,405)</u>	<u>2,930</u>	<u>120,410</u>	<u>106,898</u>	<u>94,022</u>	<u>(42)</u>	<u>(58)</u>	<u>(151)</u>	<u>120,368</u>	<u>106,840</u>	<u>93,871</u>
Total general	<u>1,027,266</u>	<u>1,051,397</u>	<u>625,932</u>	<u>(345,130)</u>	<u>(395,265)</u>	<u>(100,791)</u>	<u>682,136</u>	<u>656,132</u>	<u>525,141</u>	<u>(13,939)</u>	<u>(10,865)</u>	<u>(10,160)</u>	<u>668,197</u>	<u>645,267</u>	<u>514,981</u>

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

(**) The variation of the adjustment of technical reserves is due mainly to aging over time; see Note 14(b).

(***) In April 2016, the Congress of the Republic of Peru approved the amendment of the Private Pension System Act, through which the affiliates of the Pension Fund Administrators (AFPs) who turn 65 and retire, can choose, among other existing retirement modalities, the return of 95.5 percent of the total fund available from their Individual Capitalization Account (“CIC”, by its Spanish acronym). During 2017, to offset the contraction of retirement income because of the aforementioned amendment to the SPP Act, Interseguro launched the products “Renta Particular Plus” and “Renta Particular Plus – Vitalicio”. During the years 2022 and 2021, premiums collected for “Renta Particular Plus” amounted to S/160,439,000 and S/219,347,000, respectively. As of December 31, 2022, retirement premiums amounted to S/2,220,000 (in 2021 and 2020 retirement premiums amounted to S/3,713,000 and S/1,750,000, respectively). The liability related to “Renta Particular Plus – Vitalicio” is presented in the caption “Insurance contracts liabilities” of the consolidated statement of financial position considering that it contains an important component of insurance; and the liability of the “Renta Particular Plus” is presented in the caption “Other accounts payable, provisions and other liabilities” of the consolidated statement of financial position considering that it does not contain an important insurance component.

Notes to the consolidated financial statements (continued)

23. Net claims and benefits incurred for life insurance contracts and others

This caption is comprised of the following:

	Gross claims and benefits			Ceded claims and benefits			Net insurance claims and benefits		
	2022 S/(000)	2021 S/(000)	2020 S/(000)	2022 S/(000)	2021 S/(000)	2020 S/(000)	2022 S/(000)	2021 S/(000)	2020 S/(000)
Life insurance									
Annuities	(703,511)	(687,208)	(631,117)	—	—	—	(703,511)	(687,208)	(631,117)
Group life	(43,360)	(124,308)	(83,605)	2,649	11,222	4,868	(40,711)	(113,086)	(78,737)
Individual life	(13,743)	(37,049)	(17,495)	2,949	8,789	2,393	(10,794)	(28,260)	(15,102)
Retirement (disability and survival)	(39,393)	(53,089)	(41,076)	(5,808)	6,505	4,206	(45,201)	(46,584)	(36,870)
Others	(16,279)	(14,539)	(12,794)	(151)	11	(216)	(16,430)	(14,528)	(13,010)
General insurance	(43,344)	(27,691)	(19,214)	—	11	(1)	(43,344)	(27,680)	(19,215)
	<u>(859,630)</u>	<u>(943,884)</u>	<u>(805,301)</u>	<u>(361)</u>	<u>26,538</u>	<u>11,250</u>	<u>(859,991)</u>	<u>(917,346)</u>	<u>(794,051)</u>

24. Salaries and employee benefits

This caption is comprised of the following:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Salaries	571,343	567,938	526,909
Workers' profit sharing	92,042	59,441	52,829
Vacations, health insurance and others	81,581	74,924	72,405
Social security	62,637	60,802	55,408
Severance indemnities	44,447	44,277	41,695
Total	<u>852,050</u>	<u>807,382</u>	<u>749,246</u>

The average number of employees for the years 2022, 2021 and 2020 was 8,076, 7,378 and 7,610 respectively.

25. Administrative expenses

(a) This caption is comprised of the following:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Services received from third parties (b)	1,104,822	909,212	704,255
Taxes and contributions	64,008	44,452	37,581
Rental expenses (c) and Note 8(e)	10,958	11,841	6,781
Total	<u>1,179,788</u>	<u>965,505</u>	<u>748,617</u>

(b) Services received from third parties correspond mainly to computer equipment maintenance services, credit cards associated expenses, securities transportation services, advertising, customer loyalty programs, marketing on digital media, among others.

(c) During the years 2022, 2021 and 2020 corresponds to disbursements made by the Group for of short-term and low value assets, see Note 3.4(k).

26. Earnings per share

The following table presents the calculation of the weighted average number of shares and the basic and diluted earnings per share, determined and calculated based on the earnings attributable to the Group, as described in Note 3.4(ad):

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the year	Weighted average number of shares (in thousands)
Year 2020				
Balance as of January 1, 2020	115,446	115,446	365	115,446
Sale of treasury stock	4	4	266	3
Purchase of treasury stock	(27)	(27)	30	(2)
Balance as of December 31, 2020	115,423	115,423		115,447
Net earnings attributable to IFS's shareholders S/(000)				383,259
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				3.320
Year 2021				
Balance as of January 1, 2021	115,423	115,423	365	115,423
Sale of treasury stock	1	1	267	1
Purchase of treasury stock	(6)	(6)	274	(5)
Balance as of December 31, 2021	115,418	115,418		115,419
Net earnings attributable to IFS's shareholders S/(000)				1,790,155
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				15.510
Year 2022				
Balance as of January 1, 2022	115,418	115,418	365	115,418
Balance as of December 31, 2022	115,418	115,418		115,418
Net earnings attributable to IFS's shareholders S/(000)				1,660,581
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				14.388

27. Transactions with shareholders, related parties and affiliated entities

- (a) The table below presents the main transactions with shareholders, related parties and affiliated companies as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020:

	2022 S/(000)	2021 S/(000)	
Assets			
Instruments at fair value through profit or loss	99	112,096	
Investments at fair value through other comprehensive income	58,378	65,357	
Loans, net (b)	1,317,453	1,323,580	
Accounts receivable	117,273	131,541	
Other assets	32,043	8,694	
Liabilities			
Deposits and obligations	1,040,975	999,754	
Other liabilities	3,215	12,809	
Off-balance sheet accounts			
Indirect loans (b)	89,707	105,604	
	2022 S/(000)	2021 S/(000)	2020 S/(000)
Income (expenses)			
Interest and similar income	72,334	68,166	70,261
Rental income	31,428	30,873	18,609
Valuation of financial derivative instruments	149	180	164
Administrative expenses	(33,758)	(44,249)	(42,768)
Interest and similar expenses	(16,821)	(3,065)	(7,264)
Others, net	51,241	31,392	6,853

Notes to the consolidated financial statements (continued)

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

	2022			2021		
	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)
Affiliated	1,108,276	18,832	1,127,108	1,076,393	45,522	1,121,915
Associates	209,177	70,875	280,052	247,187	60,082	307,269
	<u>1,317,453</u>	<u>89,707</u>	<u>1,407,160</u>	<u>1,323,580</u>	<u>105,604</u>	<u>1,429,184</u>

- (c) As of December 31, 2022 and 2021, the directors, executives and employees of the Group have been involved in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian law, which regulates and limits on certain transactions with employees, directors and executives of financial entities. As of December 31, 2022 and 2021, direct loans to employees, directors and executives amounted to S/211,715,000 and S/212,967,000, respectively; said loans are repaid monthly and bear interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with shares of any Subsidiary.

Notes to the consolidated financial statements (continued)

(d) The Group's key personnel basic remuneration for the years ended December 31, 2022, 2021 and 2020, is presented below:

	2022 S/(000)	2021 S/(000)	2020 S/(000)
Salaries	26,964	24,768	21,859
Board of Directors' compensations	3,923	2,861	3,719
Total	30,887	27,629	25,578

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

28. Business segments

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

Banking -

Mainly loans, credit facilities, deposits and current accounts.

Insurance -

It provides life annuity products with single-premium payment and conventional life insurance products, as well as other retail insurance products.

Wealth management -

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

Payments -

It provides mainly administration services, operation and processing of credit and debit cards. Taking into account that Izipay became a subsidiary of IFS since April 2022, the results shown for this segment correspond to the nine-month period ended December 31, 2022.

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

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

No revenue from transactions with a single external customer or counterparty exceeded 10 percent of the Group's total revenues in the years 2022, 2021 and 2020.

Notes to the consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the years ended December 31, 2022, 2021 and 2020:

	2022					
	Banking (*) S/(000)	Insurance S/(000)	Wealth management S/(000)	Payments (**) S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Total income (***)						
Third party	6,459,232	1,655,036	75,706	595,360	95,802	8,881,136
Inter-segment	(137,253)	(37)	—	—	137,290	—
Total income	6,321,979	1,654,999	75,706	595,360	233,092	8,881,136
Consolidated statement of income data						
Interest and similar income	4,774,378	940,894	155,116	1,569	(655)	5,871,302
Interest and similar expenses	(1,476,942)	(130,458)	(50,306)	(1,269)	(3,123)	(1,662,098)
Net interest and similar income	3,297,436	810,436	104,810	300	(3,778)	4,209,204
(Loss) reversal on loans, net of recoveries	(832,919)	—	2,368	—	—	(830,551)
Loss due to impairment of financial investments	(732)	(26)	(11,981)	—	(13)	(12,752)
Net interest and similar income after impairment loss on loans	2,463,785	810,410	95,197	300	(3,791)	3,365,901
Fee income from financial services, net	797,711	(7,160)	163,325	258,728	(75,218)	1,137,386
Net gain on sale of financial investments	(12,341)	(6,360)	(41,747)	—	—	(60,448)
Other income	487,758	52,283	(202,736)	36,040	229,549	602,894
Total net premiums earned minus claims and benefits	—	(191,772)	—	—	(22)	(191,794)
Depreciation and amortization	(257,210)	(23,682)	(15,044)	(30,185)	(10,105)	(336,226)
Other expenses	(1,673,581)	(375,301)	(130,453)	(202,565)	34,217	(2,347,683)
Income (loss) before translation result and Income Tax	1,806,122	258,418	(131,458)	62,318	174,630	2,170,030
Exchange difference	(22,800)	(10,408)	(7,146)	2,316	1,202	(36,836)
Income Tax	(409,201)	—	(2,791)	(23,560)	(26,985)	(462,537)
Net profit (loss) for the year	1,374,121	248,010	(141,395)	41,074	148,847	1,670,657
Attributable to:						
IFS's shareholders	1,374,121	248,010	(141,395)	41,074	138,771	1,660,581
Non-controlling interest	—	—	—	—	10,076	10,076
	1,374,121	248,010	(141,395)	41,074	148,847	1,670,657

(*) Includes 50 percent of Interbank's participation in Izipay until March 2022, considering that in April 2022, Izipay became a consolidated subsidiary of the Group, see Note 1(d).

(**) As of December 31, 2022, the payments segment corresponds to the profit generated by Izipay during the nine-month period ended December 31, 2022.

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

	2021				
	Banking (*) S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Total income (**)					
Third party	4,866,775	1,676,185	487,339	(49,914)	6,980,385
Inter-segment	(45,904)	—	(18,813)	64,717	—
Total income	<u>4,820,871</u>	<u>1,676,185</u>	<u>468,526</u>	<u>14,803</u>	<u>6,980,385</u>
Consolidated statement of income data					
Interest and similar income	3,636,810	802,961	154,328	11,526	4,605,625
Interest and similar expenses	(893,060)	(117,531)	(39,840)	(7,506)	(1,057,937)
Net interest and similar income	<u>2,743,750</u>	<u>685,430</u>	<u>114,488</u>	<u>4,020</u>	<u>3,547,688</u>
Impairment loss on loans, net of recoveries	(379,034)	—	(2,543)	—	(381,577)
(Loss) recovery due to impairment of financial investments	(527)	33,198	(1,615)	(158)	30,898
Net interest and similar income after impairment loss on loans	<u>2,364,189</u>	<u>718,628</u>	<u>110,330</u>	<u>3,862</u>	<u>3,197,009</u>
Fee income from financial services, net	677,461	(6,802)	196,959	(43,810)	823,808
Net gain on sale of financial investments	100,867	145,714	42,074	268	288,923
Other income	451,637	89,002	93,978	(17,898)	616,719
Total net premiums earned minus claims and benefits	—	(272,037)	—	(42)	(272,079)
Depreciation and amortization	(245,432)	(25,035)	(14,977)	5,754	(279,690)
Other expenses	(1,542,487)	(325,242)	(128,444)	13,094	(1,983,079)
Income (loss) before translation result and Income Tax	<u>1,806,235</u>	<u>324,228</u>	<u>299,920</u>	<u>(38,772)</u>	<u>2,391,611</u>
Exchange difference	7,241	(51,493)	(7,570)	(37,498)	(89,320)
Income Tax	(453,198)	—	(8,805)	(40,109)	(502,112)
Net profit (loss) for the year	<u>1,360,278</u>	<u>272,735</u>	<u>283,545</u>	<u>(116,379)</u>	<u>1,800,179</u>
Attributable to:					
IFS's shareholders	1,360,278	272,735	283,545	(126,403)	1,790,155
Non-controlling interest	—	—	—	10,024	10,024
	<u>1,360,278</u>	<u>272,735</u>	<u>283,545</u>	<u>(116,379)</u>	<u>1,800,179</u>

(*) Includes 50 percent of Interbank's profit from Izipay, which were recorded in the caption "Other income".

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

	2020				
	Banking (*) S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Total income (**)					
Third party	4,900,400	1,365,579	433,941	(19,738)	6,680,182
Inter-segment	(59,267)	—	(3,273)	62,540	—
Total income	<u>4,841,133</u>	<u>1,365,579</u>	<u>430,668</u>	<u>42,802</u>	<u>6,680,182</u>
Consolidated statement of income data					
Interest and similar income	3,836,413	654,975	163,414	10,165	4,664,967
Interest and similar expenses	(1,053,356)	(83,992)	(51,652)	(3,284)	(1,192,284)
Net interest and similar income	<u>2,783,057</u>	<u>570,983</u>	<u>111,762</u>	<u>6,881</u>	<u>3,472,683</u>
Impairment loss on loans, net of recoveries	(2,393,923)	—	(21)	—	(2,393,944)
Recovery (loss) due to impairment of financial investments	170	(33,819)	745	—	(32,904)
Net interest and similar income after impairment loss on loans	<u>389,304</u>	<u>537,164</u>	<u>112,486</u>	<u>6,881</u>	<u>1,045,835</u>
Fee income from financial services, net	619,842	(6,056)	163,968	(54,254)	723,500
Net gain (loss) on sale of financial investments	103,773	105,038	(23,428)	—	185,383
Other income	340,372	96,641	129,987	24,351	591,351
Total net premiums earned minus claims and benefits	—	(279,070)	—	—	(279,070)
Depreciation and amortization	(234,479)	(25,590)	(14,478)	5,797	(268,750)
Other expenses	(1,299,027)	(260,405)	(113,564)	31,086	(1,641,910)
Income (loss) before translation result and Income Tax	<u>(80,215)</u>	<u>167,722</u>	<u>254,971</u>	<u>13,861</u>	<u>356,339</u>
Exchange difference	(5,966)	(26,591)	(3,846)	(9,320)	(45,723)
Income Tax	80,509	—	(8,000)	424	72,933
Net profit (loss) for the year	<u>(5,672)</u>	<u>141,131</u>	<u>243,125</u>	<u>4,965</u>	<u>383,549</u>
Attributable to:					
IFS's shareholders	(5,672)	141,131	243,125	4,675	383,259
Non-controlling interest	—	—	—	290	290
	<u>(5,672)</u>	<u>141,131</u>	<u>243,125</u>	<u>4,965</u>	<u>383,549</u>

(*) Includes 50 percent of Interbank's profit from Izipay, which were recorded in the caption "Other income".

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

	2022					
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Payments S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Capital investments (*)	258,887	41,599	3,443	92,133	1,004	397,066
Total assets	66,977,277	14,134,224	5,102,598	902,610	365,923	87,482,632
Total liabilities	59,498,433	13,150,041	4,208,369	686,292	(106,454)	77,436,681

	2021					
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Consolidation adjustments S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Capital investments (*)	216,786	157,186	40,114	616		414,702
Total assets	68,584,019	15,254,493	5,722,539	392,858		89,953,909
Total liabilities	61,581,982	14,380,847	4,427,452	8,266		80,398,547

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

The distribution of the Group's total income based on the location of the customer and its assets, for the year ended December 31, 2022, is S/8,851,175,000 in Peru and S/29,961,000 in Panama (for the year ended December 31, 2021, was S/6,568,484,000 in Peru and S/411,901,000 in Panama). The distribution of the Group's total assets based on the location of the customer and its assets as of December 31, 2022 is S/82,508,015,000 in Peru and S/4,974,617,000 in Panama (for the year ended December 31, 2021, was S/84,391,264,000 in Peru and S/5,562,645,000 in Panama).

29. Financial instruments classification

The financial assets and liabilities of the consolidated statement of financial position as of December 31, 2022 and 2021, are presented below.

	As of December 31, 2022				Total S/(000)
	At fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	
Financial assets					
Cash and due from banks	—	—	—	13,193,411	13,193,411
Inter-bank funds	—	—	—	296,119	296,119
Financial investments	1,932,993	17,038,942	512,884	3,302,779	22,787,598
Loans, net	—	—	—	45,502,998	45,502,998
Due from customers on acceptances	—	—	—	45,809	45,809
Other accounts receivable and other assets, net	515,800	—	—	954,363	1,470,163
	<u>2,448,793</u>	<u>17,038,942</u>	<u>512,884</u>	<u>63,295,479</u>	<u>83,296,098</u>
Financial liabilities					
Deposits and obligations	—	—	—	48,530,708	48,530,708
Inter-bank funds	—	—	—	30,012	30,012
Due to banks and correspondents	—	—	—	7,100,646	7,100,646
Bonds, notes and other obligations	—	—	—	7,906,303	7,906,303
Due from customers on acceptances	—	—	—	45,809	45,809
Insurance contract liabilities	—	—	—	10,602,372	10,602,372
Other accounts payable, provisions and other liabilities	297,038	—	—	2,543,060	2,840,098
	<u>297,038</u>	<u>—</u>	<u>—</u>	<u>76,758,910</u>	<u>77,055,948</u>

Notes to the consolidated financial statements (continued)

	As of December 31, 2021				
	At fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	Total S/(000)
Financial assets					
Cash and due from banks	—	—	—	17,104,465	17,104,465
Inter-bank funds	—	—	—	30,002	30,002
Financial investments	2,706,271	17,921,275	623,718	3,296,030	24,547,294
Loans, net	—	—	—	43,005,583	43,005,583
Due from customers on acceptances	—	—	—	152,423	152,423
Other accounts receivable and other assets, net	793,361	—	—	629,472	1,422,833
	<u>3,499,632</u>	<u>17,921,275</u>	<u>623,718</u>	<u>64,217,975</u>	<u>86,262,600</u>
Financial liabilities					
Deposits and obligations	—	—	—	48,897,944	48,897,944
Due to banks and correspondents	—	—	—	8,522,849	8,522,849
Bonds, notes and other obligations	—	—	—	8,389,672	8,389,672
Due from customers on acceptances	—	—	—	152,423	152,423
Insurance contract liabilities	—	—	—	11,958,058	11,958,058
Other accounts payable, provisions and other liabilities	413,797	—	—	1,865,080	2,278,877
	<u>413,797</u>	<u>—</u>	<u>—</u>	<u>79,786,026</u>	<u>80,199,823</u>

30. 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.

- Credit risk: possibility of loss due to inability or lack to pay of willingness to pay debtors, counterparts or third parties bound to comply with their contractual obligations.
- Market risk: probability of loss in positions on and off the consolidated statement of financial position derived from variations in market conditions; it generally includes the following types of risk: exchange rate; fair value by interest rate, price, among others.
- Liquidity risk: possibility of loss due to noncompliance with the requirements of financing and fund application that arise from mismatches of cash flows.
- Insurance risk: possibility that the actual cost of claims and payments will differ from the estimates.
- Real estate risk: possibility of significant loss in rental income due to the insolvency of the lessee or, a decrease in the market value of real estate investments.

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

Also, the Audit Committee is responsible of assisting the Board of Directors in the monitoring and supervising, thus helping to ensure:

- The quality and comprehensiveness of IFS's financial statements, including its disclosures.
- The existence of adequate procedures to assess, objectively and periodically, the effectiveness of the internal control system over the financial report.
- The compliance of the legal and regulatory framework.
- The qualification and independence of external auditors.
- The performance of external auditors.
- The implementation by Management of an adequate internal control system, in particular the internal control system over the financial report.

The Company has an Internal Audit Division which is responsible for monitoring the key processes and controls to ensure an adequate low risk control according to the standards defined in the Sarbanes Oxley Act.

Management is responsible of the preparation, presentation and comprehensiveness of the Group's consolidated financial statements, the suitability of the principles and accounting policies it uses, the establishment and upkeeping of the internal control over the financial information, as well as the facilitation of communications among external auditors, IFS's managers, Audit Committee and the Board of Directors.

(a) Structure and organization of risk management -

The Group's risk management structure and organization for each of its Subsidiaries is as follows:

(i) Interbank -

Board of Directors

Interbank's Board of Directors is responsible for establishing an appropriate and integral risk management and promoting an internal environment that facilitates its development. The Board is continuously informed about the exposure degree of the various risks managed by Interbank.

The Board has created several specialized committees to which it has delegated specific tasks to strengthen risk management and internal control.

Audit Committee

The Audit Committee's main purpose is to monitor that the accounting financial reporting processes are appropriate, as well as to evaluate the activities performed by the auditors, both internal and external. The Committee is comprised of three members of the Board and the Chief Executive Officer, the Internal Auditor, the Vice-President of Corporate and Legal Affairs and other executives may also participate therein, when required. The Committee meets at least six times a year in ordinary sessions and informs the Board about the most relevant issues discussed.

Comprehensive Risk Management Committee

The Comprehensive Risk Management Committee (“GIR”, by its Spanish acronym) is responsible for approving the policies and organization for comprehensive risk management, as well as the amendments to said policies. This Committee defines the level of tolerance and the exposure degree to risk that Interbank is willing to assume in its business and also decides on the necessary actions aimed at implementing the required corrective measures in case of deviations from the levels of tolerance to risk. The Committee is comprised of two Directors, the Chief Executive Officer and the Vice-Presidents. The Committee reports monthly to the Board of Directors the main issues it has discussed and the resolutions taken in the previous meeting.

Assets and Liabilities Committee

The main purpose of the Assets and Liabilities Committee (“ALCO”) is to manage the financial structure of the statement of financial position of Interbank, based on profitability and risk targets. The ALCO is also responsible for the proposal of new products or operations that contain components of market risk. Likewise, it is the communication channel with the units that generate market risk. The ALCO meets monthly and it is comprised of the Chief Executive Officer, the Vice-Presidents of Risks, Commercial, Finance, Operations, Distribution Channels, Capital Market and the Manager of Treasury / Position Desk.

Internal Audit Division -

Risk management processes of Interbank are monitored by the Internal Audit Division, which examines both the adequacy of the procedures and the compliance with them. The Internal Audit Division discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committee and Board of Directors.

(ii) Interseguro -

Board of Directors

The Board of Directors is responsible for the overall approach to risk management and it is responsible for the approval of the policies and strategies currently used. The Board of Directors provides the principles for overall risk management, as well as the policies prepared for specific areas, such as foreign exchange risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments.

Audit Committee

The main purpose of the Audit Committee is to monitor that the accounting and financial reporting process are appropriate, as well as to assess the activities performed by External and Internal Auditors. The Audit Committee is comprised of three Board members who do not fulfil any executive position within Interseguro, being at least one of them an Independent Director, who leads the Committee and cannot lead any other Committee within Interseguro. The Committee sessions can be attended by the Chief Executive Officer, the Audit Manager, the External Auditors and other executives when required. The Committee meets at least six times a year in ordinary sessions and informs the Board on the most relevant issues it has addressed.

Risk Committee

The Risk Committee is a corporate body created by the Board. It is responsible of defining the business risk limits of Interseguro through the approval of risk policies and the corrective measures needed to maintain adequate levels of risk tolerance. The Risk Committee is comprised of four Board members, the Risk Manager and the Chief Executive Officer.

Investment Committee

The Investment Committee is responsible of approving the limits of each security or real estate that may be included in Interseguro's investment portfolio. This Committee is comprised of several Board Members, the Chief Executive Officer and the Vice-President of Investments.

Internal Audit Division

Risk management processes throughout Interseguro are monitored by the Internal Audit Division, which reviews and assesses the design, scope and functioning of the internal control system and verifies the compliance of the legal requirements, policies, standards and procedures. The Internal Audit Division discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committee and Board of Directors.

(iii) Inteligo Bank -

Inteligo Bank's Board of Directors is responsible for the establishment and monitoring of the risk administration policies. To manage and monitor the various risks Inteligo Bank is exposed to, the Board of Directors has created the Credit and Investment Committee, the Assets and Liabilities Committee, the Credit Risk Committee and the Audit Committee.

(iv) Izipay -

The Board of Izipay is responsible for the approval of risk management policies. Likewise, in order to monitor the risks to which Izipay is exposed, the Board has created the Risks and Compliance Committee and the Audit Committee.

The Group, through its different risk management bodies, has been monitoring and implementing in its subsidiaries, diverse measures to address and counter the negative effects caused by the political and social context in the country and the pandemic, which began in March 2020.

(b) Risk measurement and reporting systems -

The Group uses different models and rating tools. These tools measure and value the risk with a prospective vision, thus allowing the making of better risk decisions in the different stages or life cycle of client or product.

Said models and tools are permanently monitored and periodically validated to assure that the levels of prediction and performance are being maintained and to make the corrective actions or adjustments, when needed.

(c) Risk mitigation and risk coverage -

To mitigate its exposure to the various financial risks and provide adequate coverage, the Group has established a series of measures, among which the following stand out:

- Policies, procedures, methodologies, models and parameters aimed to allow for the identification, measurement, control and reporting of diverse financial risks;
- Review and assessment of diverse financial risks, through specialized units of risk screening;
- Timely monitoring and tracking of diverse financial risks and their maintenance within a defined tolerance level;
- Compliance with regulatory limits and establishment of internal limits for exposure concentration; and
- Procedures for the management of guarantees.

Likewise, as part of its comprehensive risk management, in certain circumstances the Group uses derivative financial instruments to mitigate its risk exposure, which arises from the variations in interest rates and foreign exchange rates.

(d) Risk concentration -

Through its policies and procedures, the Group has established the guidelines and mechanisms needed to prevent excessive risk concentration. In case any concentration risk is identified, the Group works with specialized units that enable it to control and manage said risks.

30.1 Credit risk

- (a) The Group opts for a credit risk policy that ensures sustained and profitable growth in all its products and business segments it operates. In doing so, it applies assessment procedures for the adequate decision-making, and uses tools and methodologies that allow the identification, measurement, mitigation and control of the different risks in the most efficient manner. Likewise, the Group incorporates, develops and reviews regularly management models that allow an adequate measurement, quantification and monitoring of the loans granted by each business unit and also encouraging the continuous improvement of its policies, tools, methodologies and processes. Additionally, as consequence of the political, economic and social context that arose during 2022 and 2021, see Note 1(b), and the Covid-19 pandemic during 2020 and 2021, see Note 1(c), the behavior and performance of the expected credit losses of the retail and commercial clients has been affected, thus requiring a greater monitoring of results, which has also implied to perform certain subsequent adjustments to the expected loss model to be able to capture the effects of the current situation, which has generated a high level of uncertainty in the estimation of the loans expected loss.

In compliance with the policy of monitoring the Group's credit risk, during 2022 and 2021 Interbank performed the recalibration process of its risk parameters for the calculation of the expected credit losses.

- (b) The Group is exposed to credit risk, which is the risk that a counterparty causes a financial loss by failing to comply with an obligation. Credit risk is the most important risk for the Group's business; therefore, Management carefully manages its exposure to credit risk, which arise mainly in lending activities that lead to loans and investment activities that contribute with securities and other financial instruments to the Group's asset portfolio. There is also credit risk in the financial instruments out of the consolidated statement of financial position, such as contingent credits (indirect loans), which expose the Group to risks similar to those of direct loans, being mitigated with the same control processes and policies. Likewise, credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

As of the date of the consolidated statement of financial position and under IFRS 9, impairment allowances are established for expected credit losses. Significant changes in the economy or in the particular situation of an economic sector that represents a concentration in the Group's portfolio could result in losses that are different from those provisioned for as of the date of the consolidated statement of financial position.

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

The Group's exposure to credit risk is managed through the regular assessment of debtors and their potential capability to pay the principal and interest of their obligations, and through the change in exposure limits, when appropriate.

The exposure to credit risk is also mitigated, in part, through the obtaining of personal and corporate collateral. Nevertheless, there is a significant part of the financial instruments where said collateral cannot be obtained. Following is a description of the procedures and policies related to collateral management and valuation of collaterals.

Policies and procedures for management and valuation of guarantees -

Collateral required for financial assets other than the loan portfolio are determined according to the nature of the instrument. However, debt instruments, treasury papers and other financial assets are in general not guaranteed, except for securities guaranteed with similar assets and instruments.

The Group has policies and guidelines established for the management of collateral received to back loans granted. The assets that guarantee loan operations bear a certain value prior to the loan approval and the procedures for their updating are described in the internal rules. To manage guarantees, the Group operates specialized divisions for the establishment, management and release of guarantees.

Collateral that back loan operations include different goods, property and financial instruments (including cash and securities). Their preferential status depends on the following conditions:

- Easy convertibility into cash.

- Proper legal documentation, duly registered with the corresponding public registry.
- Do not have previous obligations that could reduce their value.
- Their fair value must be updated.

Long-term loans and fundings granted to corporate entities are generally guaranteed. Consumer loans granted to small companies are not generally guaranteed.

Management monitors the fair value of collateral, and with the purpose of mitigating credit losses, requests additional collateral to the counterparty as soon as impairment evidence exists. The proceeds from the settlement of the collateral obtained are used to reduce or repay the outstanding claim.

In the case of derivative financial instruments, the Group maintains strict control limits on net open derivative positions (the difference between purchase and sale contracts), both in amount and term. The amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (for example, an asset when its fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional amount used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other securities are not usually obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash, securities or equity is made in the expectation of a corresponding receipt in cash. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

(c) Maximum exposure to credit risk -

As of December 31, 2022 and 2021, Management estimates that the maximum credit risk to which the Group is exposed is represented by the book value of the financial assets which show a potential credit risk and consist mostly of deposits in banks, inter-bank funds, investments, loans (direct and indirect), without considering the fair value of the collateral or guarantees, derivative financial instruments transactions, receivables from insurance transactions and other monetary assets. In this sense, as of December 31, 2022 and 2021, the main captions were formed as follows:

- 74.2 percent and 77.3 percent, respectively, of cash corresponds to amounts deposited in the Group's vaults or in the BCRP;
- 89.8 percent and 87.5 percent, respectively, of the loan portfolio is classified into the two lower credit risk categories defined by the Group under IFRS 9 (high and standard grade);
- 92.6 percent and 93.5 percent, respectively, of loans is deemed non-past-due and non-impaired. It is worth mentioning that, because of the effects of the Covid-19 pandemic, the Group has rescheduled loans that met certain requirements. The balance of rescheduled loans related to Covid-19 as of December 31, 2022 and 2021 amounts approximately to S/5,049,000,000 and S/6,267,000,000, respectively. Additionally, as a consequence of "Reactiva Peru" program, the Group has rescheduled loans that meet certain requirements, therefore, the balance of credits rescheduled under this program as of December 31, 2022 and 2021, amounts approximately to S/1,473,770,000 and S/1,974,180,000, respectively.
- 88.0 percent and 91.8 percent, respectively, of investments at fair value through other comprehensive income and investments at amortized cost have at least an investment grade (BBB- or higher) or are debt instruments issued by the BCRP or the Peruvian Government; and
- 97.7 percent and 98.1 percent of accounts receivable from insurance premiums and leases of the investment properties is deemed non-past due and non-impaired.
- In addition, as of December 31, 2022 and 2021, the Group holds loans (direct and indirect) and investments in fixed income instruments issued by entities related to the infrastructure sector that, in recent years, have been exposed to local and international events, for an amount of approximately of S/712,662,000 (S/163,534,000 in direct loans and S/549,128,000 in indirect loans) and S/1,036,763,000, respectively (S/1,055,904,000 (S/334,375,000 in direct loans and S/721,529,000 in indirect loans) and S/911,756,000, respectively, as of December 31, 2021).

(d) Impairment assessment for loan portfolios -

The main objective of the impairment requirements is to recognize expected credit losses during the average life of financial instruments when there has been a significant increase in credit risk after the initial recognition — as evaluated on a collective or individual basis — considering all reasonable and sustainable information, including that which refers to the future. If the financial instrument does not show a significant increase in credit risk after the initial recognition, the provision for credit losses shall be calculated as 12-month expected credit losses (Stage 1), as defined in Note 3.4(i).

Under some circumstances, entities may not have reasonable and sustainable information available without disproportionate effort or cost to measure the expected credit losses during the lifetime of the asset on an individual instrument basis. In that case, expected credit losses during the asset's lifetime shall be recognized on a collective basis considering information about the overall credit risk. The financial assets for which the Group calculates the expected loss under a collective assessment include:

- All direct and indirect (contingent) loans related to stand-by letters, guarantees, bank guarantees and letters of credit. Except for short-term reasons, certain clients that belong to the infrastructure sector.
- Debt instruments measured at amortized cost or at fair value through other comprehensive income.

The expected credit loss is estimated collectively for each loan portfolio with shared similar risk characteristics. Not only default indicators, but all information such as: macroeconomic projections, type of instrument, credit risk ratings, types of guarantees, date of initial recognition, remaining time to maturity, among other indicators.

For the collective impairment assessment, the financial assets are grouped based on the Group's internal credit rating system, which considers credit risk characteristics, such as: type of asset, economic sector, geographical location, type of guarantee, among other relevant factors.

Expected losses are calculated under the identification and multiplication of the following risk parameters:

- Probability of Default (PD): It is the likelihood of a default over a particular time horizon that the counterpart will be unable to meet its debt obligations in a certain term and with it is cataloged as default.
- Loss Given Default (LGD): Measures the loss in percentage terms on total exposure at default (see Exposure at default).
- Exposure at Default (EAD): Represents the total value that the Group can lose upon default of a counterpart.

(d.1) Definition of default:

In accordance with IFRS 9, the Group determines that there is default on a financial asset when:

- The borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realizing guarantee (if applicable); or
- The borrower is past due by more than 90 days on any material credit obligation to the Group.

In assessing whether a borrower presents default, the Group considers the following indicators:

- Qualitative: contracts in judicial and prejudicial proceedings.
- Quantitative: contracts in default for more than 90 days; and
- Based on data prepared internally and obtained from external sources such as:
 - Significant changes in indicators of credit risk
 - Significant changes in external market indicators
 - Real or expected significant change in the external and/or internal credit rating
 - Existing or forecast adverse changes in the business, economic or financial conditions that are expected to cause a significant change in the borrower's ability to meet their debt obligations.
 - Real or expected significant change in the operating results of the borrower
 - Existing or future adverse changes in the regulatory, economic or technological environment of the borrower that results in a significant change in their ability to meet their debt obligations.

Likewise, losses recognized in the period are affected by several factors, such as:

- Financial assets moving from Stage 1 to Stage 2 or Stage 3 because there has been a significant increase in their risk since initial recognition or they present impairment at the analysis date, respectively. As a result, lifetime expected losses are calculated.
- Impact on the measurement of expected losses due to changes in PD, EAD and LGD resulting from the update of the inputs used.
- Impact on the measurement of expected losses due to changes in the models and assumptions used.
- Additional provisions for new financial instruments reported during the period.
- Periodic reversals of the discount of expected losses due to the passage of time, as they are measured based on the present value.
- Financial assets written off during the period.
- Exchange difference arising from financial assets denominated in foreign currency.

(d.1.1) Internal rating and PD:

The Group's loans are segmented into homogeneous groups with shared similar credit risk characteristics as detailed below:

- Personal Banking (credit cards, mortgages, payroll loans, consumer loans and vehicular loans)
- Small Business Banking (segments S1, S2 and S3)
- Commercial Banking (Corporate, Institutional, Companies and Real estate)

In the case of Interbank, its Credit Risk Department determines its risk level according to the following classification, as of December 31, 2022 and 2021:

		2022		
Banking	Segment	High grade PD less than or equal (*)	Standard grade PD range (*)	Grade lower than standard PD equal to or higher (*)
	Credit card	7.36%	7.37% - 17.52%	17.53%
	Mortgage	1.15%	1.16% - 3.76%	3.77%
	Payroll loans	3.94%	3.95% - 16.89%	16.90%
Personal Banking	Consumer	7.94%	7.95% - 18.15%	18.16%
	Vehicular	3.24%	3.25% - 9.09%	9.10%
Small Business Banking		15.05%	15.06% - 24.59%	24.60%
	Corporate	0.28%	0.28%	0.28%
Commercial Banking	Institutional	0.28%	0.28%	0.28%
	Companies	3.72%	3.73% - 6.84%	6.85%
	Real estate	1.66%	1.66%	1.66%

Banking	Segment	2021		
		High grade PD less than or equal	Standard grade PD range	Grade lower than standard PD equal to or higher
	Credit card	7.35%	7.36% - 19.30%	19.31%
	Mortgage	2.57%	2.58% - 7.44%	7.45%
	Payroll loans	2.34%	2.35% - 5.48%	5.49%
Personal Banking	Consumer	10.35%	10.36% - 24.39%	24.40%
	Vehicular	7.51%	7.52% - 17.84%	17.85%
Small Business Banking		20.60%	20.61% - 39.94%	39.95%
	Corporate	0.29%	0.29%	0.29%
Commercial Banking	Institutional	0.29%	0.29%	0.29%
	Companies	1.28%	1.29% - 3.48%	3.49%
	Real estate	3.53%	3.53%	3.53%

- (*) It is worth mentioning that the probability of default is exclusively those determined by the statistical model and, therefore, do not include the subsequent adjustments to the model, detailed in Note 30.1 (d.7)

The main objective of the scoring or rating is to generate statistical models that allow forecasting the applicant's level of credit risk. The development of these models incorporates both qualitative and quantitative information, as well as client specific information that may affect their performance.

These rating models are monitored on a regular basis because with, the passage of time, some factors may have a negative impact on the model's discriminating power, and stability due to changes in the population or its characteristics.

Each rating has an associated PD, which is adjusted to incorporate prospective information. This is replicated for each macroeconomic scenario, as appropriate.

To calculate the PD, two differentiated methodologies have been developed, which are described below:

- Transition matrices

Its objective is to determine the probability of default over a 12-month horizon based on the maturity of the operation, by analyzing the conditional probability of transition from one credit rating state to another. This method is suitable for loans with high exposure and wide data availability. The intention is to calculate the PD based on the maturity of the operation.

- Default ratio

Its objective is to determine the probability of default over a 12-month horizon based on the level of risk with which the operation begins, based on a counting analysis and the percentage of cases that report a default mark. This method is suitable for loans with poor data availability by type of maturity.

Notes to the consolidated financial statements (continued)

Given the nature of the portfolios and the availability of historical information, the method to estimate the PD for each portfolio is presented below:

Banking / Segments	Transition matrix	Default ratio
Personal banking:		
Credit cards	X	
Mortgage	X	
Payroll loans		X
Consumer		X
Vehicular		X
Small business banking		X
Commercial banking		
Corporate		X
Institutional		X
Companies	X	
Real estate		X

Likewise, for commercial sector clients, Interbank has implemented a system that allows it to monitor clients in a more personalized way, based on warnings, changes in rating, reputation problems, among others.

On the other hand, at each reporting date, for indirect loans (contingent), as happens for direct loans, the expected loss is calculated depending on the stage in which each operation is located; that is, if it is in Stage 1, the expected loss is calculated with a 12-month view. If it is in Stage 2 (if the operation shows a significant risk increase since the initial recognition) or Stage 3 (if the operation has a default), the expected loss is calculated for the remaining life of the asset.

The Group considers the changes in credit risk based on the probability that the borrower will fail to comply with the loan agreement.

As of December 31, 2022 and 2021, the Group holds stand-by letters and guarantees with entities related to the infrastructure sector that, in recent years, for circumstantial reasons; have been exposed to national and international events. To determine the expected losses of these entities, the Group, in a complementary manner, has performed an individual assessment to determine if the operation is in Stage 1, Stage 2 or Stage 3.

The criteria established to assign the risk to each one of the operations that are evaluated under an individual evaluation use the following combination of factors: quantitative, qualitative and financial.

To estimate the PD for the lifetime of a financial asset, a transformation to a 12-month PD is made according to the year of remaining life. That is, the PD is determined for a lifetime by an exponentiation of the 12-month PD.

At Inteligo Bank, both for Personal Banking and Commercial Banking, the internal model developed (scorecard) assigns 5 levels of credit risk: low, medium low, medium, medium high, and high. This methodology evaluates the scoring, increase or decrease of risks, taking into consideration the loan structure and the type of client; therefore, there is one scorecard for Personal Banking and another for Commercial Banking.

(d.2) Loss Given Default (LGD):

It is an estimated loss in case of default. It is the difference between contractual cash flows due and those expected to be received, including guarantees. Generally, it is expressed as an EAD percentage.

In the case of Interbank, the calculation of the LGD has been developed under three differentiated methods, which are described below:

- Closed recoveries

Those in which a client entered and left default (due to debt settlement, application of penalty or refinancing) over a course of up to 88 months and 74 months, as of December 31, 2022 and 2021, respectively.

- Open recoveries

Those in which a client entered and did not manage to exit default over a course of up to 88 months and 74 months, as of December 31, 2022 and 2021, respectively. This method identifies the adjustment factor that allows to simulate the effect of a closed recovery process. Thus, a recovery curve is built from the information of closed recovery processes and a recovery rate curve is estimated based on the number of months of each process.

This methodology is applied to the Mortgage and Commercial Banking loan portfolios.

In the case of Inteligo Bank, for those credits that are classified in Stage 1 or Stage 2 at the reporting date, the regulatory recoveries of the Central Bank of the Bahamas and the Superintendence of Banks of Panama are used, using stressed scenarios for each type of guarantee.

(d.3) Exposure at default (EAD):

Exposure at default represents the gross carrying amount of financial instruments subject to impairment, which involves both the client's ability to increase exposure as default approaches and possible early repayments. To calculate the EAD of a loan in Stage 1, potential default events are evaluated over a 12-month horizon. For financial assets in Stage 2 and Stage 3, exposure at default is determined over the life of the instrument.

A calculation methodology has been developed for those portfolios that present a defined schedule, differentiating those transactions that consider prepayment and those that do not consider prepayment; and another methodology that is based on building the credit risk factor for those portfolios that allows the client the ability to use a line of credit (revolving products) and, therefore, the percentage of additional use of the credit line that the client could use in the event of a default must be calculated.

(d.4) Significant increase in credit risk:

The Group has established a framework that incorporates quantitative and qualitative information to determine whether the credit risk on a financial instrument has significantly increased since initial recognition, both for loans and investments. The framework is aligned with the Group's internal credit risk management process.

In certain cases, using its expert credit judgment and, where possible, with relevant historical experience, the Group may determine that an exposure has experienced a significant increase in credit risk when certain qualitative indicators that may not be captured by a timely quantitative analysis.

At each reporting date, expected losses are calculated depending on the stage of each loan, as each one is evaluated with a different life period.

- Stage 1 -

12-month expected losses are calculated. For this, the following risk parameters are multiplied: the 12-month forward-looking PD for year 1 of the remaining life, the client's LGD, and the EAD for year 1 of the remaining life for operations with payment schedule or the balance as of the reporting date for operations without payment schedule.

- Stage 2 -

Lifetime expected losses are calculated for the entire remaining life of the asset. For operations with payment schedule, they are calculated in each year of remaining life by multiplying the following risk parameters: 12-month forward-looking PD, the client's LGD, and the EAD of the corresponding year of remaining life, and then the summation is done. For operations without payment schedule, they are calculated by multiplying the lifetime forward-looking PD, the client's LGD, and the balance as of the reporting date.

- Stage 3 -

Expected losses are calculated by multiplying the PD (equal to 100 percent) by the client's LGD and the balance as of the reporting date.

The Group classifies the operations with a significant increase in the risk of each portfolio such as marked refinanced operations, operations with arrears longer than 30 days (for all portfolios except Mortgages that considers arrears longer than 60 days), or operations marked “Leave” or “Reduce” in the surveillance system for the Commercial Banking portfolio.

Likewise, the evaluation of the significant risk increase is made by comparing the 12-month PD to the date of origin and the 12-month PD to the date of the report adjusted by the forward-looking factor, according to the quantitative criteria of absolute variation and relative variation. The Group has established a range of simple average absolute variation of 7% and a simple average relative variation of 588%.

The Group periodically evaluates the following warning signs and criteria to assess whether the placement presents a significant increase in credit risk (Stage 2):

- Rescheduled loans.
- Infraction to the covenants.
- Forced interventions by governments in the primary and secondary markets of obligors.
- Involvement of the borrower in illicit, political and fraud business.
- Impairment of guarantees (underlying assets).
- Arrears or short and frequent failures to pay installments.
- Significantly adverse macroeconomic, regulatory, social, technological and environmental changes.
- Other assessments and/or warnings (financial statements, EBIT evaluation, financial indicators by industry, regulatory criteria, others).

On the other hand, the Group monitors the effectiveness of the criteria used to identify significant increases in credit risk through periodic reviews to confirm that:

- The criteria used is able to identify significant increases in credit risk before an exposure is in default;
- The average time between the identification of a significant increase in credit risk and default is reasonable;
- Exposures usually do not transfer directly from the measurement of 12-month expected losses to impaired loans; and
- There is no unjustified volatility in the allocation of expected credit losses between the measurement of 12-month expected credit losses and lifetime expected credit losses.

Subsequently, the expected loss of each scenario (optimistic, base and pessimistic) is calculated as the sum of the expected loss of each Stage. Finally, the expected loss of the portfolio is calculated by assigning weights to each scenario based on their respective probability of occurrence.

An operation shall migrate from Stage 1 to Stage 2 due to significant risk increase, if comparing the current PD with the PD at the moment it was generated it is observed an increase (relative and absolute variation) in the PD that exceeds the established thresholds.

On the other hand, the methodology introduces the concept of cure for the Mortgage, Corporate and Business portfolios. According to this concept, a loan in Stage 3 that has been recovered through the payment of the debt, does not migrate directly to Stage 1, instead of continuing in Stage 2 during an observation window of 12 months, to secure a consistent behavior in the transaction's risk, as well as to mitigate the migration volatility between risk stages.

(d.5) Reactiva Peru

The National Government Guarantees Program "Reactiva Peru", created by Legislative Decree 1455, and amended by Legislative Decree 1457, aimed to provide a quick and effective response to the liquidity needs faced by companies due to the impact of the Covid-19 pandemic.

During the year 2020, Interbank granted loans under this modality for S/6,617,142,000. As of December 31, 2022 and 2021, the balance of loans under this program amounted to S/2,414,455,000 and S/5,056,009,000 respectively, including accrued interest.

Also, during the years 2022 and 2021, the Peruvian government established measures for the rescheduling of these loans setting new grace periods additional to the grace periods of the original loan. Also, certain requirements were established that the client had to comply with to access to the rescheduling.

(d.6) Rescheduled loans:

(d.6.1) Reschedules due to Covid-19

Because of the pandemic scenario as consequence of the Covid-19 pandemic explained in Note 1(c), the SBS authorized financial entities to grant credit facilities (rescheduling) to clients that meet certain requirements specified by the regulations issued by this regulatory entity. In that sense, Interbank granted repayment facilities to its customers that included: modification of repayment schedules, granting of grace periods, reduction of interest rates, fractioning and downsizing of installments, among others. The effects of such rescheduling have been recorded in the caption "Interest and similar income" of the consolidated income statement, see Note 19.

(d.6.2) Reschedules "Reactiva Peru"

During 2022 and 2021, the MEF and the SBS establish measures to reschedule the loans guaranteed under the "Reactiva Peru" program. See Note 30.1 (d.5).

As of December 31, 2022 and 2021, the balance of rescheduled credits of the "Reactiva Peru" program amounts to approximately S/1,473,770,000 and S/1,974,180,000, respectively. As a result of such rescheduling, during 2022 and 2021, revenues of approximately S/18,180,000 and S/23,566,000 were recorded, respectively. Both amounts are presented as an increase in interest and similar income. See Note 19.

Interbank performed an assessment to define whether these rescheduled contracts represented, or not, a substantial modification under IFRS 9 - Financial Instruments. From that assessment, the new cash flows of the rescheduled loans did not generate substantial nor significant changes in the conditions initially contracted by the client; therefore, the adjustments in the conditions did not generate any substantial modification and, thus, neither a derecognition of the asset.

(d.7) Subsequent adjustments to the model

The risks and uncertainties originated by the Covid-19 pandemic during 2020 and 2021, and the political and economic context of Peru in the year 2021 and 2022, have not been adequately reflected by the existing statistical models which are parameterized to determine the expected loss of the Group, considering that those events are of extraordinary nature and have not had precedents that would have been used as basis to model them in the calculation of the expected loss. For this reason, Interbank incorporated a series of expert judgments with the purpose of calculating the expected loss pursuant to the requirement established by IFRS 9.

Following is the detail of the subsequent adjustments to the expected loss model performed to include in the calculation the effects of the uncertainty and risks as of December 31, 2022, 2021 and 2020:

(i) Subsequent adjustments to the model included in 2022:

Two expert judgments were set up to stress the possibility of default from customers due to the political and economic situation in Peru, as described in Note 1(b).

- Stress of the probability of default (PD) for loans in Stage 1 and Stage 2

This judgment includes an additional stress scenario for Stages 1 and 2 based on the uncertainty of the political and economic context, which could not be included in those expected loss models due to the extraordinary nature of events in this context. In this sense, it can be incorporated a stress to the forward-looking factors used in the macroeconomic forecasts, thus increasing the provision for expected loss requirement in Stages 1 and 2, considering the historical behavior of the forward-looking factors during a concrete period and excluding any factor that could skew the results of this period by showing an atypical trend as result of the presented environment.

- Stress for clients in stage 3

The expert judgement applied to these clients considers the relative participation of the exposure of clients in Stage 3 in function of the total portfolio exposure (Stage 3 exposure divided by the total exposure) during a concrete period and excluding any factors that may bias the results of this period, showing an atypical trend due to the presented environment.

Once this period of analysis is excluded, the series average is calculated, and a standard deviation is added with the purpose of determining the level of additional provisions for clients in Stage 3.

Following is the amount of the expected loss as of December 31, 2022, as determined by the model, and the subsequent adjustments to the model explained in previous paragraphs:

	Expected loss (according to Model) S/(000)	Subsequent adjustments to the model S/(000)	Expected loss (Total) S/(000)
Commercial loans	261,187	21,231	282,418
Consumer loans	1,296,560	325,822	1,622,382
Mortgage loans (*)	61,618	—	61,618
Small and micro-business loans	90,685	6,247	96,932
Total	1,710,050	353,300	2,063,350

(*) Considering the nature of these loans, it has not been necessary to determine a subsequent adjustment to the model.

(ii) Subsequent adjustments to the model included in 2021

Two expert judgments were set up that seek to stress the possibility of default from customers due to the political situation in Peru.

- Stress of the probability of default (PD) for loans in Stage 1 and Stage 2

This judgment is related to the evaluation of the forward-looking factors used in the model, which are built from the macro-economic models and forecasts made by an external supplier; and is based on a more stressed forward-looking scenario for the economy's performance compared against the weighted factors of the expected loss model and the difference between both of them, it represents, for each loan, the additional provision requirement. In this way, the expected loss can be stressed by applying more severe macro-economic forecasts to the probability of default.

- Stress for clients in Stage 3

The methodology applied, according to this judgment, is analogous to the one described above for clients in Stage 3, as of December 31, 2022; that is, the expert judgment applied for these clients considers the participation relative to the exposure of Stage 3 clients with respect to the whole portfolio exposure.

Additionally, given the uncertainty context due to the outbreak of the Omicron variant, new expert criteria was applied for the new wave of infections, which could cause another cycle of loan rescheduling, although to a lesser extent than the year 2020. This criterion has been applied only to the Credit Cards portfolio.

On the other hand, it was considered to apply an expert judgment in relation to the “Reactiva Peru” program, to the Small Business Banking portfolio, because this portfolio presents a greater participation in the Program, higher number of rescheduling and higher provision.

Following is the amount of the expected loss as of December 31, 2021, as determined by the model and the subsequent adjustments to it, explained in the previous paragraphs:

	Expected loss (according to Model) S/(000)	Subsequent adjustments to the model S/(000)	Expected loss (Total) S/(000)
Commercial loans	283,243	100,527	383,770
Consumer loans	983,592	418,089	1,401,681
Mortgage loans	145,947	9,253	155,200
Small and micro-business loans	96,821	67,774	164,595
Total	1,509,603	595,643	2,105,246

(iii) Subsequent adjustments to the model included in 2020

With the purpose of reflecting the impact of the uncertainty due to the Covid-19 pandemic, Interbank decided to apply the expert judgment to perform migrations of clients with higher risk from Stage 1 to Stage 2 and Stage 3, and from Stage 2 to Stage 3. These migrations into higher risk Stages led to incur in a higher provision for expected loss for S/1,441,981,000.

(d.8) Prospective information

Expected credit losses consider information about the overall credit risk. Information about the overall credit risk must incorporate not only information on delinquency, but also all relevant credit information, including forward-looking macroeconomic information.

To comply with the regulatory requirement, it has been determined that the methodology includes the aforementioned effects within the expected loss.

The estimation of expected credit losses will always reflect the possibility of a credit loss, even if the most likely result is not credit loss. Therefore, estimates of expected credit losses are required to reflect a weighted, unbiased amount that is determined by evaluating a range of possible outcomes.

To capture these effects, the Group uses internally developed stress models that seek to stress the probability of default based on different macroeconomic variable projection scenarios.

The Group has defined three possible scenarios for each portfolio: optimistic, base and pessimistic.

Within the analysis carried out for the projection of probability of default, the projection period determined is 36 months (3 years). For projections after that period, the same information of that last year is considered, because it is deemed that projections beyond this period lose statistical significance, as evidenced by observing thresholds of confidence levels.

Macroeconomic variables used as of December 31, 2022

	Scenario	2023	2024	2025
Gross domestic product (annual % var.)	Optimistic	2.6%	3.1%	3.2%
	Base	2.3%	2.5%	2.8%
	Pessimistic	1.3%	2.0%	2.4%
Unemployment rate (annual % var.)	Optimistic	(13.8%)	(3.9%)	(3.6%)
	Base	(10.1%)	(3.7%)	(3.5%)
	Pessimistic	(5.5%)	(3.5%)	(3.3%)
Domestic demand (annual % var.)	Optimistic	1.7%	2.5%	2.8%
	Base	1.1%	1.7%	2.3%
	Pessimistic	(0.1%)	1.0%	1.9%
Formal average salary (annual % var.)	Optimistic	(0.7%)	1.3%	1.4%
	Base	(1.4%)	1.0%	1.2%
	Pessimistic	(3.6%)	(0.7%)	0.5%
Informal average salary (annual % var.)	Optimistic	1.8%	3.4%	3.5%
	Base	1.0%	2.9%	3.0%
	Pessimistic	(1.1%)	1.3%	2.3%

Notes to the consolidated financial statements (continued)

Macroeconomic variables used as of December 31, 2021

	Scenario	2022	2023	2024
Gross domestic product (annual % var.)	Optimistic	10.9%	2.2%	2.2%
	Base	5.4%	2.8%	3.7%
	Pessimistic	(15.2%)	5.8%	7.8%
Consumption (annual % var.)	Optimistic	10.8%	2.2%	2.1%
	Base	5.4%	2.8%	3.6%
	Pessimistic	(13.9%)	2.9%	12.2%
Domestic demand (annual % var.)	Optimistic	9.4%	1.5%	2.1%
	Base	4.1%	2.2%	3.6%
	Pessimistic	(15.6%)	5.8%	7.3%
Gross Capital Formation	Optimistic	11.1%	(0.1%)	1.6%
	Base	4.1%	1.7%	4.0%
	Pessimistic	(25.1%)	21.8%	(4.6%)

For the determination of these macroeconomic variables, different external sources of recognized prestige have been considered. The impact of these macroeconomic variables on the expected loss differs for each portfolio depending on the sensitivity in each of them.

The following tables summarize the impact of multiple scenarios on the expected credit loss of direct and indirect loans (optimistic, base and pessimistic):

	%	Total S/(000)
December 31, 2022		
Optimistic	10	198,113
Base	52	1,050,333
Pessimistic	38	814,904
Total		2,063,350

	%	Total S/(000)
December 31, 2021		
Optimistic	30	827,138
Base	40	601,358
Pessimistic	30	676,750
Total		2,105,246

Guarantees:

The fair value of the loan guarantees as of December 31, 2022 and 2021, is presented below:

As of December 31, 2022	Fair value of the credit guarantee under the base scenario							Expected loss associated S/(000)
	Maximum exposure to credit risk S/(000)	Cash S/(000)	Investments S/(000)	Properties S/(000)	Others S/(000)	Total guarantee (*) S/(000)	Net exposure S/(000)	
Subject to impairment								
Financial assets								
Cash and due from banks	13,193,411	—	—	—	—	—	13,193,411	—
Commercial loans	21,412,126	815,190	1,380,441	11,327,344	4,361,481	17,884,456	3,527,670	247,084
Small and micro-business loans	1,358,481	—	—	—	—	—	1,358,481	96,768
Consumer loans	14,967,799	—	—	—	—	—	14,967,799	1,622,381
Mortgage loans	9,286,944	—	—	16,578,513	—	16,578,513	(7,291,569)	61,622
Direct loans	47,025,350	815,190	1,380,441	27,905,857	4,361,481	34,462,969	12,562,381	2,027,855
Debt instruments at amortized cost	3,302,779	—	—	—	—	—	3,302,779	—
Total financial assets at amortized cost	63,521,540	815,190	1,380,441	27,905,857	4,361,481	34,462,969	29,058,571	2,027,855
Debt instruments at fair value through other comprehensive income	17,038,942	—	—	—	—	—	17,038,942	53,974
Total debt instruments at fair value through other comprehensive income	17,038,942	—	—	—	—	—	17,038,942	53,974
Not subject to impairment								
Derivative financial instruments - Trading	203,082	235,133	—	—	—	235,133	(32,051)	—
Derivative financial instruments - Hedges	312,718	—	—	—	—	—	312,718	—
Financial assets at fair value through profit or loss	1,932,993	—	—	—	—	—	1,932,993	—
Total financial instruments at fair value through profit or loss	2,448,793	235,133	—	—	—	235,133	2,213,660	—
	83,009,275	1,050,323	1,380,441	27,905,857	4,361,481	34,698,102	48,311,173	2,081,829
Financial guarantees (guarantees and stand-by letters)	4,001,806	17,363	46,810	1,404,684	1,165,573	2,634,430	1,367,376	35,124
Letters of credit for customers	485,541	—	29,588	—	3,814	33,402	452,139	371
Indirect loans	4,487,347	17,363	76,398	1,404,684	1,169,387	2,667,832	1,819,515	35,495
	87,496,622	1,067,686	1,456,839	29,310,541	5,530,868	37,365,934	50,130,688	2,117,324

Notes to the consolidated financial statements (continued)

	Fair value of the credit guarantee under the base scenario							
As of December 31, 2021	Maximum exposure to credit risk S/(000)	Cash S/(000)	Investments S/(000)	Properties S/(000)	Others S/(000)	Total guarantee (*) S/(000)	Net exposure S/(000)	Expected loss associated S/(000)
Subject to impairment								
Financial assets								
Cash and due from banks	17,104,465	—	—	—	—	—	17,104,465	—
Commercial loans	22,118,918	614,039	1,446,894	11,453,465	6,587,461	20,101,859	2,017,059	343,441
Small and micro-business loans	1,502,501	—	—	—	—	—	1,502,501	164,595
Consumer loans	12,514,499	—	—	—	—	—	12,514,499	1,401,681
Mortgage loans	8,552,304	—	—	16,327,398	—	16,327,398	(7,775,094)	155,200
Direct loans	44,688,222	614,039	1,446,894	27,780,863	6,587,461	36,429,257	8,258,965	2,064,917
Debt instruments at amortized cost	3,296,030	—	—	—	—	—	3,296,030	—
Total financial assets at amortized cost	65,088,717	614,039	1,446,894	27,780,863	6,587,461	36,429,257	28,659,460	2,064,917
Debt instruments at fair value through other comprehensive income	17,921,275	—	—	—	—	—	17,921,275	41,108
Total debt instruments at fair value through other comprehensive income	17,921,275	—	—	—	—	—	17,921,275	41,108
Not subject to impairment								
Derivative financial instruments - Trading	314,539	174,790	—	—	—	174,790	139,749	—
Derivative financial instruments - Hedges	478,822	—	—	—	—	—	478,822	—
Financial assets at fair value through profit or loss	2,706,271	—	—	—	—	—	2,706,271	—
Total financial instruments at fair value through profit or loss	3,499,632	174,790	—	—	—	174,790	3,324,842	—
	86,509,624	788,829	1,446,894	27,780,863	6,587,461	36,604,047	49,905,577	2,106,025
Financial guarantees (guarantees and stand-by letters)	4,150,093	13,128	62,576	1,750,607	572,428	2,398,739	1,751,354	38,514
Letters of credit for customers	290,365	—	48,591	90,610	100	139,301	151,064	1,815
Indirect loans	4,440,458	13,128	111,167	1,841,217	572,528	2,538,040	1,902,418	40,329
	90,950,082	801,957	1,558,061	29,622,080	7,159,989	39,142,087	51,807,995	2,146,354

Notes to the consolidated financial statements (continued)

The following table shows the analysis of the fair values of the guarantees classified in Stage 3:

As of December 31, 2022	Fair value of the credit guarantee under the base scenario								
	Maximum exposure to credit risk S/(000)	Cash S/(000)	Investments S/(000)	Guarantees from third parties or governments S/(000)	Properties S/(000)	Others S/(000)	Total guarantee (*) S/(000)	Net exposure S/(000)	Expected loss associated S/(000)
Commercial loans	408,104	10	2,818	—	495,872	66,074	564,774	(156,670)	154,299
Small and micro-business loans	91,195	—	—	—	—	—	—	91,195	51,709
Consumer loans	452,301	—	—	—	—	—	—	452,301	430,902
Mortgage loans	238,527	—	—	—	624,486	—	624,486	(385,959)	45,101
Total	1,190,127	10	2,818	—	1,120,358	66,074	1,189,260	867	682,011
Indirect loans	26,076	—	—	—	—	—	—	26,076	8,936
	1,216,203	10	2,818	—	1,120,358	66,074	1,189,260	26,943	690,947

As of December 31, 2021	Fair value of the credit guarantee under the base scenario								
	Maximum exposure to credit risk S/(000)	Cash S/(000)	Investments S/(000)	Guarantees from third parties or governments S/(000)	Properties S/(000)	Others S/(000)	Total guarantee (*) S/(000)	Net exposure S/(000)	Expected loss associated S/(000)
Commercial loans	513,833	4	2,123	—	456,732	143,020	601,879	(88,046)	182,467
Small and micro-business loans	174,855	—	—	—	—	—	—	174,855	85,222
Consumer loans	354,960	—	—	—	—	—	—	354,960	336,041
Mortgage loans	268,528	—	—	—	728,333	—	728,333	(459,805)	99,850
Total	1,312,176	4	2,123	—	1,185,065	143,020	1,330,212	(18,036)	703,580
Indirect loans	25,057	—	—	—	—	—	—	25,057	13,243
	1,337,233	4	2,123	—	1,185,065	143,020	1,330,212	7,021	716,823

(*) Includes the total fair value of the guarantees held by the Group as of December 31, 2022 and 2021, regardless the balance of the loan it guarantees.

Notes to the consolidated financial statements (continued)

(e) Credit risk management for investments

(e.1) Scoring or internal rating and PD:

For this type of financial instruments, the Group analyzes the public information available from international risk rating agencies such as: Fitch, Moody's and Standard & Poor's, and assigns a rating to each instrument.

For each rating agency, the ratings associated with higher to lower credit quality are shown:

Fitch	Moody's	Standard & Poor's
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B1	B+
B	B2	B
B-	B3	B-
CCC	Caa1	CCC+

The Group determines its risk level according to the following classification as of December 31, 2022 and 2021:

	High grade Rating: from AAA to A PD less than or equal to:	Standard grade Rating: from BBB to B PD range	Grade lower than standard Rating: from CCC to C PD equal or higher to:
2022			
Global	0.05% - 0.11%	0.12% - 2.09%	23.34%
Latin America	0.00%	0.09% - 3.02%	24.64%
Sovereigns	0.00%	0.00% - 1.55%	27.08%
2021			
	High grade Rating: from AAA to A PD less than or equal to:	Standard grade Rating: from BBB to B PD range	Grade lower than standard Rating: from CCC to C PD equal or higher to:
Global	0.05% - 0.12%	0.12% - 2.11%	23.55%
Latin America	0.00%	0.11% - 3.06%	25.21%
Sovereigns	0.00%	0.00% - 1.64%	30.77%

Finally, each instrument is assigned a PD according to the transition matrices published by Fitch.

(e.2) Loss given default (LGD):

For those issuers that are classified in Stage 1 or Stage 2 at the reporting date, the Group uses the recovery matrix published by Moody's.

For those investments in Stage 3, an evaluation must be made to determine the severity of the expected loss according to the progress of the recovery process initiated.

(e.3) Exposure at default (EAD):

EAD represents the gross book value of the financial instruments subject to impairment. To calculate the EAD of an investment in Stage 1, possible non-compliance events are evaluated within 12 months. For financial assets in Stage 2 and Stage 3, exposure at default is determined for events throughout the life of the instrument.

(e.4) Significant increase in credit risk:

The Group has assumed that the credit risk of a financial instrument has not increased significantly since the initial recognition if it is determined that the investment has a low credit risk at the reporting date, which occurs when the issuer has a strong ability to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the long term may reduce, but not necessarily, the ability of the issuer to meet its cash flow obligations contractual cash.

In accordance with the assignment of ratings to each debt instrument, the Group determines whether there is a significant increase in credit risk by comparing the rating at the date of acquisition with the rating at the reporting date, and designates the Stage in which each debt instrument is classified according to the quantitative and qualitative criteria, defined as follows:

(i) Quantitative criteria -

The Group holds an investment that does not present a significant increase in risk if there is a movement of its credit risk rating within the investment grade. In case there is a movement of its credit risk rating outside the investment grade, it is deemed that the instrument presents a significant increase in risk.

(ii) Qualitative criteria -

The Group periodically evaluates the following warning signs and criteria to assess whether the financial instrument presents a significant risk increase (stage 2) at the reporting date:

- Significant decrease (30 percent of its original value) and prolonged (12 months) of the market value of the investment.
- Infringements of covenants without a waiver from the bondholders committee.
- Forced interventions by governments in the primary and secondary markets of the issuers.
- Linkage of the issuer in illicit, political and fraud activities.
- Impairment of collateral (underlying assets) in the case of securitized instruments.
- Delays or short and frequent breaches in the payment of coupons.
- Macroeconomic, regulatory, social, technological and environmental changes are significantly adverse.
- Other evaluations and/or alerts made by each Subsidiary (financial statements, evaluation of EBIT, financial indicators by industry, regulatory criteria, others).

Notes to the consolidated financial statements (continued)

The table below presents the credit risk ratings issued by risk rating agencies of recognized prestige local and international financial investments:

	As of December 31, 2022		As of December 31, 2021	
	S/(000)	%	S/(000)	%
Instruments issued and rated in Peru:				
AAA	19,125	0.1	14,189	0.1
AA- / AA+	2,944	0.0	3,016	0.0
A- / A+	—	0.0	3,325	0.0
BBB- / BBB+	2,368,251	10.4	2,410,077	9.8
BB- / BB+	685,424	3.0	601,978	2.5
	<u>3,075,744</u>	<u>13.5</u>	<u>3,032,585</u>	<u>12.4</u>
Instruments issued in Peru and rated abroad:				
BBB- / BBB+	11,710,437	51.4	12,224,488	49.8
BB- / BB+	545,868	2.4	141,841	0.6
B- / B+	—	0.0	204,762	0.8
	<u>12,256,305</u>	<u>53.8</u>	<u>12,571,091</u>	<u>51.2</u>
Instruments issued and rated abroad:				
AAA	41,198	0.2	23,619	0.1
AA- / AA+	26,077	0.1	28,803	0.1
A- / A+	489,765	2.2	248,343	1.0
BBB- / BBB+	2,247,646	9.9	2,907,882	11.8
BB- / BB+	295,812	1.3	380,192	1.5
B- / B+	61,089	0.3	81,638	0.3
Less than B-	983	0.0	—	0.0
	<u>3,162,570</u>	<u>13.9</u>	<u>3,670,477</u>	<u>14.8</u>
Unrated				
Certificates of deposits with variable interest rates issued by the BCRP	1,434,836	6.3	1,440,944	5.9
Negotiable certificates of deposit issued by the BCRP	43,868	0.2	179,207	0.7
Mutual funds and investment funds participations (*)	1,402,848	6.2	1,780,519	7.3
Others	1	0.0	45	0.0
Listed shares	<u>790,408</u>	<u>3.5</u>	<u>1,235,496</u>	<u>5.0</u>
Non-listed shares and participations	<u>226,953</u>	<u>1.0</u>	<u>274,586</u>	<u>1.1</u>
Total	<u>22,393,533</u>	<u>98.3</u>	<u>24,184,950</u>	<u>98.5</u>
Accrued interest	394,065	1.7	362,344	1.5
Total	<u>22,787,598</u>	<u>100.0</u>	<u>24,547,294</u>	<u>100.0</u>

(*) It includes mutual and investment funds which do not have risk rating.

Notes to the consolidated financial statements (continued)

(f) Concentration of financial instruments exposed to credit risk -

Financial instruments exposed to credit risk were distributed according to the following economic sectors:

	As of December 31, 2022				
	Designated at fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	Total S/(000)
BCRP	—	1,478,704	—	7,362,737	8,841,441
Consumer loans	—	—	—	15,005,146	15,005,146
Financial services	2,083,648	1,694,266	170,250	7,347,135(*)	11,295,299
Mortgage loans	22,314	—	—	9,293,900	9,316,214
Manufacturing	74,303	559,581	111,069	4,873,701	5,618,654
Commerce	4,062	170,540	—	4,412,994	4,587,596
Construction and infrastructure	5,915	2,544,815	36,759	557,474	3,144,963
Government of Peru	—	7,062,066	—	3,231,139	10,293,205
Electricity, gas, water and oil	33,518	1,324,234	95,572	924,270	2,377,594
Agriculture	3,085	24,768	3,054	1,892,566	1,923,473
Leaseholds and real estate activities	24,162	156,539	5,246	606,883	792,830
Communications, storage and transportation	143,394	294,171	86,224	1,375,071	1,898,860
Mining	3,917	899,083	—	1,228,508	2,131,508
Community services	9,027	—	—	582,263	591,290
Insurance	6,345	—	—	1,427	7,772
Fishing	—	—	4,710	448,166	452,876
Commercial and micro-business loans	—	—	—	1,065,159	1,065,159
Foreign governments	—	113,816	—	—	113,816
Education, health and other services	885	91,518	—	293,872	386,275
Medicine and biotechnology	3,482	—	—	190,302	193,784
Public administration and defense	23,472	106,068	—	81,371	210,911
Professional, scientific and technical activities	3,482	196,348	—	3,930,939	4,130,769
Others	3,782	—	—	41,168	44,950
Total	2,448,793	16,716,517	512,884	64,746,191	84,424,385
Impairment allowance for loans					(2,027,855)
Accrued interest					899,568
Total					83,296,098

(*) It includes mainly the available funds deposited in the vaults of Interbank and in foreign banks; see Note 4.

Notes to the consolidated financial statements (continued)

	As of December 31, 2021				
	Designated at fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	Total S/(000)
BCRP	—	1,620,151	—	10,866,021	12,486,172
Consumer loans	—	—	—	12,578,669	12,578,669
Financial services	2,718,146	1,798,502	267,611	7,610,629 (*)	12,394,888
Mortgage loans	35,818	—	—	8,558,105	8,593,923
Manufacturing	196,910	736,926	100,697	4,907,086	5,941,619
Commerce	11,754	129,666	—	5,187,887	5,329,307
Construction and infrastructure	10,785	2,799,391	43,180	771,911	3,625,267
Government of Peru	—	7,246,077	—	3,225,174	10,471,251
Electricity, gas, water and oil	57,231	1,240,807	91,915	919,511	2,309,464
Agriculture	7,824	26,198	1,857	1,777,362	1,813,241
Leaseholds and real estate activities	37,608	94,320	4,580	694,506	831,014
Communications, storage and transportation	173,460	355,501	110,608	1,513,062	2,152,631
Mining	6,353	1,030,543	—	681,864	1,718,760
Community services	10,396	—	—	271,464	281,860
Insurance	2,395	—	—	17,416	19,811
Fishing	—	—	3,270	440,009	443,279
Commercial and micro-business loans	—	—	—	1,170,563	1,170,563
Foreign governments	—	86,974	—	—	86,974
Education, health and other services	3,968	104,545	—	285,101	393,614
Medicine and biotechnology	117,396	—	—	189,496	306,892
Public administration and defense	28,847	136,345	—	119,317	284,509
Professional, scientific and technical activities	15,637	223,841	—	4,009,561	4,249,039
Others	65,104	—	—	35,044	100,148
Total	3,499,632	17,629,787	623,718	65,829,758	87,582,895
Impairment allowance for loans					(2,064,917)
Accrued interest					744,622
Total					86,262,600

(*) It includes mainly the available funds deposited in the vaults of Interbank and in foreign banks; see Note 4.

Notes to the consolidated financial statements (continued)

The table below presents the financial instruments with exposure to credit risk, by geographic area:

	As of December 31, 2022				
	Designated at fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Investments at amortized cost S/(000)	Total S/(000)
Peru	152,424	13,579,422	270,166	61,849,912	75,851,924
United States of America	1,734,175	360,279	86,224	1,479,634	3,660,312
Mexico	11,410	1,049,305	—	13,178	1,073,893
Cayman Islands	141,149	—	—	—	141,149
Canada	5,560	—	—	499,111	504,671
Luxembourg	68,553	12,510	—	47,500	128,563
Colombia	95	322,840	—	55,230	378,165
Chile	1	668,122	—	28,100	696,223
Panama	—	206,216	—	333,084(*)	539,300
Brazil	—	153,977	—	21,258	175,235
United Kingdom	192,112	306,888	154,476	27,577	681,053
Germany	24,947	—	—	175,061	200,008
Ireland	—	—	—	455	455
Ecuador	—	—	—	4,990	4,990
Belgium	—	—	157	3	160
Others	118,367	56,958	1,861	211,098	388,284
Total	2,448,793	16,716,517	512,884	64,746,191	84,424,385
Impairment allowance for loans					(2,027,855)
Accrued interest					899,568
Total					83,296,098

(*) It corresponds mainly to the loan portfolio maintained by Inteligo Bank (domiciled in Panama) with Peruvian citizens.

Notes to the consolidated financial statements (continued)

	As of December 31, 2021				
	Designated at fair value through profit or loss S/(000)	Debt instruments measured at fair value through other comprehensive income S/(000)	Equity instruments measured at fair value through other comprehensive income S/(000)	Amortized cost S/(000)	Total S/(000)
Peru	379,059	13,988,582	259,810	61,482,338	76,109,789
United States of America	1,966,994	243,396	110,608	1,477,418	3,798,416
Mexico	95,933	1,485,744	—	10,384	1,592,061
Cayman Islands	315,925	—	—	125,989	441,914
Canada	7,774	—	—	934,208	941,982
Luxembourg	272,931	15,270	—	23,121	311,322
Colombia	3,459	318,054	—	85,149	406,662
Chile	30,736	673,805	—	62,221	766,762
Panama	—	281,889	—	519,082(*)	800,971
Brazil	23,617	173,824	—	142,276	339,717
United Kingdom	231,045	383,668	251,188	38,283	904,184
Germany	28,367	—	—	263,223	291,590
Ireland	—	—	—	474	474
Ecuador	—	—	—	57,477	57,477
Belgium	—	—	164	2	166
Others	143,792	65,555	1,948	608,113	819,408
Total	3,499,632	17,629,787	623,718	65,829,758	87,582,895
Impairment allowance for loans					(2,064,917)
Accrued interest					744,622
Total					86,262,600

(*) It corresponds mainly to the loan portfolio maintained by Inteligo Bank (domiciled in Panama) with Peruvian citizens.

(g) Offsetting of financial assets and liabilities

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

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

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

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

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

Notes to the consolidated financial statements (continued)

- (g.1) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2022 and 2021, are presented below:

	Gross amounts of recognized financial assets S/(000)	Gross amounts of recognized financial liabilities and offset in the statement of financial position S/(000)	Net amounts of financial assets presented in the consolidated statement of financial position S/(000)	Related amounts not offset in the consolidated statement of financial position		Net amount S/(000)
				Financial instruments (including non-cash guarantees) S/(000)	Cash guarantees received S/(000)	
2022						
Derivatives, Note 10(b)	515,800	—	515,800	(169,050)	(235,133)	111,617
Total	<u>515,800</u>	<u>—</u>	<u>515,800</u>	<u>(169,050)</u>	<u>(235,133)</u>	<u>111,617</u>
2021						
Derivatives, Note 10(b)	793,361	—	793,361	(279,024)	(174,790)	339,547
Total	<u>793,361</u>	<u>—</u>	<u>793,361</u>	<u>(279,024)</u>	<u>(174,790)</u>	<u>339,547</u>

- (g.2) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2022 and 2021, are presented below:

	Gross amounts of recognized financial liabilities S/(000)	Gross amounts of recognized financial assets and offset in the consolidated statement of financial position S/(000)	Net amounts of financial liabilities presented in the consolidated statement of financial position S/(000)	Related amounts not offset in the consolidated statement of financial position		Net amount S/(000)
				Financial instruments (including non-cash guarantees) S/(000)	Cash guarantees pledged (Note 4(d)) S/(000)	
2022						
Derivatives, Note 10(b)	297,038	—	297,038	(169,050)	(34,784)	93,204
Total	<u>297,038</u>	<u>—</u>	<u>297,038</u>	<u>(169,050)</u>	<u>(34,784)</u>	<u>93,204</u>
2021						
Derivatives, Note 10(b)	413,797	—	413,797	(279,024)	(121,613)	13,160
Total	<u>413,797</u>	<u>—</u>	<u>413,797</u>	<u>(279,024)</u>	<u>(121,613)</u>	<u>13,160</u>

30.2 Market risk management

Market risk is the possibility of loss due to variations in the financial market conditions. The main variations to which the Group is exposed to are exchange rates, interest rates and prices. Said variations can affect the value of the Group's financial assets and liabilities.

During 2022, the volatility of interest rates in Soles remained high, but with downward tendency. Also, during the year 2022, interest rates in Soles increased significantly as result of the rise of both the benchmark rate of the BCRP and inflation. This affected the bond prices of the Trading Book, reaching minimum valuations during the third quarter and then recovering by the end of the year.

On the other side, the Banking Book was also affected by the changes in interest rates, especially by the increase of shorter-term rates, which boosted the growth of financial income to a larger extent than expenses, thus resulting in higher margins.

The Group separates its exposure to market risk into two blocks: (i) the one that arises from the fluctuation of the value of the trading investment portfolios, due to movements of market rates or prices ("Trading Book") and; (ii) the one that arises from the changes in the structural positions ("Banking Book") due to movements in interest rates, prices and exchange rates.

(a) Trading Book -

To control and monitor the risks arising from the volatility of risk factors involved within each instrument, maximum exposure limits by currency, by type of investment and Value-at-Risk ("VaR"), which are controlled on a daily basis, have been established.

The main measurement technique used to measure and control market risk is VaR, which is a statistical measurement that quantifies the maximum loss expected for a period of time and a determined significance level under normal market conditions. The Group uses the VaR model for a period of one day, and a 99-percent confidence level. VaR is calculated by risk factor: interest rate, price or exchange rate and by type of investment: derivatives, fixed income and variable income.

VaR models are designed to measure the market risk within a normal market environment. Since VaR is based mainly on historical data to provide information and does not clearly predict future changes and modifications in risk factors, the probability of big market movements may be underestimated. VaR can also be under or overestimated due to the hypotheses made on the risk factors and the relation among these factors with the specific instruments. To determine the reliability of VaR models, the actual results are regularly monitored to prove the validity of the assumptions and parameters used in the calculation of VaR.

The Group includes within the VaR calculation the potential loss that may arise from the exposure to exchange rate risk. This risk is included in the VaR calculation because the exchange position is the result of the spot position plus the position in derivative products. Likewise, the total VaR includes the diversification effect that arises as a result of the interaction of the various market risk factors to which the Group is exposed.

The validity of the VaR calculation is proven through back-testing, which uses historical data to ensure that the model adequately estimates the potential losses. Additionally, the sensitivity of risk factors is calculated, which shows the potential portfolio losses in the event of certain fluctuations in factors. Said fluctuations include: interest rate shocks, exchange rate shocks and price shocks.

The VaR results of the Group's portfolio by type of asset are presented below:

	2022 S/(000)	2021 S/(000)
Equity investments	41,083	54,769
Debt investments	5,088	1,704
Derivatives and/or exchange position	2,925	10,790
Diversification effect	(4,390)	(1,876)
Consolidated VaR by type of asset (*)	<u>44,706</u>	<u>65,387</u>

The Group's VaR results by type of risk are the following:

	2022 S/(000)	2021 S/(000)
Exchange rate risk	4,859	7,473
Interest rate risk	4,827	10,712
Price risk	39,359	55,381
Diversification effect	(4,339)	(8,179)
Consolidated VaR by type of risk (*)	<u>44,706</u>	<u>65,387</u>

(*) The total VaR is lower than the sum of its components due to the benefits of risk diversification.

(b) Banking Book -

The portfolios which are not for trading are exposed to different financial risks, since they are sensitive to movements of the market rates, which can result in a negative effect on the value of the assets compared to its liabilities and; therefore, on its net value.

(i) Interest rate risk

Interest rates fluctuate permanently on the market. These fluctuations affect the Group in two ways: first, through the change in the valuation of assets and liabilities; and secondly, affecting the cash flows at repricing. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability is repriced is extended. This process consists in the assessment of repricing periods. On the other hand, cash flows are affected when the instruments reach maturity, when they are invested or placed at new interest rates effective in the market.

Repricing gap

An analysis of the repricing gaps is performed to determine the impact of the interest rates movements. Said analysis consists of assigning the balances of the operations that will change the interest rate into different time gaps. Based on this analysis, the impact of the variation in the valuation of assets and liabilities on each gap is calculated.

Notes to the consolidated financial statements (continued)

- (i.1) The following table summarizes the Group's exposure to interest rate risk. The Group's financial instruments are presented at book value (including interest accrued), classified by the repricing period of the contract's interest rate or maturity date, whichever occurs first:

	As of December 31, 2022						Total S/(000)
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	More than 5 years S/(000)	Non-interest bearing S/(000)	
Financial assets							
Cash and due from banks	8,824,601	23,810	303,812	6,815	22,080	4,012,293	13,193,411
Inter-bank funds	296,119	—	—	—	—	—	296,119
Investments at fair value through other comprehensive income (debt and equity)	640,301	1,129,911	275,048	4,159,999	10,833,683	512,884	17,551,826
Investments at amortized cost	—	71,640	494,872	1,084,113	1,652,154	—	3,302,779
Loans, net (*)	4,596,996	5,750,591	10,366,009	18,886,533	6,443,838	(540,969)	45,502,998
Other assets (**)	1,054,346	99,405	69,828	73,523	28,652	4,173,670	5,499,424
Total assets	15,412,363	7,075,357	11,509,569	24,210,983	18,980,407	8,157,878	85,346,557
Financial liabilities							
Deposits and obligations	30,713,163	1,688,546	6,098,329	1,022,471	323,521	8,684,678	48,530,708
Due to banks and correspondents	606,091	1,239,640	1,072,666	3,023,988	1,158,261	—	7,100,646
Inter-bank funds	30,012	—	—	—	—	—	30,012
Bonds, notes and other obligations	2,532,625	3,614	233,891	4,895,031	241,142	—	7,906,303
Insurance contract liabilities	106,335	208,257	932,909	4,417,141	4,937,730	—	10,602,372
Other liabilities (***)	464,731	131,845	120,143	90,410	5,762	2,169,867	2,982,758
Equity	—	—	—	—	—	10,045,951	10,045,951
Total liabilities and equity	34,452,957	3,271,902	8,457,938	13,449,041	6,666,416	20,900,496	87,198,750
Off- balance sheet accounts							
Derivatives held as assets	1,681,974	—	—	897,190	—	—	2,579,164
Derivatives held as liabilities	1,681,974	—	—	897,190	—	—	2,579,164
	—	—	—	—	—	—	—
Marginal gap	(19,040,594)	3,803,455	3,051,631	10,761,942	12,313,991	(12,742,618)	(1,852,193)
Cumulative gap	(19,040,594)	(15,237,139)	(12,185,508)	(1,423,566)	10,890,425	(1,852,193)	—

(*) The balance presented in column "Non-interest bearing" corresponds mainly to accrued income from loans, past-due loans, loans under judicial collection and the provision for loan losses.

(**) Includes investment property, property, furniture and equipment, net, banker's acceptances, intangibles and goodwill, net, Other accounts receivable and other assets, net (except accounts receivable from derivative financial instruments held for trading), and deferred income tax assets, net.

(***) Includes banks acceptances and other accounts payable, provisions and other liabilities (except accounts payable for derivative financial instruments held for trading) and income tax liability.

Investments at fair value through profit or loss and derivatives held for trading are not considered because these instruments are part of the trading book and the methodology used for the measurement of their market risk is VaR.

	As of December 31, 2021						
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	More than 5 years S/(000)	Non-interest bearing S/(000)	Total S/(000)
Financial assets							
Cash and due from banks	11,898,425	1,025,641	188,458	60,522	—	3,931,419	17,104,465
Inter-bank funds	30,002	—	—	—	—	—	30,002
Investments at fair value through other comprehensive income (debt and equity)	714,470	1,037,091	334,042	4,339,422	11,496,250	623,718	18,544,993
Investments at amortized cost	—	70,856	—	1,600,220	1,624,954	—	3,296,030
Loans, net (*)	3,056,324	6,033,992	10,498,942	18,122,112	5,751,670	(457,457)	43,005,583
Other assets (**)	202,455	138,208	67,572	497,774	245	4,045,772	4,952,026
Total assets	<u>15,901,676</u>	<u>8,305,788</u>	<u>11,089,014</u>	<u>24,620,050</u>	<u>18,873,119</u>	<u>8,143,452</u>	<u>86,933,099</u>
Financial liabilities							
Deposits and obligations	33,250,863	2,205,564	3,540,717	369,270	261,275	9,270,255	48,897,944
Due to banks and correspondents	587,776	685,191	1,795,332	4,488,578	965,972	—	8,522,849
Bonds, notes and other obligations	213,362	27,690	165,171	6,546,370	1,437,079	—	8,389,672
Insurance contract liabilities	93,427	183,175	810,746	3,752,061	7,118,649	—	11,958,058
Other liabilities (***)	114,629	131,645	92,945	108,032	14,159	1,754,817	2,216,227
Equity	—	—	—	—	—	9,555,362	9,555,362
Total liabilities and equity, net	<u>34,260,057</u>	<u>3,233,265</u>	<u>6,404,911</u>	<u>15,264,311</u>	<u>9,797,134</u>	<u>20,580,434</u>	<u>89,540,112</u>
Off- balance sheet accounts							
Derivatives held as assets	—	—	—	1,758,267	—	599,700	2,357,967
Derivatives held as liabilities	—	—	—	1,758,267	599,700	—	2,357,967
	—	—	—	—	(599,700)	599,700	—
Marginal gap	<u>(18,358,381)</u>	<u>5,072,523</u>	<u>4,684,103</u>	<u>9,355,739</u>	<u>8,476,285</u>	<u>(11,837,282)</u>	<u>(2,607,013)</u>
Cumulative gap	<u>(18,358,381)</u>	<u>(13,285,858)</u>	<u>(8,601,755)</u>	<u>753,984</u>	<u>9,230,269</u>	<u>(2,607,013)</u>	<u>—</u>

(*) The balance presented in column “Non-interest bearing” corresponds mainly to accrued income from loans, past-due loans, loans under judicial collection and the provision for loan losses.

(**) Includes investment property, property, furniture and equipment, net, banker’s acceptances, intangibles and goodwill, net, Other accounts receivable and other assets, net (except accounts receivable from derivative financial instruments held for trading), and deferred income tax assets, net.

(***) Includes banks acceptances and other accounts payable, provisions and other liabilities (except accounts payable for derivative financial instruments held for trading).

Investments at fair value through profit or loss and derivatives held for trading are not considered because these instruments are part of the trading book and the methodology used for the measurement of their market risk is VaR.

(i.2) Sensitivity to changes in interest rates -

The exposure to the interest rate is supervised by the GIR Committee and the ALCO Committee. The GIR Committee approves the various limits applicable to the financial instruments' management. The ALCO Committee analyzes and monitors the results of the asset and liability management strategies and decisions implemented. Likewise, it defines the strategies and analyzes the sources of financing, as well as the coverage of the balance executed by the Bank. In particular, the latter could be considered to cover the exposure due to the variation in cash flows attributed to changes in variable market rates, to fix the cost of funds considering the global context of future movement of rates in the currencies under evaluation, to transform the cost of funds from foreign currency to the functional currency, among other casuistic as reviewed and approved by the Committee, considering the risk limits.

In this regard, the effect of movements in interest rates is analyzed based on the Regulatory Model and takes into account:

(i) the financial margin for the next 12 months or Earning at Risk (EaR) and (ii) the Equity Value at Risk (EVaR), as detailed below:

- Earning at Risk indicator, calculated as a percentage of the Regulatory Capital, the legal limit of 5 percent and an early warning of 4 percent are set.
- Value at Risk indicator, calculated as a percentage of the effective equity, establishes the internal limit of 15 percent and an early warning of 13 percent.

Thus, interest rate risk is managed and supervised by monitoring the aforementioned indicators, which allows Management to assess the potential effect of interest rates movements on the Group's financial margin and thus manage the terms and the fixed and/or variable yields generated by the financial instruments held by the Group, including strategies on the derivative financial instruments designated as hedge accounting.

For its part, the GIR Committee oversees the approval levels of structural interest-rate risk capacity and appetite, which are detailed in the Bank's Risk Appetite Framework.

In the case of Interseguro and Inteligo Bank, their Boards establish limits, which are controlled by their respective Investment Risk Unit. Izipay's Management considers that the risk is not significant because its interest rates do not differ significantly from the market.

The table below presents the sensitivity to a possible change in interest rates, with all other variables kept constant, in the consolidated statement of income and in the consolidated statement of changes in equity, before Income Tax and non-controlling interest.

Currency	Changes in basis points	As of December 31, 2022		
		Sensitivity of net income S/(000)	Sensitivity of other net comprehensive income S/(000)	
US Dollar	+/-25	+/- 9,381	+/-	108,457
US Dollar	+/-50	+/- 18,762	+/-	217,095
US Dollar	+/-75	+/- 28,143	+/-	326,095
US Dollar	+/-100	+/- 37,524	+/-	435,640
Sol	+/-50	-/+ 40,539	-/+	388,047
Sol	+/-75	-/+ 60,809	-/+	582,844
Sol	+/-100	-/+ 81,079	-/+	778,196
Sol	+/-150	-/+ 121,618	-/+	1,171,915

Currency	Changes in basis points	As of December 31, 2021		
		Sensitivity of net income S/(000)	Sensitivity of other net comprehensive income S/(000)	
US Dollar	+/-25	+/- 10,091	+/-	149,172
US Dollar	+/-50	+/- 20,182	+/-	298,698
US Dollar	+/-75	+/- 30,274	+/-	448,883
US Dollar	+/-100	+/- 40,365	+/-	600,165
Sol	+/-50	-/+ 20,858	-/+	363,643
Sol	+/-75	-/+ 31,287	-/+	546,431
Sol	+/-100	-/+ 41,716	-/+	729,860
Sol	+/-150	-/+ 62,574	-/+	1,100,408

The interest rate sensitivities shown in the tables above are only illustrative and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in the net interest income based on the projected scenarios yield curve and the Group's current interest rate risk profile. However, this effect, does not include actions that would be taken by Management to mitigate the impact of this interest rate risk. In addition, the Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The above projections also assume that interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also include assumptions to facilitate calculations, such as that all positions are held to maturity.

(i.3) Sensitivity to price variation -

Shares classified as investments at fair value through other comprehensive income, for the years 2022 and 2021, are not considered as part of the investments for interest rate sensitivity calculation purposes. However, a calculation of sensitivity in market prices and the effect on expected unrealized gain or loss in the consolidated statement of other comprehensive income, before Income Tax and non-controlling interest, as of December 31, 2022 and 2021, is presented below:

	Changes in market price %	2022 S/(000)	2021 S/(000)
Sensitivity to market price			
Shares	+/-10	51,288	62,372
Shares	+/-25	128,221	155,930
Shares	+/-30	153,865	187,115

(ii) Foreign exchange risk

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

As of December 31, 2022, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.808 per US\$1 bid and S/3.820 per US\$1 ask (S/3.975 and S/3.998 as of December 31, 2021, respectively). As of December 31, 2022, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.814 per US\$1 (S/3.987 as of December 31, 2021).

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

	As of December 31, 2022			
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
Assets				
Cash and due from banks	10,205,093	2,404,942	583,376	13,193,411
Inter-bank funds	—	296,119	—	296,119
Financial investments	6,860,558	15,884,533	42,507	22,787,598
Loans, net	13,507,125	31,995,873	—	45,502,998
Due from customers on acceptances	45,809	—	—	45,809
Other accounts receivable and other assets, net	306,949	1,162,826	388	1,470,163
	<u>30,925,534</u>	<u>51,744,293</u>	<u>626,271</u>	<u>83,296,098</u>
Liabilities				
Deposits and obligations	19,187,300	28,843,457	499,951	48,530,708
Inter-bank funds	—	30,012	—	30,012
Due to banks and correspondents	645,706	6,454,940	—	7,100,646
Bonds, notes and other obligations	7,257,098	649,205	—	7,906,303
Due from customers on acceptances	45,809	—	—	45,809
Insurance contract liabilities	3,666,074	6,936,298	—	10,602,372
Other accounts payable, provisions and other liabilities	1,231,698	1,607,541	859	2,840,098
	<u>32,033,685</u>	<u>44,521,453</u>	<u>500,810</u>	<u>77,055,948</u>
Forwards position, net	(1,993,217)	2,074,784	(81,567)	—
Currency swaps position, net	1,384,495	(1,384,495)	—	—
Cross currency swaps position, net	2,354,679	(2,354,679)	—	—
Options position, net	(172)	172	—	—
Monetary position, net	<u>637,634</u>	<u>5,558,622</u>	<u>43,894</u>	<u>6,240,150</u>

Notes to the consolidated financial statements (continued)

	As of December 31, 2021			
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
Assets				
Cash and due from banks	10,415,166	6,062,879	626,420	17,104,465
Inter-bank funds	—	30,002	—	30,002
Financial investments	8,709,754	15,708,023	129,517	24,547,294
Loans, net	12,086,570	30,919,013	—	43,005,583
Due from customers on acceptances	152,423	—	—	152,423
Other accounts receivable and other assets, net	222,795	1,199,349	689	1,422,833
	<u>31,586,708</u>	<u>53,919,266</u>	<u>756,626</u>	<u>86,262,600</u>
Liabilities				
Deposits and obligations	20,003,314	28,382,727	511,903	48,897,944
Due to banks and correspondents	757,039	7,765,810	—	8,522,849
Bonds, notes and other obligations	7,616,634	773,038	—	8,389,672
Due from customers on acceptances	152,423	—	—	152,423
Insurance contract liabilities	5,241,284	6,716,774	—	11,958,058
Other accounts payable, provisions and other liabilities	523,281	1,753,975	1,621	2,278,877
	<u>34,293,975</u>	<u>45,392,324</u>	<u>513,524</u>	<u>80,199,823</u>
Forwards position, net	(378,778)	464,885	(86,107)	—
Currency swaps position, net	2,171,025	(2,171,025)	—	—
Cross currency swaps position, net	2,123,300	(2,123,300)	—	—
Options position, net	(3)	3	—	—
Monetary position, net	<u>1,208,277</u>	<u>4,697,505</u>	<u>156,995</u>	<u>6,062,777</u>

Notes to the consolidated financial statements (continued)

As of December 31, 2022, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$614,405,000, equivalent to S/2,343,341,000 (US\$651,240,000, equivalent to S/2,596,494,000 as of December 31, 2021); see Note 18.

The Group manages the exchange rate risk through the matching of its active and passive operations, supervising its global exchange position daily. The global exchange position of the Group is equivalent to long positions minus short positions in currencies other than the Sol. The global exchange position includes balance positions (spot) and the positions in derivatives, including the positions of derivatives that have been designated as accounting hedges with the purpose of covering the exposure due to the variation of the exchange rate; see Note 10(b). Any depreciation/appreciation of the foreign currency would affect the consolidated statement of income. An imbalance in the monetary position would make the Group's consolidated statement of financial position vulnerable to the fluctuation of the foreign currency (exchange rate "shock").

The table below shows the analysis of variations of the US Dollar, the main foreign currency to which the Group has exposure as of December 31, 2022 and 2021. The analysis determines the effect of a reasonably possible variation of the exchange rate US Dollar to the Sol, considering all the other variables constant in the consolidated statement of other comprehensive income before Income Tax. A negative amount shows a potential net reduction in the consolidated statement of income, while a positive amount reflects a net potential increase:

Sensitivity analysis	Changes in currency rates %	2022 S/(000)	2021 S/(000)
Devaluation			
US Dollar	5	(19,746)	(42,218)
US Dollar	10	(39,492)	(84,437)
US Dollar	15	(59,237)	(126,655)
Revaluation			
US Dollar	5	19,746	42,218
US Dollar	10	39,492	84,437
US Dollar	15	59,237	126,655

30.3 Liquidity risk

Liquidity risk consists in the Group's inability to comply with the maturity of its obligations, thus incurring in losses that significantly affect its equity position. This risk may arise as a result of various events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

The Group has a set of indicators that are controlled and reported daily, which establish the minimum liquidity levels allowed for the short-term and reflect several risk aspects such as: concentration, stability, position by currency, main depositors, etc.

Likewise, the Group assesses medium-term and long-term liquidity through a structural analysis of its funds inflows and outflows in different maturity terms. This process allows to know, for each currency, the various funding sources, how liquidity needs increase and which terms are mismatched. Both for assets and liabilities, assumptions are considered for the operations that do not have determined maturity dates, such as revolving loans, savings and similar ones, as well as contingent liabilities, such as non-used letters of credit or lines of credit. Based on this information, the necessary decisions to maintain target liquidity levels are made.

In the case of Interbank, liquidity is managed by the Vice-Presidency of Capital Markets, which chairs the ALCO Committee, in which positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is supervised by the GIR Committee, defining the risk level that Interbank is willing to take and the corresponding indicators, limits and controls are reviewed. The Market Risk Division is in charge of tracking said indicators. Interbank takes short-term deposits and transforms them into longer-term loans. Therefore, its exposure to liquidity risk increases. Interbank maintains a set of deposits that are historically renewed or maintained, and represent a stable funding source.

In the case of Interseguro, it is exposed to requirements other than their cash resources, mainly claims resulting from their short-term insurance contracts. The Board of Directors of the company establishes limits on the minimum proportion of the maturity funds available to meet these requirements and in a minimum level of lines of credit that must be available to cover claims at unexpected claim levels.

Regarding to long-term insurance contracts, considering the types of products offered and the long-term contractual relationship with clients (the liquidity risk is not material) the emphasis is on sufficient availability of flow of assets, and the term matching of the latter with the liability obligations (mathematical technical reserves), for which there are sufficiency and adequacy indicators.

In the case of Inteligo Bank, the Board of Directors has established liquidity levels as to the minimum amount of available funds required to meet such requirements and the minimum level of inter-banking facilities and other loan mechanisms that should exist to cover unexpected withdrawals. Inteligo Bank holds a short-term asset portfolio comprised of loans and investments to ensure sufficient liquidity.

Inteligo Bank's financial assets include unlisted equity investments, which generally are illiquid. In addition, Inteligo Bank holds investments in closed (unlisted) and open-ended investment funds, which may be subject to redemption restrictions such as "side pockets" and redemption limits. As a result, Inteligo Bank may not be able to settle some of its investments in these instruments in due time to meet its liquidity requirements.

Notes to the consolidated financial statements (continued)

The following table presents the Group's undiscounted cash flows payable according to contractual terms agreed (including the payment of future interest):

	As of December 31, 2022					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Deposits and obligations	36,674,487	1,842,392	6,642,702	1,523,454	2,392,309	49,075,344
Inter-bank funds	30,012	—	—	—	—	30,012
Due to banks and correspondents	693,550	785,085	2,040,127	2,983,773	1,591,843	8,094,378
Bonds, notes and other obligations	2,059,807	1,155	380,495	5,726,366	435,141	8,602,964
Due from customers on acceptances	18,909	4,854	22,046	—	—	45,809
Insurance contract liabilities	106,399	208,257	932,909	4,417,141	18,196,813	23,861,519
Other accounts payable, provisions and other liabilities	1,356,478	204,843	46,535	1,976	933,228	2,543,060
Total non-derivative liabilities	40,939,642	3,046,586	10,064,814	14,652,710	23,549,334	92,253,086
Derivatives held for trading (*) -						
Contractual amounts receivable (inflow)	583,440	711,292	2,059,478	841,875	344,267	4,540,352
Contractual amounts payable (outflow)	604,526	568,112	2,051,065	1,041,851	354,758	4,620,312
Total	(21,086)	143,180	8,413	(199,976)	(10,491)	(79,960)
Derivatives held as hedge (**) -						
Contractual amounts receivable (inflow)	1,712,865	3,289	13,772	432,103	—	2,162,029
Contractual amounts payable (outflow)	1,479,047	5,038	28,784	406,806	—	1,919,675
Total	233,818	(1,749)	(15,012)	25,297	—	242,354

Notes to the consolidated financial statements (continued)

	As of December 31, 2021					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Deposits and obligations	39,298,408	2,286,838	3,555,643	1,251,449	2,723,645	49,115,983
Inter-bank funds	—	—	—	—	—	—
Due to banks and correspondents	732,010	431,352	2,649,853	4,373,597	1,233,202	9,420,014
Bonds, notes and other obligations	72,423	43,626	378,421	7,322,864	1,678,191	9,495,525
Due from customers on acceptances	56,903	68,083	27,437	—	—	152,423
Insurance contract liabilities	96,757	189,835	840,717	3,752,862	16,407,482	21,287,653
Other accounts payable, provisions and other liabilities	543,673	244,249	104,420	96,525	876,213	1,865,080
Total non-derivative liabilities	40,800,174	3,263,983	7,556,491	16,797,297	22,918,733	91,336,678
Derivatives held for trading (*) -						
Contractual amounts receivable (inflow)	938,973	926,361	1,782,384	1,874,161	289,991	5,811,870
Contractual amounts payable (outflow)	848,334	999,058	1,727,425	2,093,959	302,650	5,971,426
Total	90,639	(72,697)	54,959	(219,798)	(12,659)	(159,556)
Derivatives held as hedge (**) -						
Contractual amounts receivable (inflow)	29,634	—	29,670	1,787,938	113,850	1,961,092
Contractual amounts payable (outflow)	35,742	—	46,619	1,520,104	11,407	1,613,872
Total	(6,108)	—	(16,949)	267,834	102,443	347,220

(*) It includes contracts whose future flows agreed to be exchanged are settled on a net basis (non-delivery) and a gross basis (full-delivery).

(**) It only includes contracts whose future flows agreed to be exchanged are settled on a net basis (non-delivery)

The table below shows maturity, by contractual term, of the contingent credits (indirect loans) granted by the Group as of the dates of the consolidated statement of financial position:

	2022 S/(000)	2021 S/(000)
Contingent credits (indirect loans)		
Up to 1 month	686,403	974,601
From 1 to 3 months	1,358,990	1,242,858
From 3 to 12 months	2,054,523	2,056,381
From 1 to 5 years	387,431	166,618
Over 5 years	—	—
Total	4,487,347	4,440,458

The Group estimates that not all of the contingent loans (indirect) or commitments will be used before the maturity date of the commitments.

Notes to the consolidated financial statements (continued)

The following table shows the changes in liabilities arising from financing activities according to IAS 7:

	2022					Balance as of December 31 S/(000)
	Balance as of January 1 S/(000)	Dividends payable S/(000)	Cash flow S/(000)	Effect of variation in exchange rate S/(000)	Others S/(000)	
Inter-bank funds	—	—	30,482	(470)	—	30,012
Bonds, notes and other obligations	8,389,672	—	(137,900)	(385,850)	40,381	7,906,303
Lease liability related to right-of-use assets	234,946	—	(62,320)	(2,948)	(57,097)	112,581
Dividends payable	1,219	756,041	(755,706)	—	(93)	1,461
Total liabilities for financing activities	8,625,837	756,041	(925,444)	(389,268)	(16,809)	8,050,357

	2021					Balance as of December 31 S/(000)
	Balance as of January 1 S/(000)	Dividends payable S/(000)	Cash flow S/(000)	Effect of movement in exchange rate S/(000)	Others S/(000)	
Inter-bank funds	28,971	—	(30,945)	1,974	—	—
Bonds, notes and other obligations	7,778,751	—	(91,000)	713,744	(11,823)	8,389,672
Lease liability related to right-of-use assets	269,755	—	(66,646)	7,438	24,399	234,946
Dividends payable	921	634,181	(633,883)	—	—	1,219
Total liabilities for financing activities	8,078,398	634,181	(822,474)	723,156	12,576	8,625,837

30.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When internal controls fail, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage these risks. Controls include mainly the segregation of duties, accesses, authorization and reconciliation procedures, staff training and assessment processes, including the review by Internal Audit.

Management has focused its attention on the implementation of a series of measures aimed to ensure the Group's workers an optimal environment of information technology systems and cybersecurity systems for the execution of their operations within a mixed labor environment (home or office).

30.5 Insurance risk management

The risk under an insurance contract, in any of its various forms, is the possibility that the insured event occurs and; therefore, uncertainty is realized in the amount of the resulting claim. Given the nature of the insurance contract, this risk is aleatory and; therefore, unpredictable.

Regarding a portfolio of insurance contracts where the theory of large numbers and probabilities for pricing and provisions is applied, the main risk faced by the insurance business of the Group, managed by Interseguro, is that claims and/or payments of benefits covered by the policies exceed the book value of insurance liabilities. This could happen to the extent that the frequency and/or severity of claims and benefits are higher than estimated. The factors that are considered to perform the assessment of insurance risks are the following:

- Frequency and severity of claims;
- Sources of uncertainty in the calculation of payment of future claims;
- Mortality tables for different coverage plans in the life insurance segment;
- Changes in market rates of investments that directly affect the discount rates to calculate mathematical reserves; and
- Specific requirements established by the SBS according to insurance plans.

On the other hand, Interseguro has signed contracts of automatic reinsurance coverage mainly in credit life, retirement and life insurances that protect it from losses due to frequency and severity. The objective of this reinsurance negotiation is that the total net insurance losses do not affect the equity and liquidity of Interseguro. Interseguro's policy is to sign contracts with companies with international rating determined by SBS rules. Annuities contracts do not have reinsurance coverage.

(a) Life insurance contracts -

Interseguro has developed its insurance underwriting strategy to diversify the type of insurance risks accepted. Factors that aggravate the insurance risk include lack of risk diversification in terms of type and amount of risk and geographic location. The underwriting strategy aims to ensure that underwriting risks are well diversified in terms of type and amount of risk. Underwriting limits serve to implement the selection criteria for appropriate risk. As of December 31, 2022 and 2021, most of the insurance contracts entered into by Interseguro are located in the city of Lima.

The sufficiency of reserves is a principle of insurance management. Technical reserves for claims and premiums are estimated by Interseguro's actuaries and reviewed by independent experts when deemed necessary.

Interseguro's Management constantly monitors trends in claims, which allows it to perform estimates of claims incurred but not reported (IBNR) that are supported by recent information.

On the other hand, Interseguro is exposed to the risk that mortality and morbidity rates associated with customers do not reflect the actual mortality and morbidity and may cause the premium calculated for the coverage offered to be insufficient to cover claims. For this reason, Interseguro performs a careful risk selection or underwriting when issuing policies, because by doing so it can classify the degree of risk presented by a proposed insured, analyzing characteristics such as gender, smoking condition, health condition, among others.

In the particular case of annuities, the risk assumed by Interseguro is that the real life expectancy of the insured population is greater than that estimated when determining income, which would mean a deficit of reserves to comply with the payment of pensions.

On the other hand, insurance products do not have particularly relevant terms or clauses that could have a significant impact or represent significant uncertainties over Interseguro's cash flows.

(b) Real estate risk management -

Real estate risk is defined as the possibility of losses due to changes or volatility of market prices of properties; see Note 7. Investment properties are held by Interseguro to manage its long term inflows and match its technical reserves. SBS Resolution No. 2840-2012, dated May 11, 2012, "Regulations on Real Estate Risk Management in Insurance Companies", requires that insurance companies adequately identify, measure, control and report the real estate risk level they are exposed to.

Additionally, Interseguro has identified the following risks associated with its real estate portfolios:

- The cost to develop a project may increase if there are delays in the planning process; however, Interseguro receives services from advisors to reduce the risks that may arise in the planning process.
- A major lessee may become insolvent thus causing a significant loss in rental income and a reduction in the value of the associated property. To reduce this risk, Interseguro reviews the financial position of all prospective lessees and decides on the appropriate level of safety required, such as lease deposits or guarantees.
- The fair values of the investment property could be affected by the cash flows generated by the tenants and/or lessees, as well as by the economic conditions of Peru and future expectations.

30.6 Capital management

The Group manages in an active manner a capital base to cover the risks inherent to its activities. Capital adequacy of the Group is monitored by using regulations and ratios established by the different regulators. See Note 16(f).

31. Fair value

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

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

	As of December 31, 2022			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Financial assets				
Financial investments				
At fair value through profit or loss (*)	428,739	564,559	939,695	1,932,993
Debt instruments measured at fair value through other comprehensive income	9,946,427	6,770,090	—	16,716,517
Equity instruments measured at fair value through other comprehensive income	464,556	10,188	38,140	512,884
Derivatives receivable	—	515,800	—	515,800
	<u>10,839,722</u>	<u>7,860,637</u>	<u>977,835</u>	<u>19,678,194</u>
Accrued interest				322,425
Total financial assets				<u>20,000,619</u>
Financial liabilities				
Derivatives payable	<u>—</u>	<u>297,038</u>	<u>—</u>	<u>297,038</u>

- (*) As of December 31, 2022 and 2021, correspond mainly to participations in mutual funds and investment funds.

	As of December 31, 2021			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Financial assets				
Financial investments				
At fair value through profit or loss (*)	978,978	633,400	1,093,893	2,706,271
Debt instruments measured at fair value through other comprehensive income	11,194,459	6,435,328	—	17,629,787
Equity instruments measured at fair value through other comprehensive income	556,162	27,686	39,870	623,718
Derivatives receivable	—	793,361	—	793,361
	<u>12,729,599</u>	<u>7,889,775</u>	<u>1,133,763</u>	<u>21,753,137</u>
Accrued interest				291,488
Total financial assets				<u>22,044,625</u>
Financial liabilities				
Derivatives payable	<u>—</u>	<u>413,797</u>	<u>—</u>	<u>413,797</u>

- (*) As of December 31, 2022 and 2021, correspond mainly to participations in mutual funds and investment funds.

Notes to the consolidated financial statements (continued)

Financial assets included in Level 1 are those measured on the basis of information that is available on the market, to the extent that their quoted prices reflect an active and liquid market and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

Financial instruments included in Level 2 are valued based on the market prices of other instruments with similar characteristics or with financial valuation models based on information of variables observable in the market (interest rate curves, price vectors, etc.).

Financial assets included in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market. The valuation requires Management to make certain assumptions about the model variables and data, including the forecast of cash flow, discount rate, credit risk and volatility.

During the years 2022 and 2021, there were no transfers of financial instruments to or from level 3 to level 1 or level 2.

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

	Valuation technique	Significant unobservable inputs	2022	Valuation 2021	Sensitivity of inputs to fair value
Listed shares	Net asset value	NAV	—	203.53	10 percent increase (decrease) in the NAVs would result in increase (decrease) in fair value by S/11,199,000 as of December 31, 2021.
Private Equity Stocks	Net asset value	NAV	Depends on each investment	Depends on each investment	10 percent increase (decrease) in the NAVs would result in increase (decrease) in fair value by S/7,022,000 as of December 31, 2022 and S/7,300,000 as of December 31, 2021.
Private equity funds	Net asset value	NAV	Depends on each investment	Depends on each investment	10 percent increase (decrease) in the NAVs would result in increase (decrease) in fair value by S/86,944,000 as of December 31, 2022 and S/90,633,000 as of December 31, 2021.
Listed shares	Equity method	—	According to price risk	According to price risk	5 percent increase (decrease) of the price would result in increase in fair value of S/1,907,000 as of December 31, 2022 and S/1,994,000 as of December 31, 2021.

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

	2022 S/(000)	2021 S/(000)
Initial balance as of January 1	1,133,763	514,922
Purchases	180,344	629,543
Sales	(280,297)	(237,870)
(Loss) gain recognized on the consolidated statement of income	(55,975)	227,168
Balance as of December 31	<u>977,835</u>	<u>1,133,763</u>

(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:

Notes to the consolidated financial statements (continued)

	As of December 31, 2022					As of December 31, 2021				
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)
Assets										
Cash and due from banks	—	13,193,411	—	13,193,411	13,193,411	—	17,104,465	—	17,104,465	17,104,465
Inter-bank funds	—	296,119	—	296,119	296,119	—	30,002	—	30,002	30,002
Investments at amortized cost	2,949,507	—	—	2,949,507	3,302,779	3,181,392	—	—	3,181,392	3,296,030
Loans, net	—	42,932,260	—	42,932,260	45,502,998	—	42,892,599	—	42,892,599	43,005,583
Due from customers on acceptances	—	45,809	—	45,809	45,809	—	152,423	—	152,423	152,423
Other accounts receivable and other assets, net	—	954,363	—	954,363	954,363	—	629,472	—	629,472	629,472
Total	<u>2,949,507</u>	<u>57,421,962</u>	<u>—</u>	<u>60,371,469</u>	<u>63,295,479</u>	<u>3,181,392</u>	<u>60,808,961</u>	<u>—</u>	<u>63,990,353</u>	<u>64,217,975</u>
Liabilities										
Deposits and obligations	—	48,464,095	—	48,464,095	48,530,708	—	48,914,408	—	48,914,408	48,897,944
Inter-bank funds	—	30,012	—	30,012	30,012	—	—	—	—	—
Due to banks and correspondents	—	6,859,664	—	6,859,664	7,100,646	—	8,274,484	—	8,274,484	8,522,849
Bonds, notes and other obligations	6,447,282	990,545	—	7,437,827	7,906,303	7,286,082	1,202,219	—	8,488,301	8,389,672
Due from customers on acceptances	—	45,809	—	45,809	45,809	—	152,423	—	152,423	152,423
Insurance contract liabilities	—	10,602,372	—	10,602,372	10,602,372	—	11,958,058	—	11,958,058	11,958,058
Other accounts payable and other liabilities	—	2,543,060	—	2,543,060	2,543,060	—	1,865,080	—	1,865,080	1,865,080
Total	<u>6,447,282</u>	<u>69,535,557</u>	<u>—</u>	<u>75,982,839</u>	<u>76,758,910</u>	<u>7,286,082</u>	<u>72,366,672</u>	<u>—</u>	<u>79,652,754</u>	<u>79,786,026</u>

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 December 31, 2022 and 2021, 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.

32. Fiduciary activities and management of funds

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

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

	2022 S/(000)	2021 S/(000)
Investment funds	16,821,566	18,669,786
Mutual funds	4,495,832	4,310,914
Total	21,317,398	22,980,700

33. Events after the reporting period

On March 31, 2023, IFS's shareholders have approved the creation of a Share Repurchase Program for an amount of up to US\$100,000,000 of IFS' common shares, which is expected to continue until terminated by the Board of Directors. The share repurchase program may be carried out simultaneously in the Lima Stock Exchange and the New York Stock Exchange ("NYSE") in one or several dates, at market prices.

IRREVOCABLE PROXY AGREEMENT RENEWAL AND RATIFICATION

This document executed on May 20, 2021 to be effective and enforceable since June 12, 2021, constitutes the express renovation and ratification of the IRREVOCABLE PROXY AGREEMENT (this “**Agreement**”) made as of June 12, 2019, 2021, by and among INTERNATIONAL FINANCIAL HOLDINGS GROUP INC., a British Virgin Islands corporation (“**Stockholder**”), in favor of GEORGE PASTOR, CARLOS RODRIGUEZ- PASTOR, and ANNE MARIE SEE (collectively, the “**Agents**” and each, an “**Agent**”).

Stockholder is the beneficial and record holder of 7.73% Class A shares and 24.21% Class B shares (collectively, “**Stockholder’s Shares**”) of Intercorp Perú Ltd., a Bahamas company (“**Company**”).

Stockholder desires to irrevocably renew the appointment of the Agents, collectively, as its agent, attorney and proxy for the term and purposes and under the conditions as herein provided.

Each of the Agents desires to accept such appointment in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and other consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. **Voting Proxy.** Stockholder hereby grants to the Agents an irrevocable proxy to vote Stockholder’s Shares and to exercise all other rights, powers, privileges and remedies to which a holder of Stockholder’s Shares or other equity interests in Company would be entitled (including without limitation giving or withholding written consents of unitholders, members or partners, as applicable, calling special meetings of unitholders, members or partners, as applicable, and voting at such meetings), which proxy is coupled with an interest and shall be effective, automatically and without the necessity of any action (including any transfer of any of Stockholder’s Shares on the record books of the issuer thereof) by any other person (including the issuer of Stockholder’s Shares or any officer or agent thereof), upon the execution of this Agreement.

2. **Action; Successors.** The Agents shall act by majority. If one or more of the Agents is unable or unwilling to act, the other Agent(s) may act. An Agent may resign at any time upon 90 days’ notice. An Agent may at any time appoint a successor Agent to serve in his or her place for the remainder of the Term, as hereinafter defined. Such resignations and appointments shall be made by a signed writing. If an Agent ceases to serve due to incapacity or death without having appointed a successor, the other two Agents may, acting unanimously by a signed writing, appoint a successor Agent. Any successor so appointed must be a direct family member or spouse of GEORGE PASTOR, CARLOS RODRIGUEZ-PASTOR, and ANNE MARIE SEE.

3. **Agreements of Company.** Company shall give copies of any notices or other communications relating to Stockholder's Shares that it sends to Stockholder or to any other members to the Agents at the same time as such notices or other communications are sent to Stockholder or any such other unitholder of Company. Company acknowledges the powers and proxies granted herein and agrees that the Agents shall have the sole right to vote Stockholder's Shares with respect to any matter.

4. **Termination.** This Agreement shall terminate at the expiration of the two (2) years counted since the date of effectiveness of this instrument (such period, the "**Term**"). At the end of the two-year period, the appointment of the Agents shall automatically renew for successive 6- month periods unless Stockholder elects to terminate this appointment and proxy upon no less than 90 days' prior written notice.

5. **Miscellaneous.**

(a) **Notices.** All notices, consents, approvals and requests required or permitted hereunder shall be given in the manner and to the addresses set forth on Appendix A.

(b) **Governing Law.** This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the British Virgin Islands.

(c) **Amendment.** Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Agreement and signed by each of the parties to this Agreement executed and effective no less than 90 days prior to the effective date of any such amendment, waiver, discharge or termination.

(d) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

(e) **Jurisdiction; Venue.** With respect to any disputes arising out of or related to this Agreement, the parties consent to the exclusive jurisdiction of, and venue in, the courts of the British Virgin Islands.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered.

STOCKHOLDER:

**INTERNATIONAL FINANCIAL HOLDINGS GROUP
INC., a British Virgin Islands corporation**

SIGNED as a DEED by GEORGE PASTOR, Authorized
Signatory

/s/ George Pastor

George Pastor

In the presence of:

/s/ Dzung Tran

Signature of Witness

Dzung Tran

Print name of Witness

[Signature Page to Irrevocable Proxy - IFH Group Inc. (Mr. George Pastor and witness)]

COMPANY:

INTERCORP PERÚ LTD., a Bahamas company
SIGNED as a DEED by Fernando Zavala, as Authorized Representative

/s/ Fernando Zavala

Authorized Representative

In the presence of:

/s/ Juan Antonio Castro Molina

Signature of Witness

Juan Antonio Castro Molina

Print name of Witness

[Signature Page to Irrevocable Proxy - Intercorp Peru Ltd. (Mr. Fernando Zavala and witness)]

AGENT:

/s/ George Pastor

George Pastor

[Signature Page to Irrevocable Proxy – Mr. George Pastor (Agent)]

AGENT:

/s/ Carlos Rodriguez-Pastor

Carlos Rodriguez-Pastor

[Signature Page to Irrevocable Proxy – Mr. Carlos Rodriguez-Pastor (Agent)]

AGENT:

/s/ Anne Marie See

Anne Marie See

[Signature Page to Irrevocable Proxy – Mrs. Anne Marie See (Agent)]

Appendix A

Addresses for Notices by Company to Agents

For purposes of notices, consents, approvals and requests required or permitted under the Irrevocable Proxy Agreement to which this Exhibit A is attached to, the Agents' addresses will be the following:

Mr. George Pastor:

639 Spokane Avenue, Albany, CA 94706.

/s/ George Pastor

Mr. Carlos Rodriguez-Pastor

Av. Carlos Villaran 140, 19th Floor, La Victoria, Lima, Peru.

/s/ Carlos Rodriguez-Pastor

Mrs. Anne Marie See

623 Ironbark Circle, Orinda, CA 94563.

/s/ Anne Marie See

[Signature Page to Appendix A to Irrevocable Proxy – Agents' addresses]

Exhibit 8.1

Subsidiary	Jurisdiction of Incorporation	Name Under Which the Subsidiary Does Business	Ownership Interest
Banco Internacional del Perú, S.A.A.	Peru	Interbank	IFS owns 99%
Internacional de Títulos Sociedad Titulizadora S.A. -Intertítulos S.T.	Peru	Intertítulos	IFS owns 100%
Compañía de Servicios Conexos Expressnet S.A.C.	Peru	Expressnet	IFS owns 100%
Interseguro Compañía de Seguros S.A.	Peru	Interseguro	IFS owns 100%
Inteligo Group Corp.	Republic of Panama	Inteligo Group Corp.	IFS owns 100%
Inteligo Bank Ltd.	Bahamas	Inteligo Bank	IFS owns 100%
Inteligo Sociedad Agente de Bolsa S.A.	Peru	Inteligo SAB	IFS owns 100%
Inteligo Perú Holdings S.A.C.	Peru	Inteligo Peru Holdings	IFS owns 100%
Inteligo USA Inc.	New York	Inteligo USA	IFS owns 100%
Negocios e Inmuebles S.A.	Peru	NISA	IFS owns 98%
San Borja Global Opportunities S.A.C.	Peru	Shopstar	IFS owns 100%
IFS Digital S.A.C.	Peru	IFS Digital	IFS owns 100%
Interfondos S.A. SAF	Peru	Interfondos	IFS owns 100%
Procesos de Medios de Pago S.A.	Peru	Procesos MC Peru	IFS owns 100%
Izipay S.A.C.	Peru	Izipay	IFS owns 100%

CERTIFICATION

I, Luis Felipe Castellanos Lopez Torres, certify that:

1. I have reviewed this annual report on Form 20-F of Intercorp Financial Services Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 24, 2023

By: /s/ Luis Felipe Castellanos Lopez Torres
Name: Luis Felipe Castellanos Lopez Torres
Title: Chief Executive Officer

CERTIFICATION

I, Michela Casassa Ramat, certify that:

1. I have reviewed this annual report on Form 20-F of InterCorp Financial Services Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 24, 2023

By: /s/ Michela Casassa Ramat
Name: Michela Casassa Ramat
Title: Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Intercorp Financial Services Inc. (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2022 (the “Form 20-F”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2023

By: /s/ Luis Felipe Castellanos Lopez Torres

Name: Luis Felipe Castellanos Lopez Torres

Title: Chief Executive Officer

Date: April 24, 2023

By: /s/ Michela Casassa Ramat

Name: Michela Casassa Ramat

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Intercorp Financial Services Inc. and will be retained by Intercorp Financial Services Inc. and furnished to the Securities and Exchange Commission or its staff upon request.