

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated financial statements as of September 30, 2023, December 31, 2022, January 1, 2022 and for the nine-month periods ended September 30, 2023 and 2022

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Interim consolidated statement of financial position

As of September 30, 2023, December 31, 2022 and January 1, 2022

	Note	30.09.2023 S/(000)	Restated (Note 3.3.3) 31.12.2022 S/(000)	Restated (Note 3.3.3) 01.01.2022 S/(000)		Note	30.09.2023 S/(000)	Restated (Note 3.3.3) 31.12.2022 S/(000)	Restated (Note 3.3.3) 01.01.2022 S/(000)
Assets					Liabilities and equity				
Cash and due from banks	4(a)				Deposits and obligations	10			
Non-interest bearing		3,073,741	4,012,293	3,931,419	Non-interest bearing		7,480,265	8,684,678	9,270,255
Interest bearing		7,507,813	8,712,874	12,488,242	Interest bearing		41,594,619	39,846,030	39,627,689
Restricted funds		398,983	468,244	684,804			49,074,884	48,530,708	48,897,944
		<u>10,980,537</u>	<u>13,193,411</u>	<u>17,104,465</u>	Inter-bank funds	4(e)	451,070	30,012	-
Inter-bank funds	4(e)	125,903	296,119	30,002	Due to banks and correspondents	11	9,521,148	7,100,646	8,522,849
Financial investments	5	25,484,155	22,787,598	24,547,294	Bonds, notes and other obligations	12	5,845,875	7,906,303	8,389,672
Loans, net:	6				Due from customers on acceptances		57,701	45,809	152,423
Loans, net of unearned interest		49,379,758	47,530,853	45,070,500	Insurance contract liabilities	9	11,564,218	11,251,825	12,787,958
Impairment allowance for loans		(2,301,886)	(2,027,855)	(2,064,917)	Other accounts payable, provisions and other liabilities	8	3,128,340	3,129,164	2,468,242
		<u>47,077,872</u>	<u>45,502,998</u>	<u>43,005,583</u>	Deferred Income Tax liability, net		82,499	81,899	-
Investment property	7	1,280,154	1,287,717	1,224,454	Total liabilities		<u>79,725,735</u>	<u>78,076,366</u>	<u>81,219,088</u>
Property, furniture and equipment, net		797,258	791,432	815,118	Equity, net	13			
Due from customers on acceptances		57,701	45,809	152,423	Equity attributable to IFS's shareholders:				
Intangibles and goodwill, net		1,645,774	1,633,202	1,044,749	Capital stock		1,038,017	1,038,017	1,038,017
Other accounts receivable and other assets, net	8	1,747,040	1,743,963	1,834,483	Treasury stock		(84,309)	(3,363)	(3,363)
Insurance and reinsurance contract assets	9	26,287	30,577	52,978	Capital surplus		532,771	532,771	532,771
Deferred Income Tax asset, net		136,361	165,787	142,367	Reserves		6,000,000	6,000,000	5,200,000
Total assets		<u>89,359,042</u>	<u>87,478,613</u>	<u>89,953,916</u>	Unrealized results, net		(547,959)	(554,421)	(302,477)
					Retained earnings		2,638,933	2,335,524	2,219,902
							9,577,453	9,348,528	8,684,850
					Non-controlling interest		55,854	53,719	49,978
					Total equity, net		<u>9,633,307</u>	<u>9,402,247</u>	<u>8,734,828</u>
					Total liabilities and equity, net		<u>89,359,042</u>	<u>87,478,613</u>	<u>89,953,916</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of income

For the nine-month periods ended September 30, 2023 and 2022

	Note	30.09.2023 S/(000)	<u>Restated</u> <u>(Note 3.3.3)</u> 30.09.2022 S/(000)
Interest and similar income	15	5,315,367	4,187,331
Interest and similar expenses	15	(1,910,829)	(1,126,242)
Net interest and similar income		<u>3,404,538</u>	<u>3,061,089</u>
Impairment loss on loans, net of recoveries	6(d.1) and (d.2)	(1,365,627)	(552,507)
Loss due to impairment of financial investments	5(c)	(8,281)	(4,574)
Net interest and similar income after impairment loss		<u>2,030,630</u>	<u>2,504,008</u>
Fee income from financial services, net	16	890,702	814,138
Net gain on foreign exchange transactions		217,590	266,816
Net gain (loss) on sale of financial investments		8,850	(8,283)
Net loss on financial assets at fair value through profit or loss		(49,585)	(291,790)
Net gain on investment property	7(b)	42,573	78,903
Other income	17	113,958	359,863
		<u>1,224,088</u>	<u>1,219,647</u>
Result from insurance activities, before expenses	18	(154,259)	(125,842)
Other expenses			
Salaries and employee benefits		(678,860)	(661,813)
Administrative expenses		(949,355)	(848,292)
Depreciation and amortization		(279,461)	(243,790)
Other expenses	17	(151,245)	(142,894)
		<u>(2,058,921)</u>	<u>(1,896,789)</u>
Income before translation result and Income Tax		<u>1,041,538</u>	<u>1,701,024</u>
Translation result		(9,931)	(74,289)
Income Tax	14(e)	(238,425)	(356,758)
Net profit for the period		<u>793,182</u>	<u>1,269,977</u>
Attributable to:			
IFS's shareholders		787,829	1,262,516
Non-controlling interest		5,353	7,461
		<u>793,182</u>	<u>1,269,977</u>
Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles)	19	<u>6.836</u>	<u>10.939</u>
Weighted average number of outstanding shares (In thousands)	19	<u>115,248</u>	<u>115,418</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of other comprehensive income

For the nine-month periods ended September 30, 2023 and 2022

	30.09.2023	Restated (Note 3.3.3) 30.09.2022
	S/(000)	S/(000)
Net profit for the period	793,182	1,269,977
Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:		
Gains (losses) on valuation of equity instruments at fair value through other comprehensive income	11,914	(41,231)
Income Tax	149	203
Total unrealized gain (loss) that will not be reclassified to the consolidated statement of income in subsequent periods	<u>12,063</u>	<u>(41,028)</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	311,794	(2,639,286)
Income Tax	3,286	11,324
	<u>315,080</u>	<u>(2,627,962)</u>
Insurance reserves at fair value	<u>(243,928)</u>	<u>2,499,718</u>
Net movement of cash flow hedges	(47,003)	(46,676)
Income Tax	8,022	5,816
	<u>(38,981)</u>	<u>(40,860)</u>
Translation of foreign operations	<u>(4,207)</u>	<u>(17,146)</u>
Total unrealized gain (loss) to be reclassified to the consolidated statement of income in subsequent periods	<u>27,964</u>	<u>(186,250)</u>
Other comprehensive income for the period	<u>40,027</u>	<u>(227,278)</u>
Total comprehensive income for the period, net of Income Tax	<u>833,209</u>	<u>1,042,699</u>
Attributable to:		
IFS's shareholders	826,767	1,037,733
Non-controlling interest	6,442	4,966
	<u>833,209</u>	<u>1,042,699</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of changes in equity

For the nine-month periods ended September 30, 2023 and 2022

Attributable to IFS's shareholders

	Number of shares		Unrealized results, net										Non-controlling Interest	Total equity, net	
	Issued (in thousands)	In treasury (in thousands)	Capital stock S/(000)	Treasury stock S/(000)	Capital surplus S/(000)	Reserves S/(000)	Equity instruments at fair value S/(000)	Debt instruments at fair value S/(000)	Insurance reserve at fair value S/(000)	Cash flow hedges reserve S/(000)	Translation of foreign operations S/(000)	Retained earnings S/(000)			Total S/(000)
Balances as of January 1, 2022	115,447	(29)	1,038,017	(3,363)	532,771	5,200,000	(8,787)	(599,626)	134,150	44,878	261,085	2,904,912	9,504,037	51,325	9,555,362
Impact of first adoption of IFRS 17 "Insurance Contract", Note 3.3.3	-	-	-	-	-	-	-	-	(134,177)	-	-	(685,010)	(819,187)	(1,347)	(820,534)
Balances as of January 1, 2022 - Restated	115,447	(29)	1,038,017	(3,363)	532,771	5,200,000	(8,787)	(599,626)	(27)	44,878	261,085	2,219,902	8,684,850	49,978	8,734,828
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,262,516	1,262,516	7,461	1,269,977
Other comprehensive income	-	-	-	-	-	-	(40,954)	(2,621,535)	2,495,615	(40,763)	(17,146)	-	(224,783)	(2,495)	(227,278)
Total comprehensive income	-	-	-	-	-	-	(40,954)	(2,621,535)	2,495,615	(40,763)	(17,146)	1,262,516	1,037,733	4,966	1,042,699
Declared and paid dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(751,532)	(751,532)	-	(751,532)
Transfer of retained earnings to reserves, Note 13(e)	-	-	-	-	-	800,000	-	-	-	-	-	(800,000)	-	-	-
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,509)	(4,509)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(12,005)	-	-	-	-	12,005	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	3,134	3,134	(7)	3,127
Balances as of September 30, 2022 - Restated	115,447	(29)	1,038,017	(3,363)	532,771	6,000,000	(61,746)	(3,221,161)	2,495,588	4,115	243,939	1,946,025	8,974,185	50,428	9,024,613
Balances as of January 1, 2023	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
Impact of first adoption of IFRS 17 "Insurance Contract", Note 3.3.3	-	-	-	-	-	-	-	-	58,859	-	-	(701,506)	(642,647)	(1,057)	(643,704)
Balances as of January 1, 2023 - Restated	115,447	(29)	1,038,017	(3,363)	532,771	6,000,000	(46,763)	(2,420,809)	1,711,493	(9,262)	210,920	2,335,524	9,348,528	53,719	9,402,247
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	787,829	787,829	5,353	793,182
Other comprehensive income	-	-	-	-	-	-	12,048	313,473	(243,528)	(38,848)	(4,207)	-	38,938	1,089	40,027
Total comprehensive income	-	-	-	-	-	-	12,048	313,473	(243,528)	(38,848)	(4,207)	787,829	826,767	6,442	833,209
Declared and paid dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(511,788)	(511,788)	-	(511,788)
Purchase of treasury stock, Note 13(b)	-	(938)	-	(80,946)	-	-	-	-	-	-	-	-	(80,946)	-	(80,946)
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,242)	(4,242)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(32,476)	-	-	-	-	32,476	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	(5,108)	(5,108)	(65)	(5,173)
Balances as of September 30, 2023	115,447	(967)	1,038,017	(84,309)	532,771	6,000,000	(67,191)	(2,107,336)	1,467,965	(48,110)	206,713	2,638,933	9,577,453	55,854	9,633,307

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of cash flows

For the nine-month periods ended September 30, 2023 and 2022

	30.09.2023	Restated (Note 3.3.3) 30.09.2022
	S/(000)	S/(000)
Cash flows from operating activities		
Net profit for the period	793,182	1,269,977
Plus (minus) adjustments to net profit		
Impairment loss on loans, net of recoveries	1,365,627	552,507
Loss due to impairment of financial investments	8,281	4,574
Depreciation and amortization	279,461	243,790
Provision for sundry risks	3,237	7,376
Deffered Income Tax	28,266	(47,980)
Net (gain) loss on sale of financial investments	(8,850)	8,283
Net loss of financial assets at fair value through profit or loss	49,585	291,790
Net loss (gain) for valuation of investment property	6,933	(28,750)
Profit on sale of property, furniture and equipment	(15,300)	-
Exchange difference	9,931	74,289
(Increase) decrease in accrued interest receivable	(6,690)	10,742
Increase (decrease) in accrued interest payable	232,846	(2,589)
Net changes in assets and liabilities		
Net increase in loan portfolio	(2,813,736)	(2,542,065)
Net decrease (increase) in other accounts receivable and other assets	16,746	(386,018)
Net decrease in restricted funds	70,252	347,791
Increase in deposits and obligations	313,316	382,134
Increase (decrease) in due to banks and correspondents	2,379,563	(314,532)
Increase in other accounts payable, provisions and other liabilities	232,890	708,889
Decrease of investments at fair value through profit or loss	304,129	159,469
Net cash provided by operating activities	3,249,669	739,677

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

Interim consolidated statement of cash flows (continued)

	30.09.2023	Restated (Note 3.3.3) 30.09.2022
	S/(000)	S/(000)
Cash flows from investing activities		
Purchase of investments at fair value through other comprehensive income and at amortized cost	(2,975,291)	(3,617,888)
Purchase of property, furniture and equipment	(108,374)	(90,551)
Purchase of intangible assets	(176,746)	(130,260)
Purchase of investment property	(13,957)	(21,044)
Sale of property, furniture and equipment	32,667	-
Net cash used in investing activities	(3,241,701)	(3,859,743)
Cash flows from financing activities		
Dividends paid	(511,788)	(751,532)
Payments of bonds, notes and other obligations	(1,999,131)	(137,900)
Net decrease in receivable inter-bank funds	170,216	30,002
Net increase in payable inter-bank funds	421,058	294,051
Purchase of treasury stock, net	(80,946)	-
Dividend payments to non-controlling interest	(4,242)	(4,509)
Lease payments	(161,414)	(116,388)
Net cash used in financing activities	(2,166,247)	(686,276)
Net decrease in cash and cash equivalents	(2,158,279)	(3,806,342)
Translation gain (loss) on cash and cash equivalents	6,287	(18,392)
Cash and cash equivalents at the beginning of the period	12,707,776	16,416,311
Cash and cash equivalents at the end of the period	10,555,784	12,591,577

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

Intercorp Financial Services Inc. and Subsidiaries

Notes to the interim consolidated financial statements

As of September 30, 2023 and December 31, 2022

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 September 30, 2023, Intercorp Peru holds directly and indirectly 71.44 percent of the issued capital stock of IFS, equivalent to 71.20 percent of the outstanding capital stock of IFS (70.65 percent of the issued capital stock, equivalent to 70.64 percent of the outstanding capital stock as of December 31, 2022).

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

As of September 30, 2023 and December 31, 2022, 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.

As explained in Note 3.3.3, the consolidated financial statements as of December 31, 2022, January 1, 2022 and for the nine-month periods ended September 30, 2022 have been restated as a result of IFRS 17 "Insurance Contract" first adoption and are part of the accompanying interim consolidated financial statements, which have been approved by the Audit Committee and Board Meeting in sessions held on November 06 and 08, 2023, respectively. On the other hand, the audited consolidated financial statements as of December 31, 2022 (henceforth, Annual Consolidated Financial Statements) were approved by the General Shareholders' Meeting held on March 31, 2023.

(b) Political 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.

Notes to the interim consolidated financial statements (continued)

(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 the National State of Health Emergency was derogated at 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 levels before the pandemic.

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

During 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 (“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 on Interbank. During 2020, and in response to the Covid-19 crisis, Interbank offered its clients several payment rescheduling options. As of September 30, 2023 and December 31, 2022, the balance of rescheduled loans amounted to S/4,165,806,000 and S/5,048,978,000, respectively.

On the other hand, under the program “Reactiva Peru”, Interbank granted loans for S/6,617,142,000. As of September 30, 2023, the balance of loans granted under this program amounts to S/1,021,715,000, including accrued interest for S/46,453,000. As of this date, the amount covered by the guarantee of the Peruvian Government was S/835,699,000 (as of December 31, 2022, the balance was S/2,357,201,000, including accrued interest for S/57,254,000; while the amount covered by the guarantee of the Peruvian Government was S/2,040,379,000). It should be noted that during 2023 and 2022, Interbank made rescheduling for the “Reactiva Peru” program for an amount of approximately S/25,691,000 and S/133,046,000, respectively. As of September 30, 2023 and December 31, 2022, the balance of rescheduled loans under the “Reactiva Peru” program amounts to approximately S/917,028,000 and S/1,473,770,000, respectively.

Additionally, during 2022, 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 245,000 clients withdrew the approximate sum of S/589,238,000 during the year 2023 (261,000 clients withdrew the approximate sum of S/767,470,000 during the year 2022).

Notes to the interim consolidated financial statements (continued)

- (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.

As a result of the acquisition and pursuant to the accounting regulation in force, the previous participation was adjusted to its fair value with an effect of S/222,513,000 and recorded in the Company results in September 2022 and which is presented in the item “Other income and (expenses)” of the interim consolidated statement of income, see Note 17.

2. Subsidiaries

IFS’s Subsidiaries are the following:

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

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

As of September 30, 2023, Interbank had 153 offices (164 offices as of December 31, 2022). 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 September 30, 2023 and December 31, 2022, amounted to S/86,993,000 and S/93,994,000, 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

Notes to the interim consolidated financial statements (continued)

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 September 30, 2023 and December 31, 2022, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendencia 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 September 30, 2023 and December 31, 2022, 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 year 2017. In April 2021, Negocios e Inmuebles S.A. (absorbing company) merged with Holding Retail Peru S.A. (absorbed company), the latter being extinguished without liquidation. As of September 30, 2023 and December 31, 2022, 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) -

As indicated in Note 1(d), both companies were acquired in April 2022. 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 the processing service, through the issuer role, to entities of the financial system. Izipay is dedicated to the facilitation of payments and services, offering its services of technological, operating and safety infrastructure through the affiliation of commercial stores, as

Notes to the interim consolidated financial statements (continued)

well as installation and maintenance of infrastructure for transactions through the electronic commerce modality, interconnected with the networks of payment methods processors.

As explained in Note 1(d), in April 2022, IFS acquired control of Izipay, becoming it its Subsidiary. Since then 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 interim consolidated financial statements.

3. Significant accounting policies and first adoption of International Financial Reporting Standard No. 17 "Insurance Contracts"

3.1 Basis of presentation and use of estimates -

The interim consolidated financial statements as of September 30, 2023 and December 31, 2022, have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the IFS's Audited Consolidated Financial Statements as of December 31, 2022 and 2021 (henceforth "Annual Consolidated Financial Statements"), given into account Note 3.3.3 below.

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

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

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

3.2 Basis of consolidation -

The interim consolidated financial statements of IFS comprise the financial statements of Intercorp Financial Services Inc. and Subsidiaries. The method adopted by IFS to consolidate financial information with its Subsidiaries is described in Note 3.3 to the Annual Consolidated Financial Statements and has not changed since then.

Notes to the interim consolidated financial statements (continued)

Some amounts of the interim consolidated statement of income as of September 30, 2022, have been reclassified in order to make them comparable with the presentation as of September 30, 2023. In Management's opinion, the reclassifications made in the consolidated financial statements as of September 30, 2022, are not significant considering the interim consolidated financial statements as a whole.

3.3 First adoption of the International Financial Reporting Standard No. 17 "Insurance Contracts" (henceforth IFRS 17) – Since January 1, 2023, Interseguro adopted IFRS 17, which replaces IFRS 4 "Insurance Contracts".

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 (fulfillment cash flow, or "FCF") that incorporates all available information about the fulfillment 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.

Notes to the interim consolidated financial statements (continued)

(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:

- Estimation of the future cash flows for the asset or liability subject to valuation.
- Expectations of possible variations in the amount and the cash flows calendar that represent the uncertainty inherent to cash flows.
- 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).
- 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).

As a result of the first adoption of IFRS 17, the impact on the net equity of the Company as of January 1, 2022 (transition date), amounted to S/820,534,000, as shown below:

	IFRS 4	Reclassifications for first adoption of IFRS 17	Adjustments for first adoption of IFRS 17	IFRS 17
	Balance	Total	Total	Balance
	S/(000)	S/(000)	S/(000)	S/(000)
Assets				
Cash and due from banks	17,104,465	-	-	17,104,465
Inter-bank funds	30,002	-	-	30,002
Financial investments	24,547,294	-	-	24,547,294
Loans, net of unearned interest	45,070,500	-	-	45,070,500
Impairment allowance for loans	(2,064,917)	-	-	(2,064,917)
Loans, net	43,005,583	-	-	43,005,583
Investment property	1,224,454	-	-	1,224,454
Property, furniture and equipment, net	815,118	-	-	815,118
Due from customers on acceptances	152,423	-	-	152,423
Intangibles and goodwill, net	1,044,749	-	-	1,044,749
Other accounts receivable and other assets, net	1,887,454	-	(52,971)	1,834,483
Insurance and reinsurance contract assets	-	-	52,978	52,978
Deferred Income Tax asset, net	142,367	-	-	142,367
Total assets	89,953,909	-	7	89,953,916
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	9,359	820,541	12,787,958
Other accounts payable, provisions and other liabilities	2,477,601	(9,359)	-	2,468,242
Total liabilities	80,398,547	-	820,541	81,219,088
Equity, net				
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	5,200,000	-	-	5,200,000
Unrealized results, net	(168,300)	-	(134,177)	(302,477)
Retained earnings	2,904,912	-	(685,010)	2,219,902
	9,504,037	-	(819,187)	8,684,850
Non-controlling interest	51,325	-	(1,347)	49,978
Total equity, net	9,555,362	-	(820,534)	8,734,828
Total liabilities and equity, net	89,953,909	-	7	89,953,916

As a result of the first adoption of IFRS 17, the impact on the net equity of the Company as of December 31, 2022, amounted to S/643,704,000, as is made up as follows:

Notes to the interim consolidated financial statements (continued)

	IFRS 4	Reclassifications for first adoption of IFRS 17	Adjustments for first adoption of IFRS 17	IFRS 17
	Balance S/(000)	Total S/(000)	Total S/(000)	Balance S/(000)
Assets				
Cash and due from banks	13,193,411	-	-	13,193,411
Inter-bank funds	296,119	-	-	296,119
Financial investments	22,787,598	-	-	22,787,598
Loans, net of unearned interest	47,530,853	-	-	47,530,853
Impairment allowance for loans	(2,027,855)	-	-	(2,027,855)
Loans, net	45,502,998	-	-	45,502,998
Investment property	1,287,717	-	-	1,287,717
Property, furniture and equipment, net	791,432	-	-	791,432
Due from customers on acceptances	45,809	-	-	45,809
Intangibles and goodwill, net	1,633,202	-	-	1,633,202
Other accounts receivable and other assets, net	1,778,559	-	(34,596)	1,743,963
Insurance and reinsurance contract assets	-	-	30,577	30,577
Deferred Income Tax asset, net	165,787	-	-	165,787
Total assets	87,482,632	-	(4,019)	87,478,613
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	9,768	639,685	11,251,825
Other accounts payable, provisions and other liabilities	3,138,932	(9,768)	-	3,129,164
Deferred Income Tax liability, net	81,899	-	-	81,899
Total liabilities	77,436,681	-	639,685	78,076,366
Equity, net				
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	-	-	6,000,000
Unrealized results, net	(613,280)	-	58,859	(554,421)
Retained earnings	3,037,030	-	(701,506)	2,335,324
	9,991,175	-	(642,647)	9,348,528
Non-controlling interest	54,776	-	(1,057)	53,719
Total equity, net	10,045,951	-	(643,704)	9,402,247
Total liabilities and equity, net	87,482,632	-	(4,019)	87,478,613

The reconciliation between the book values according to IFRS 4 and the balances reported according to IFRS 17 is presented below, for the nine-month periods ended September 30, 2022:

	IFRS 4	Adjustments for first adoption of IFRS 17	IFRS 17
	Balance	Total	Balance
	S/(000)	S/(000)	S/(000)
Interest and similar income	4,187,331	-	4,187,331
Interest and similar expenses	<u>(1,126,675)</u>	433	<u>(1,126,242)</u>
Net interest and similar income	3,060,656	433	3,061,089
Impairment loss on loans, net of recoveries	(552,507)	-	(552,507)
Recovery due to impairment of financial investments	<u>(4,574)</u>	-	<u>(4,574)</u>
Net interest and similar income after impairment loss	2,503,575	433	2,504,008
Fee income from financial services, net	814,138	-	814,138
Net gain on foreign exchange transactions	266,816	-	266,816
Net loss on sale of financial investments	(8,283)	-	(8,283)
Net loss on financial assets at fair value through profit or loss	(291,790)	-	(291,790)
Net gain on investment property	78,903	-	78,903
Other income	<u>359,883</u>	<u>(20)</u>	<u>359,863</u>
	<u>1,219,667</u>	<u>(20)</u>	<u>1,219,647</u>
Insurance premiums and claims			
Net premiums earned	512,435	(512,435)	-
Net claims and benefits incurred for life insurance contracts and others	<u>(636,127)</u>	<u>636,127</u>	<u>-</u>
	<u>(123,692)</u>	<u>123,692</u>	<u>-</u>
Result from insurance activities, before expenses	<u>-</u>	<u>(125,842)</u>	<u>(125,842)</u>
Other expenses			
Salaries and employee benefits	(661,813)	-	(661,813)
Administrative expenses	(848,292)	-	(848,292)
Depreciation and amortization	(243,790)	-	(243,790)
Other expenses	<u>(185,310)</u>	42,416	<u>(142,894)</u>
	<u>(1,939,205)</u>	42,416	<u>(1,896,789)</u>
Income before translation result and Income Tax	1,660,345	40,679	1,701,024
Exchange difference	(35,575)	(38,714)	(74,289)
Income Tax	<u>(356,758)</u>	-	<u>(356,758)</u>
Net profit for the period	<u>1,268,012</u>	<u>1,965</u>	<u>1,269,977</u>
Attributable to:			
IFS's shareholders	1,260,555	1,961	1,262,516
Non-controlling interest	<u>7,457</u>	<u>4</u>	<u>7,461</u>
	<u>1,268,012</u>	<u>1,965</u>	<u>1,269,977</u>
Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles)	<u>10.922</u>		<u>10.939</u>
Weighted average number of outstanding shares (in thousands)	<u>115,418</u>		<u>115,418</u>

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

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

	30.09.2023 S/(000)	31.12.2022 S/(000)
Cash and clearing (b)	2,201,007	2,865,251
Deposits in the BCRP (b)	6,232,209	6,918,526
Deposits in banks (c)	2,122,568	2,923,999
Accrued interest	25,770	17,391
	<u>10,581,554</u>	<u>12,725,167</u>
Restricted funds (d)	398,983	468,244
	<u>10,980,537</u>	<u>13,193,411</u>
Total	10,980,537	13,193,411

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

(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:

	30.09.2023 S/(000)	31.12.2022 S/(000)
Legal reserve (*)		
Deposits in the BCRP	4,035,169	6,055,726
Cash in vaults	2,200,948	2,719,277
Subtotal legal reserve	<u>6,236,117</u>	<u>8,775,003</u>
Non-mandatory reserve		
Term deposits in BCRP (**)	1,514,300	100,000
Overnight deposit in BCRP (***)	682,740	762,800
Cash and clearing	-	145,903
Subtotal non-mandatory reserve	<u>2,197,040</u>	<u>1,008,703</u>
Cash balances not subject to legal reserve	<u>59</u>	<u>71</u>
Total	8,433,216	9,783,777

(*) 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"). As of September 30, 2023 and December 31, 2022, the excess in foreign currency accrued interest at an annual average rate of 4.82 and 3.79 percent, respectively. During 2023 and 2022, Interbank did not maintain excess reserves in national currency.

Notes to the interim consolidated financial statements (continued)

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 September 30, 2023, corresponds to three term deposits in local currency held by Interbank maintained in the BCRP, matured in October 2023, and accrued interest at an annual interest rate of 7.47 percent (one term deposit in local currency that Interbank maintained in the BCRP, matured in January 2023, and accrued interest at an annual interest rate of 7.50 percent, as of December 31, 2022).

(***) As of September 30, 2023, corresponds to an overnight deposit in foreign currency for US\$180,000,000 (approximately equivalent to S/682,740,000) in the BCRP, with maturity in the first days of October 2023 and accrued interest at an annual interest rate of 5.34 percent (one 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 at an annual interest rate of 4.39 percent, as of December 31, 2022).

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

(d) The Group maintains restricted funds related to:

	30.09.2023	31.12.2022
	S/(000)	S/(000)
Inter-bank transfers (*)	352,673	431,052
Derivative financial instruments, Note 8(b)	43,958	34,784
Others	2,352	2,408
Total	398,983	468,244

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

(e) Inter-bank funds -

These are loans made between financial institutions with maturity, in general, minor than 30 days and do not have specific guarantees. As of September 30, 2023, Inter-bank funds assets and liabilities accrue interest at an annual rate of 7.50 percent in local currency and 5.50 percent in foreign currency (annual rate of 7.50 percent in local currency for Inter-bank funds assets and liabilities, as of December 31, 2022).

Notes to the interim consolidated financial statements (continued)

5. Financial investments

(a) This caption is made up as follows, as of September 30, 2023 and December 31, 2022:

	30.09.2023 S/(000)	31.12.2022 S/(000)
Financial investments		
Debt instruments measured at fair value through other comprehensive income (b) and (c)	19,982,550	16,716,517
Investments at amortized cost (d)	3,279,129	3,231,139
Investments at fair value through profit or loss (e)	1,524,891	1,932,993
Equity instruments measured at fair value through other comprehensive income (f)	453,227	512,884
Total	<u>25,239,797</u>	<u>22,393,533</u>
Accrued income		
Debt instruments measured at fair value through other comprehensive income (b)	207,915	322,425
Investments at amortized cost (d)	36,443	71,640
Total	<u>25,484,155</u>	<u>22,787,598</u>

Notes to the interim consolidated financial statements (continued)

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

	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Maturity	Annual effective interest rates				
		Gains S/(000)	Losses (c) S/(000)			S/		US\$		
						Min %	Max %	Min %	Max %	
As of September 30, 2023										
Corporate, leasing and subordinated bonds (*)	9,443,948	10,274	(1,228,213)	8,226,009	Oct-23 / Feb-97	2.72	14.52	6.35	17.00	
Sovereign Bonds of the Republic of Peru	8,279,725	348	(898,433)	7,381,640	Aug-24 / Feb-55	1.91	7.50	-	-	
Negotiable Certificates of Deposit issued by the Central Reserve Bank of Peru	3,255,652	125	(255)	3,255,522	Oct-23 / Sep-24	6.57	7.20	-	-	
Bonds guaranteed by the Peruvian Government	491,973	2,253	(15,063)	479,163	Oct-24 / Oct-33	3.54	5.21	7.82	8.38	
Global Bonds of the Republic of Peru	511,609	-	(48,178)	463,431	Jul-25 / Dec-32	-	-	5.55	5.97	
Treasury Bonds of the United States of America	93,173	-	(5,135)	88,038	Nov-31 / Aug-33	-	-	4.56	4.58	
Sovereign Bonds of the United States of America	45,916	-	(145)	45,771	Oct-23 / Feb-32	-	-	5.38	5.47	
Other	46,740	-	(3,764)	42,976	Feb-24 / Feb-34	-	-	5.12	6.54	
Total	22,168,736	13,000	(2,199,186)	19,982,550						
Accrued interest				207,915						
Total				20,190,465						
As of December 31, 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						

(*) As of September 30, 2023 and December 31, 2022, Inteligo holds corporate bonds from several entities for approximately S/111,865,000 and S/116,603,000, respectively, which guarantee loans with Bank J. Safra Sarasin, see Note 11(a).

Notes to the interim consolidated financial statements (continued)

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

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

	<u>30.09.2023</u>	<u>31.12.2022</u>	<u>30.09.2022</u>
	S/(000)	S/(000)	S/(000)
Expected credit loss at the beginning of the period	53,974	41,108	41,108
New assets originated or purchased	1,292	3,132	2,929
Assets derecognized or matured	(922)	(462)	(181)
Effect on the expected credit loss due to the change of the stage during the year	324	15,548	6,820
Loss (reversal) for impairment	9,903	(3,651)	(3,688)
Others	<u>(2,316)</u>	<u>(1,817)</u>	<u>(1,306)</u>
Period movement	8,281	12,750	4,574
Effect of foreign exchange variation	<u>(187)</u>	<u>116</u>	<u>417</u>
Expected credit loss at the end of the period	<u>62,068</u>	<u>53,974</u>	<u>46,099</u>

- (d) As of September 30, 2023, investments at amortized cost corresponds to Sovereign Bonds of the Republic of Peru issued in Soles, for an amount of S/3,236,616,000 and term deposits issued mainly in Soles, for an amount of S/78,956,000, including accrued interest (as of December 31, 2022 corresponds to sovereign bonds of the Republic of Peru issued in Soles, for an amount of S/3,302,779,000).

As of September 30, 2023, the sovereign bonds of the Republic of Peru and time deposits have maturity dates that range from August 2024 to August 2037, have accrued interest at effective annual rates ranging from 3.10 percent and 8.80 percent, and estimated fair value amounting to approximately S/3,094,572,000 (as of December 31, 2022, their maturity dates ranged from September 2023 to August 2037, accrued interest at effective annual rates between 4.29 percent and 6.64 percent, and its estimated fair value amounted to approximately S/2,949,507,000).

As of September 30, 2023 and December 31, 2022, Interbank keeps loans with the BCRP and with foreign banks that are guaranteed with these sovereign bonds, classified as restricted, for approximately S/2,518,335,000 and S/2,310,536,000, respectively; see Note 11(a).

Notes to the interim consolidated financial statements (continued)

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

	30.09.2023 S/(000)	31.12.2022 S/(000)
Equity instruments		
Local and foreign mutual funds and investment funds participations	1,154,047	1,517,075
Listed shares	255,028	315,820
Non-listed shares	79,846	74,430
Debt Instruments		
Corporate, leasing and subordinated bonds	32,008	25,668
Indexed Certificates of Deposit	3,962	-
Total	<u>1,524,891</u>	<u>1,932,993</u>

As of September 30, 2023 and December 31, 2022, investments at fair value through profit or loss include investments held for trading for approximately S/195,935,000 and S/209,549,000, respectively; and those assets that are necessarily measured at fair value through profit or loss for approximately S/1,328,956,000 and S/1,723,444,000, respectively.

- (f) As of September 30, 2023 and December 31, 2022, the composition of equity instruments measured at fair value through other comprehensive income is as follow:

	30.09.2023 S/(000)	31.12.2022 S/(000)
Listed shares (g)	413,419	474,588
Non-listed shares	39,808	38,296
Total	<u>453,227</u>	<u>512,884</u>

As of September 30, 2023 and December 31, 2022, it corresponds mainly 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.

Notes to the interim consolidated financial statements (continued)

- (g) Below are the debt instruments measured at fair value through other comprehensive income and at amortized cost according to the stages indicated by IFRS 9 as of September 30, 2023 and December 31, 2022:

Debt instruments measured at fair value through other comprehensive income and at amortized cost	30.09.2023			
	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Sovereign Bonds of the Republic of Peru	10,584,949	-	-	10,584,949
Corporate, leasing and subordinated bonds	7,405,495	818,855	1,659	8,226,009
Negotiable Certificates of Deposit issued by the BCRP	3,255,522	-	-	3,255,522
Bonds guaranteed by the Peruvian government	479,163	-	-	479,163
Global Bonds of the Republic of Peru	463,431	-	-	463,431
Treasury Bonds of the United States of America	88,038	-	-	88,038
Sovereign Bonds of the United States of America	45,771	-	-	45,771
Others	90,616	28,180	-	118,796
Total	22,412,985	847,035	1,659	23,261,679

Debt instruments measured at fair value through other comprehensive income and at amortized cost	31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	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

Notes to the interim consolidated financial statements (continued)

6. Loans, net

(a) This caption is made up as follows:

	30.09.2023 S/(000)	31.12.2022 S/(000)
Direct loans		
Loans (*)	36,624,818	35,977,734
Credit cards and other loans (**)	6,553,817	6,239,314
Leasing	1,457,730	1,174,542
Factoring	1,088,430	1,011,496
Discounted notes	1,013,551	894,588
Advances and overdrafts	35,639	38,763
Refinanced loans	403,760	322,941
Past due and under legal collection loans	1,571,411	1,365,972
	<u>48,749,156</u>	<u>47,025,350</u>
Plus (minus)		
Accrued interest from performing loans	675,633	527,615
Unearned interest and interest collected in advance	(45,031)	(22,112)
Impairment allowance for loans (d)	(2,301,886)	(2,027,855)
	<u>47,077,872</u>	<u>45,502,998</u>
Indirect loans	<u>4,481,948</u>	<u>4,487,347</u>

(*) As of September 30, 2023 and December 31, 2022, Interbank maintains repo operations of loans represented in securities according to the BCRP's definition. In consequence, loans provided as guarantee amount to S/690,246,000 and S/1,909,375,000, respectively, and are presented in the caption "Loan, net", and the related liability is presented in the caption "Due to banks and correspondents" of the interim consolidated statement of financial position; see Note 11(b).

(**) As of September 30, 2023 and December 31, 2022, it includes non-revolving consumer loans related to credit card lines for approximately S/3,459,624,000 and S/3,225,874,000, respectively.

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

	30.09.2023 S/(000)	31.12.2022 S/(000)
Commercial loans (c.1)	21,308,006	21,412,126
Consumer loans (c.1)	16,685,006	14,967,799
Mortgage loans (c.1)	9,708,174	9,286,944
Small and micro-business loans (c.1)	1,047,970	1,358,481
Total	<u>48,749,156</u>	<u>47,025,350</u>

Notes to the interim consolidated financial statements (continued)

Following is the balance of loans under the “Reactiva Peru” program as of September 30, 2023 and December 31, 2022:

	30.09.2023	31.12.2022
	S/(000)	S/(000)
Commercial loans	677,787	1,704,203
Small and micro-business loans	297,475	595,744
Total	975,262	2,299,947

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 interim 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 September 30, 2023 and December 31, 2022. The amounts presented do not consider impairment.

Direct loans, (c.1)	30.09.2023				31.12.2022			
	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	36,288,432	1,677,500	-	37,965,932	35,613,991	1,111,421	-	36,725,412
Standard grade	3,406,063	915,951	-	4,322,014	4,282,904	835,217	-	5,118,121
Sub-standard grade	878,249	1,274,997	-	2,153,246	776,603	940,391	-	1,716,994
Past due but not impaired	1,371,106	1,493,671	-	2,864,777	1,124,557	1,150,139	-	2,274,696
Impaired								
Individually	-	-	36,211	36,211	-	-	45,907	45,907
Collectively	-	-	1,406,976	1,406,976	-	-	1,144,220	1,144,220
Total direct loans	41,943,850	5,362,119	1,443,187	48,749,156	41,798,055	4,037,168	1,190,127	47,025,350

Contingent Credits: Guarantees and stand-by letters, Import and export letters of credit (substantially, all indirect loans correspond to commercial loans)	30.09.2023				31.12.2022			
	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	3,939,675	419,382	-	4,359,057	3,945,307	402,336	-	4,347,643
Standard grade	28,334	35,733	-	64,067	12,083	39,541	-	51,624
Sub-standard grade	3,348	39,124	-	42,472	2,051	59,953	-	62,004
Past due but not impaired	-	-	-	-	-	-	-	-
Impaired								
Individually	-	-	6,227	6,227	-	-	9,330	9,330
Collectively	-	-	10,125	10,125	-	-	16,746	16,746
Total indirect loans	3,971,357	494,239	16,352	4,481,948	3,959,441	501,830	26,076	4,487,347

Notes to the interim consolidated financial statements (continued)

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

	30.09.2023				31.12.2022			
Commercial loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	15,858,824	1,475,373	-	17,334,197	16,213,146	914,480	-	17,127,626
Standard grade	1,372,367	320,333	-	1,692,700	1,991,637	230,180	-	2,221,817
Sub-standard grade	413,925	240,475	-	654,400	380,679	171,648	-	552,327
Past due but not impaired	812,401	356,725	-	1,169,126	704,067	398,185	-	1,102,252
Impaired								
Individually	-	-	36,211	36,211	-	-	45,907	45,907
Collectively	-	-	421,372	421,372	-	-	362,197	362,197
Total direct loans	18,457,517	2,392,906	457,583	21,308,006	19,289,529	1,714,493	408,104	21,412,126

	30.09.2023				31.12.2022			
Consumer loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	12,200,455	183,949	-	12,384,404	11,331,807	181,066	-	11,512,873
Standard grade	1,232,488	586,716	-	1,819,204	1,139,837	579,625	-	1,719,462
Sub-standard grade	91,446	719,520	-	810,966	60,415	542,841	-	603,256
Past due but not impaired	222,516	845,077	-	1,067,593	153,865	526,042	-	679,907
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	602,839	602,839	-	-	452,301	452,301
Total direct loans	13,746,905	2,335,262	602,839	16,685,006	12,685,924	1,829,574	452,301	14,967,799

Notes to the interim consolidated financial statements (continued)

	30.09.2023				31.12.2022			
	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	7,685,444	12,834	-	7,698,278	7,490,495	1,033	-	7,491,528
Standard grade	590,030	563	-	590,593	667,599	15,411	-	683,010
Sub-standard grade	372,551	271,626	-	644,177	334,967	200,226	-	535,193
Past due but not impaired	294,426	213,003	-	507,429	205,728	132,958	-	338,686
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	267,697	267,697	-	-	238,527	238,527
Total direct loans	<u>8,942,451</u>	<u>498,026</u>	<u>267,697</u>	<u>9,708,174</u>	<u>8,698,789</u>	<u>349,628</u>	<u>238,527</u>	<u>9,286,944</u>

	30.09.2023				31.12.2022			
	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	543,709	5,344	-	549,053	578,543	14,842	-	593,385
Standard grade	211,178	8,339	-	219,517	483,831	10,001	-	493,832
Sub-standard grade	327	43,376	-	43,703	542	25,676	-	26,218
Past due but not impaired	41,763	78,866	-	120,629	60,897	92,954	-	153,851
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	115,068	115,068	-	-	91,195	91,195
Total direct loans	<u>796,977</u>	<u>135,925</u>	<u>115,068</u>	<u>1,047,970</u>	<u>1,123,813</u>	<u>143,473</u>	<u>91,195</u>	<u>1,358,481</u>

Notes to the interim consolidated financial statements (continued)

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

(d.1) Direct loans

Changes in the allowance for expected credit losses for direct loans, see (d.1.1)	30.09.2023				30.09.2022				31.12.2022
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year balances	608,558	737,286	682,011	2,027,855	956,456	404,881	703,580	2,064,917	2,064,917
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	458,367	-	-	458,367	427,641	-	-	427,641	503,454
Assets matured or derecognized (excluding write-offs)	(116,438)	(47,522)	(21,016)	(184,976)	(80,194)	(40,384)	(27,361)	(147,939)	(713,843)
Transfers to Stage 1	92,956	(90,510)	(2,446)	-	131,173	(128,787)	(2,386)	-	-
Transfers to Stage 2	(244,136)	252,515	(8,379)	-	(245,524)	256,359	(10,835)	-	-
Transfers to Stage 3	(87,868)	(240,445)	328,313	-	(72,667)	(209,469)	282,136	-	-
Impact on the expected credit loss for credits that change stage in the period (*)	(77,167)	307,187	894,895	1,124,915	(106,426)	231,696	271,195	396,465	387,272
Others (**)	(71,866)	(127,806)	187,201	(12,471)	(364,087)	95,918	145,370	(122,799)	659,674
Total	(46,152)	53,419	1,378,568	1,385,835	(310,084)	205,333	658,119	553,368	836,557
Write-offs	-	-	(1,217,964)	(1,217,964)	-	-	(699,194)	(699,194)	(1,021,539)
Recovery of written-off loans	-	-	105,115	105,115	-	-	117,123	117,123	155,070
Foreign exchange effect	91	53	901	1,045	(216)	(355)	(898)	(1,469)	(7,150)
Expected credit loss at the end of period	562,497	790,758	948,631	2,301,886	646,156	609,859	778,730	2,034,745	2,027,855

(*) During 2023 and 2022, 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, therefore a higher expected loss was recorded.

(**) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning and the end of the period (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 interim 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:

	30.09.2023				30.09.2022				31.12.2022
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Commercial loans									
Expected credit loss at beginning of year	45,474	47,311	154,299	247,084	100,874	60,100	182,467	343,441	343,441
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	31,384	-	-	31,384	31,242	-	-	31,242	33,506
Assets derecognized or matured (excluding write-offs)	(24,264)	(6,151)	(2,186)	(32,601)	(10,053)	(7,259)	(9,137)	(26,449)	(149,378)
Transfers to Stage 1	3,102	(2,811)	(291)	-	31,051	(30,398)	(653)	-	-
Transfers to Stage 2	(18,110)	19,021	(911)	-	(19,273)	20,155	(882)	-	-
Transfers to Stage 3	(7,472)	(18,393)	25,865	-	(2,827)	(49,780)	52,607	-	-
Impact on the expected credit loss for credits that change stage in the period (*)	(2,126)	7,399	33,544	38,817	(26,476)	14,466	(5,006)	(17,016)	(9,787)
Others (**)	12,843	6,358	2,019	21,220	(18,025)	60,503	(25,912)	16,566	97,276
Total	(4,643)	5,423	58,040	58,820	(14,361)	7,687	11,017	4,343	(28,383)
Write-offs	-	-	(49,269)	(49,269)	-	-	(57,319)	(57,319)	(68,362)
Recovery of written-off loans	-	-	4,248	4,248	-	-	1,076	1,076	5,942
Foreign exchange effect	85	64	701	850	(361)	(409)	(664)	(1,434)	(5,554)
Expected credit loss at the end of period	40,916	52,798	168,019	261,733	86,152	67,378	136,577	290,107	247,084
	30.09.2023				30.09.2022				31.12.2022
Consumer loans	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at beginning of year	534,005	657,474	430,902	1,622,381	802,421	263,219	336,041	1,401,681	1,401,681
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	408,602	-	-	408,602	357,570	-	-	357,570	438,109
Assets derecognized or matured (excluding write-offs)	(74,463)	(40,219)	(9,536)	(124,218)	(66,676)	(29,009)	(7,976)	(103,661)	(386,494)
Transfers to Stage 1	82,643	(81,363)	(1,280)	-	50,251	(49,205)	(1,046)	-	-
Transfers to Stage 2	(213,289)	218,134	(4,845)	-	(203,559)	207,111	(3,552)	-	-
Transfers to Stage 3	(68,671)	(201,203)	269,874	-	(63,677)	(108,165)	171,842	-	-
Impact on the expected credit loss for loans that change stage in the period (*)	(69,005)	279,380	784,771	995,146	(39,514)	197,581	355,869	513,936	422,247
Others (**)	(101,933)	(139,721)	194,957	(46,697)	(334,337)	(1,825)	93,664	(242,498)	493,030
Total	(36,116)	35,008	1,233,941	1,232,833	(299,942)	216,488	608,801	525,347	966,892
Write-offs	-	-	(1,101,742)	(1,101,742)	-	-	(590,302)	(590,302)	(886,200)
Recovery of written-off loans	-	-	93,415	93,415	-	-	109,176	109,176	140,438
Foreign exchange effect	-	(19)	(59)	(78)	1	33	4	38	(430)
Expected credit loss at the end of period	497,889	692,463	656,457	1,846,809	502,480	479,740	463,720	1,445,940	1,622,381

(*) During 2023 and 2022, 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, therefore a higher expected loss was recorded.

(**) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning and the end of the period (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 interim consolidated financial statements (continued)

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

Changes in the allowance for expected credit losses for indirect loans	30.09.2023				30.09.2022				31.12.2022
	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Total S(000)
Expected credit loss at beginning of year balances	8,354	18,205	8,936	35,495	8,594	18,492	13,243	40,329	40,329
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	2,884	-	-	2,884	5,802	-	-	5,802	5,615
Assets derecognized or matured	(1,656)	(4,070)	(323)	(6,049)	(4,540)	(1,692)	(924)	(7,156)	(13,095)
Transfers to Stage 1	283	(283)	-	-	105	(105)	-	-	-
Transfers to Stage 2	(1,078)	2,718	(1,640)	-	(793)	793	-	-	-
Transfers to Stage 3	(16)	(59)	75	-	-	(41)	41	-	-
Impact on the expected credit loss for credits that change stage in the period (*)	(198)	(1,196)	726	(668)	(81)	687	(101)	505	1,161
Others (**)	(3,487)	(12,596)	(292)	(16,375)	691	(165)	(538)	(12)	313
Total	(3,268)	(15,486)	(1,454)	(20,208)	1,184	(523)	(1,522)	(861)	(6,006)
Foreign exchange effect	(26)	(8)	-	(34)	194	1,061	(8)	1,247	1,172
Expected credit loss at the end of period, Note 8(a)	5,060	2,711	7,482	15,253	9,972	19,030	11,713	40,715	35,495

(*) During 2023 and 2022, 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, therefore a higher expected loss was recorded.

(**) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning and the end of the period (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 interim consolidated financial statements (continued)

7. Investment property

(a) This caption is made up as follows:

	30.09.2023 S/(000)	31.12.2022 S/(000)	Acquisition or construction year	Valuation methodology as of September 30, 2023 and December 31, 2022
Land				
San Isidro - Lima	265,547	264,868	2009	Appraisal
San Martín de Porres - Lima	79,504	88,182	2015	Appraisal
Nuevo Chimbote	33,561	33,747	2021	Appraisal
Santa Clara - Lima	26,862	26,352	2017	Appraisal
Sullana	22,628	22,689	2012	Appraisal
Others	8,903	8,716	-	Appraisal / Cost
	<u>437,005</u>	<u>444,554</u>		
Completed investment property - "Real Plaza" shopping malls				
Talara	34,579	43,728	2015	DCF
	<u>34,579</u>	<u>43,728</u>		
Buldings				
Ate Vitarte - Lima	154,101	149,720	2006	DCF/Appraisal
Orquídeas - San Isidro - Lima	132,981	138,643	2017	DCF
Piura	124,898	123,508	2008/2020	DCF/Appraisal
Paseo del Bosque	94,191	96,194	2021	DCF
Chorrillos - Lima	86,839	81,516	2017	DCF
Chimbote	43,136	45,069	2015	DCF
Maestro-Huancayo	32,301	32,342	2017	DCF
Cusco	27,030	27,513	2017	DCF
Panorama - Lima	20,476	20,669	2016	DCF
Cercado de Lima - Lima	15,879	14,543	2017	DCF
Pardo y Aliaga - Lima	15,656	16,755	2008	DCF
Trujillo	15,301	15,815	2016	DCF
Others	45,781	37,148	-	DCF
	<u>808,570</u>	<u>799,435</u>		
Total	<u>1,280,154</u>	<u>1,287,717</u>		

DCF: Discounted cash flow

(i) As of September 30, 2023 and December 31, 2022, there are no liens on investment property.

Notes to the interim consolidated financial statements (continued)

(b) Below is the composition of the net result on investment properties as of September 30, 2023 and 2022:

	30.09.2023 S/(000)	30.09.2022 S/(000)
Income from rental of investment property	49,506	50,153
(Loss) gain on valuation of investment property	(6,933)	28,750
	<hr/>	<hr/>
Net result	42,573	78,903
	<hr/>	<hr/>

(c) The movement of investment property for the nine-month periods ended September 30, 2023 and 2022, is as follows:

	30.09.2023 S/(000)	30.09.2022 S/(000)
Beginning of period balances	1,287,717	1,224,454
Additions	13,957	21,044
(Loss) gain on valuation	(6,933)	28,750
Transfers and others	(14,587)	10,885
	<hr/>	<hr/>
Balances as of September 30	1,280,154	1,285,133
	<hr/>	<hr/>
Balances as of December 31, 2022		1,287,717
		<hr/>

Notes to the interim consolidated financial statements (continued)

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

(a) These captions are comprised of the following:

	30.09.2023	Restated
	S/(000)	31.12.2022
		S/(000)
Other accounts receivable and other assets		
Financial Instruments		
Other accounts receivable, net	764,002	633,926
Accounts receivable related to derivative financial instruments (b)	214,126	515,800
POS Commission accounts receivable	120,589	110,906
Operations in process (d)	96,241	112,195
Accounts receivable from sale of investments (c)	41,939	37,987
Others	17,356	24,753
	<u>1,254,253</u>	<u>1,435,567</u>
Non-financial Instruments		
Payments in advance of Income Tax	194,133	26,759
Deferred cost of POS affiliation and registration	101,656	95,265
Deferred charges	99,616	92,865
Realizable assets, received as payment and seized through legal actions	29,583	27,266
Tax credit for General Sales Tax - IGV	29,028	17,623
Investments in associates	17,447	22,728
POS equipment supplies (*)	13,719	18,698
Others	7,605	7,192
	<u>492,787</u>	<u>308,396</u>
Total	<u>1,747,040</u>	<u>1,743,963</u>

(*) Corresponds to the Points of Sale ("POS") required for the rendering of the service. Their supplies are recorded at cost.

Notes to the interim consolidated financial statements (continued)

	30.09.2023	Restated
	S/(000)	31.12.2022 S/(000)
Other accounts payable, provisions and other liabilities		
Financial instruments		
Contract liability with investment component	970,670	873,500
Other accounts payable	896,148	726,983
Third party compensation (**)	362,344	386,136
Operations in process	242,072	184,584
Accounts payable related to derivative financial instruments (b)	178,279	297,038
Workers' profit sharing and salaries payable	131,660	154,460
Lease liabilities	94,874	112,581
Accounts payable for acquisitions of investments	43,317	53,905
Allowance for indirect loan losses, Note 6(d.2)	15,253	35,495
Accounts payable to reinsurers and coinsurers	6,642	5,648
	<u>2,941,259</u>	<u>2,830,330</u>
Non-financial instruments		
Taxes payable	70,777	138,819
Provision for other contingencies	69,631	79,304
Registration for use of POS	23,619	17,029
Deferred income (***)	17,656	57,001
Others	5,398	6,681
	<u>187,081</u>	<u>298,834</u>
Total	<u><u>3,128,340</u></u>	<u><u>3,129,164</u></u>

(**) Corresponds 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.

(***) Corresponds mainly to deferred fees for indirect loans (mainly guarantee letters) and transactions recorded by Izipay, related to accrual of installments with affiliated businesses.

Notes to the interim consolidated financial statements (continued)

(b) Below is the fair value of derivative financial instruments, recorded as assets or liabilities, including their notional amounts as of September 30, 2023 and December 31, 2022:

	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive Income during the period S/(000)	Maturity	Hedged Instruments	Caption of the consolidated statement of financial position where the hedged item has been recognized
As of September 30, 2023							
Derivatives held for trading (*) -							
Forward exchange contracts	41,069	65,289	7,101,815	-	Between October 2023 and September 2024	-	-
Interest rate swaps	64,141	44,975	1,448,199	-	Between October 2023 and June 2036	-	-
Currency swaps	31,562	37,785	1,017,040	-	Between October 2023 and April 2028	-	-
Options	3,145	3,170	310,211	-	Between October 2023 and September 2024	-	-
	<u>139,917</u>	<u>151,219</u>	<u>9,877,265</u>	<u>-</u>			
Derivatives held as hedges -							
Cash flow hedges:							
Cross currency swaps (CCS)	55,952	-	569,550	(13,248)	October 2027	Senior bond	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	-	3,405	113,790	(330)	August 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	-	5,919	113,790	69	October 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	-	5,221	75,940	(3,533)	October 2027	Senior bond	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	-	4,956	75,940	(3,028)	October 2027	Senior bond	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	45	-	75,860	(253)	February 2025	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	5,207	1,357	246,545	(44)	January 2025 and June 2025	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	-	2,329	37,930	33	November 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	11,630	3,872	1,137,900	(17,691)	October 2026	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	1,375	1	189,650	(154)	May 2025	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)	-	-	-	(669)	-	Corporate bonds	Bonds, notes and obligations outstanding
	<u>74,209</u>	<u>27,060</u>	<u>2,636,895</u>	<u>(38,848)</u>			
	<u>214,126</u>	<u>178,279</u>	<u>12,514,160</u>	<u>(38,848)</u>			

Notes to the interim consolidated financial statements (continued)

	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive income during the year S/(000)	Maturity	Hedged instruments	Caption of the consolidated statement of financial position where the hedged item has been recognized
As of December 31, 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)	237,438	-	1,681,974	(20,199)	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	75,280	-	573,000	(33,565)	October 2027	Senior bond	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	-	3,916	114,420	360	August 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)		6,295	114,420	(355)	October 2024	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)		931	57,210	(225)	January 2025	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS)		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>			

- (i) As of September 30, 2023 and December 31, 2022, certain derivative financial instruments hold some collateral deposits; see Note 4(d).
- (ii) For the designated hedging derivatives mentioned in the table above, changes in fair values of hedging instruments completely offset the changes in fair values of hedged items; therefore, there has been no hedge ineffectiveness as of September 30, 2023 and December 31, 2022. During 2023 and 2022, there were no discontinued hedges accounting.
- (iii) Derivatives held for trading are traded mainly to satisfy clients' needs. The Group may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption includes any derivatives which do not comply with IFRS 9 hedging accounting requirements.

Notes to the interim consolidated financial statements (continued)

9. Assets and Liabilities for Insurance and reinsurance contracts

(a) The composition of these items is presented below:

	30.09.2023			31.12.2022		
	Assets S/(000)	Liabilities S/(000)	Asset, net S/(000)	Assets S/(000)	Liabilities S/(000)	Asset, net S/(000)
Reinsurance contracts held						
Life insurance contracts						
Claims	22,036	446	21,590	27,283	3,476	23,807
New policies	4,697	-	4,697	6,770	-	6,770
Total reinsurance contracts held	26,733	446	26,287	34,053	3,476	30,577
	30.09.2023			31.12.2022		
	Assets S/(000)	Liabilities S/(000)	Liability, net S/(000)	Assets S/(000)	Liabilities S/(000)	Liability, net S/(000)
Insurance contracts issued						
Life insurance contracts						
Claims	-	11,312,092	11,312,092	-	10,703,473	10,703,473
New policies	16,143	268,269	252,126	-	548,352	548,352
Total Insurance contracts issued	16,143	11,580,361	11,564,218	-	11,251,825	11,251,825

Notes to the interim consolidated financial statements (continued)

(b) The movement of reinsurance contract assets is presented below:

	Liabilities for remaining coverage	Liabilities Claims Incurred contracts not measured by Premium Allocation Approach	Liabilities Claims Incurred contracts measured by Premium Allocation Approach		Total
			Fulfillment Cash Flows	Risk Adjustment	
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance at 01.01.2022	(867)	48,513	5,175	157	52,978
Movement of Insurance Service liabilities	(8,067)	(16,098)	769	(51)	(23,447)
Net cash flow and other changes	4,163	(2,813)	(145)	91	1,296
Exchange difference	(250)	-	-	-	(250)
Balance at 31.12.2022	<u>(5,021)</u>	<u>29,602</u>	<u>5,799</u>	<u>197</u>	<u>30,577</u>
Movement of Insurance Service liabilities	(9,496)	5,792	(172)	(74)	(3,950)
Net cash flow and other changes	8,359	(8,536)	(158)	-	(335)
Exchange difference	5	5	(13)	(2)	(5)
Balance at 30.09.2023	<u>(6,153)</u>	<u>26,863</u>	<u>5,456</u>	<u>121</u>	<u>26,287</u>

Notes to the interim consolidated financial statements (continued)

(c) Below is the movement of insurance contract liabilities:

	Remaining coverage liabilities		Liabilities Claims Incurred contracts not measured by Premium Allocation Approach	Liabilities Claims Incurred contracts measured by Premium Allocation Approach		Total
	Excluding loss component	Loss component		Fulfillment Cash Flows	Risk Adjustment	
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance at 01.01.2022	12,063,440	509,792	169,976	43,508	1,242	12,787,958
Movement of Insurance Service liabilities	(2,239,923)	121,050	935,946	76,732	1,551	(1,104,644)
Net cash flow and other changes	837,038	(5,143)	(946,828)	(75,804)	(120)	(190,857)
Exchange difference	(228,563)	(10,309)	(1,273)	(388)	(99)	(240,632)
	-----	-----	-----	-----	-----	-----
Balance at 31.12.2022	<u>10,431,992</u>	<u>615,390</u>	<u>157,821</u>	<u>44,048</u>	<u>2,574</u>	<u>11,251,825</u>
Movement of Insurance Service liabilities	181,719	46,409	326,109	79,704	(1,599)	632,342
Net cash flow and other changes	560,341	(33,886)	(738,746)	(78,438)	-	(290,729)
Exchange difference	(29,491)	404	(55)	(24)	(54)	(29,220)
	-----	-----	-----	-----	-----	-----
Balance at 30.09.2023	<u>11,144,561</u>	<u>628,317</u>	<u>(254,871)</u>	<u>45,290</u>	<u>921</u>	<u>11,564,218</u>

Notes to the interim consolidated financial statements (continued)

10. Deposits and obligations

(a) This caption is made up as follows:

	30.09.2023 S/(000)	31.12.2022 S/(000)
Saving deposits	16,854,032	20,911,746
Demand deposits	13,403,903	13,824,824
Time deposits	18,036,349	12,866,602
Compensation for service time (c)	765,400	921,288
Other obligations	<u>15,200</u>	<u>6,248</u>
Total	<u>49,074,884</u>	<u>48,530,708</u>

- (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 the 100 percent of these deposits. As part of this benefit, approximately 245,000 clients withdrew approximately S/589,238,000 during the year 2023 (261,000 clients withdrew approximately S/767,470,000, during the year 2022).
- (d) As of September 30, 2023 and December 31, 2022, approximately S/18,150,448,000 and S/18,368,816,000, respectively, are covered by the Deposit Insurance Fund.

Notes to the interim consolidated financial statements (continued)

11. Due to banks and correspondents

(a) This caption is comprised of the following:

	30.09.2023 S/(000)	31.12.2022 S/(000)
By type -		
Central Reserve Bank of Peru (b)	5,300,439	4,481,138
Promotional credit lines	1,988,565	1,863,482
Loans received from foreign entities	1,733,401	339,446
Loans received from Peruvian entities	402,650	357,770
	<u>9,425,055</u>	<u>7,041,836</u>
Interest and commissions payable	96,093	58,810
	<u>9,521,148</u>	<u>7,100,646</u>
By term -		
Short term	4,653,134	2,433,459
Long term	4,868,014	4,667,187
	<u>9,521,148</u>	<u>7,100,646</u>
Total	<u>9,521,148</u>	<u>7,100,646</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, as of December 31, 2022, Interbank took in repurchase agreements of loan portfolio for an amount of S/42,461,000, which was aimed to the "Reactiva Peru" program. As of September 30, 2023 and December 31, 2022, Interbank maintains this type of reporting operations guaranteed by a loan portfolio for approximately S/690,246,000 and S/1,909,375,000, respectively. See Note 6(a).

Notes to the interim consolidated financial statements (continued)

12. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued (000)	30.09.2023 S/(000)	31.12.2022 S/(000)
Local issuances							
Subordinated bonds – second program							
Third (A series)	Interbank	7.50%	Semi-annually	2023	US\$50,000	189,632	190,616
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	-	149,998
						<u>189,632</u>	<u>340,614</u>
Subordinated bonds – third program							
Third - single series	Interseguro	4.84%	Semi-annually	2030	US\$25,000	94,825	95,350
First - single series	Interseguro	6.00%	Semi-annually	2029	US\$20,000	75,794	76,213
Second - single series	Interseguro	4.34%	Semi-annually	2029	US\$20,000	75,860	76,280
						<u>246,479</u>	<u>247,843</u>
Corporate bonds – second program							
Fifth (A series)	Interbank	3.41% + VAC (*)	Semi-annually	2029	S/150,000	150,000	150,000
Total local issuances						<u>586,111</u>	<u>738,457</u>
International issuances							
Subordinated bonds	Interbank	4.000%	Semi-annually	2030	US\$300,000	1,132,089	1,137,691
Corporate bonds	Interbank	5.000%	Semi-annually	2026	S/312,000	311,635	311,522
Corporate bonds	Interbank	3.250%	Semi-annually	2026	US\$400,000	1,510,878	1,517,661
Subordinated bonds	Interbank	6.625%	Semi-annually	2029	US\$300,000	1,137,323	1,142,764
Senior bonds	IFS	4.125%	Semi-annually	2027	US\$300,000	1,068,869	1,074,396
Corporate bonds	Interbank	3.375%	Semi-annually	2023	US\$484,895	-	1,849,133
Total international issuances						<u>5,160,794</u>	<u>7,033,167</u>
Total local and international issuances						<u>5,746,905</u>	<u>7,771,624</u>
Interest payable						<u>98,970</u>	<u>134,679</u>
Total						<u>5,845,875</u>	<u>7,906,303</u>

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

(b) The international issuances are listed at the Luxembourg Stock Exchange. On the other hand, the local and international issuances include standard clauses of compliance with financial ratios, the use of funds and other administrative matters, which have been met in the opinion of the Group's Management and its legal advisors.

Notes to the interim consolidated financial statements (continued)

13. Equity

(a) Capital stock and distribution of dividends -

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

As of September 30, 2023 and December 31, 2022, 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, to 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.

(b) Treasury stock and Share Repurchase Program -

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

On March 31, 2023, the shareholders of IFS approved the Share Repurchase Program for an amount of up to US\$100 million, which will remain in effect until the Board of Directors decides otherwise. Said program, may be carried out simultaneously in two markets (Lima Stock Exchange and New York Stock Exchange - NYSE) in one or more opportunities and at market value. Within the framework of this Program, as of September 30, 2023, Interbank has purchased 938,371 shares for approximately S/81,021,000.

(c) Capital surplus -

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

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

IFS is not required to establish a regulatory capital for statutory purposes. As of September 30, 2023 and December 31, 2022, 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).

(e) Reserves -

The General Shareholders' Meeting of IFS held on March 31, 2022, agreed to constitute reserves for S/800,000,000 charged to retained earnings.

Notes to the interim consolidated financial statements (continued)

14. Tax situation

- (a) IFS and its Subsidiaries 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.

- (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, as of September 30, 2023 and 2022, IFS has recorded an expense for S/26,758,000 and S/ 23,348 000, respectively, in the caption “Income Tax” of the interim consolidated statement of income.
- (c) IFS’s Subsidiaries incorporated in Peru are subject to the payment of Peruvian taxes; hence, they must calculate their tax expenses on the basis of their separate financial statements. The Income Tax rate as of September 30, 2023 and December 31, 2022, 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 September 30, 2023:

- Interbank: Income Tax returns for the years 2019 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 and Value-Added-Tax returns for the year 2018.

Notes to the interim consolidated financial statements (continued)

- Procesos de Medios de Pago: Income Tax returns and Value-Added-Tax returns for the years 2018 to 2022.
- Izipay: Income Tax returns 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 and processes for the main Subsidiaries:

Interbank:

Tax periods from 2000 to 2006:

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.

In June and September 2022, the Permanent Constitutional and Social Law Chamber of the Supreme Court declared unfounded the cassation appeals by SUNAT and the Ministry of Economy and Finance, thus reaffirming the position of Interbank in the sense that interest in suspense does not constitute taxable income, both in the 2001 Income Tax and in the 2004 Income Tax.

On August 29, 2023, the government’s official bulletin published the Cassation Ruling No. 1035-2022 LIMA, which resolves the claim filed by SUNAT regarding the Income Tax for the period 2004, with judgment favorable for the Bank.

As of September 30, 2023 the tax liability requested for this concept and other minor contingencies, amounts to approximately S/155,000,000 which includes the tax, fines and interest arrears, out of which S/91,000,000 corresponded to interest in suspense and S/64,000,000 corresponded to other minor repairs. As of December 31, 2022, the tax liability amounted to S/290,000,000 and includes taxes, fines, and interest arrears.

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.

Notes to the interim consolidated financial statements (continued)

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 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 January 2023, Interbank was notified with Resolution of Compliance No. 4070150000145, that rectified and resettled the debt contained in Resolutions of Determination No. 0120030012106 and No. 0120030012107 related to advance payments of the Income Tax for the period 2003, without any amount to pay.

In February 2023, Interbank was notified with the Tax Court Resolution No. 00227-2-2023, that declared null the Resolution of Intendence No. 0150150002380, dated May 15, 2020, in relation to the payments of the Income Tax for the period 2004 in the part referred to interest in suspense and related penalties.

In March 2023, Interbank was notified with Resolution of Compliance No. 4070150000186, that rectified the tax debt contained in the Resolution of Penalty No. 012-002-0011622, thus reducing said penalty from S/68,998,000 to S/25,290,000. Likewise, Interbank filed the respective Appeal Recourse against Resolution of Compliance No. 4070150000186, described in the previous paragraph, which is pending resolution by the Tax Court.

Tax period 2010:

In 2017, SUNAT closed the audit procedure corresponding to the Income Tax for the year 2010. Interbank paid the debt under protest and filed a claim procedure. Currently, the procedure has been appealed and it is pending resolution by the Tax Administration.

Tax period 2012:

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 September 30, 2023 and December 31, 2022, the tax debt claimed by the Tax Authority amounted to S/14,400,000 and S/14,000,000, respectively. As of the date of this report, the process is on appeal, pending resolution.

Tax period 2013:

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, this authority confirmed, revoked and ordered to resettle the aforementioned concepts. At the end of 2022, the Tax Court reconfirmed its ruling in the aforementioned Resolution.

Notes to the interim consolidated financial statements (continued)

In December 2022, the Tax Authority through Resolution of Coactive Collection No. 0110060065138, notified the payment of the third-category Income Tax debt corresponding to the period 2013, for approximately S/62,000,000, which was paid by Interbank; however, the process continues in the Judiciary.

Tax periods 2014 and 2015:

In September and December, 2019, SUNAT notified Interbank about the beginning of the definitive audit procedure on Income Tax corresponding to the year 2014 and 2015, respectively, which are in the appeal stage.

As of September 30, 2023 and December 31, 2022, the tax debt requested by the Tax Authority 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/14,300,000 and S/14,000,000, respectively.

Tax period 2017:

In December 2021, by letter No. 210011740110-01-SUNAT, SUNAT notified Interbank about the beginning of the definitive audit procedure on Income Tax corresponding to the year 2017. In October 2022, SUNAT notified of Resolutions of Determination No. 0120030127896 and No. 0120030127908, issued regarding the third-category Income Tax corresponding to the period 2017 and Income Tax advance payments from January to December 2017, without additional amounts to pay related to the third-category Income Tax; however, in November 2022, Interbank filed an appeal recourse on other minor concepts, observed by the Tax Authority.

In June 2023, Interbank was notified with the Resolution No. 4070140000600 declaring the claim unfounded. Within the law term, Interbank will be presenting the respective appeal. In July 2023, Interbank filed the respective Appeal against said Resolution, which is pending of pronouncement by the Tax Court.

Tax period 2018:

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

Interseguro:

In December 2022, SUNAT notified Interseguro the beginning of the fiscalization procedure regarding the Income Tax corresponding to the year 2020. As of the date of this report, said inspection is in process.

Izipay:

As of September 30, 2023 and December 31, 2022, Izipay maintains carryforward tax losses amounting to S/80,079,727 and S/82,931,174, respectively. In application of current tax regulations, Izipay opted for system "B" to offset its tax losses. Under 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 the Company's Management and its legal advisers, any eventual additional tax would not be significant for the financial statements as of September 30, 2023 and December 31, 2022.

Notes to the interim consolidated financial statements (continued)

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

	For the nine-month periods ended	
	September 30,	
	2023	2022
	S/(000)	S/(000)
Current - Expense	210,159	404,738
Deferred - Expense (income)	28,266	(47,980)
	<u>238,425</u>	<u>356,758</u>

15. Interest income and expenses, and similar accounts

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

	30.09.2023	Restated
	S/(000)	30.09.2022 S/(000)
Interest and similar income		
Interest on loan portfolio	4,000,702	3,007,351
Impact from the modification of contractual cash flows due to the loan rescheduling schemes	(38,237)	19,398
Interest on investments at fair value through other comprehensive income	912,731	878,399
Interest on due from banks and inter-bank funds	279,283	100,726
Interest on investments at amortized cost	126,312	121,136
Dividends on financial instruments	31,067	57,835
Others	3,509	2,486
Total	<u>5,315,367</u>	<u>4,187,331</u>
Interest and similar expenses		
Interest and fees on deposits and obligations	(1,226,392)	(554,946)
Interest and fees on obligations with financial institutions	(341,980)	(151,225)
Interest on bonds, notes and other obligations	(235,317)	(315,516)
Deposit insurance fund fees	(60,480)	(57,592)
Others	(46,660)	(46,963)
Total	<u>(1,910,829)</u>	<u>(1,126,242)</u>

Notes to the interim consolidated financial statements (continued)

16. Fee income from financial services, net

(a) This caption is comprised of the following for the nine-month periods ended September 30, 2023 and 2022:

	30.09.2023	30.09.2022
	S/(000)	S/(000)
Income		
Performance obligations at a point in time:		
Accounts maintenance, carriage, transfers, and debit and credit card fees	556,111	512,851
Income from services (acquirer and issuer role) (b)	547,259	314,987
Banking services fees	158,976	179,052
Brokerage and custody services	4,344	4,337
Others	28,427	22,869
Performance obligations over time:		
Funds management	102,798	119,136
Contingent loans fees	50,537	52,310
Collection services	46,833	44,865
Commission for loans rescheduling "Reactiva Peru" program	8,908	15,200
Others	16,253	18,066
Total	1,520,446	1,283,673
Expenses		
Expenses for services (acquirer and issuer role) (b)	(251,257)	(150,386)
Credit cards	(146,989)	(114,217)
Commissions Mastercard - Visa	(61,254)	(37,521)
Credit life insurance premiums	(55,043)	(75,559)
Local banks fees	(43,880)	(35,505)
Foreign banks fees	(19,505)	(18,993)
Commission for loans rescheduling "Reactiva Peru" program	(12,211)	(20,951)
Registry expenses	(1,185)	(1,569)
Brokerage and custody services	(511)	(795)
Others	(37,909)	(14,039)
Total	(629,744)	(469,535)
Net	890,702	814,138

(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 Subsidiary of IFS.

Notes to the interim consolidated financial statements (continued)

17. Other income and (expenses)

(a) This caption is comprised of the following:

	30.09.2023 S/(000)	Restated 30.09.2022 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	19,740	15,790
Profit from sale of property, furniture and equipment (b)	15,300	10,248
Gain from sale of written-off-loans	12,587	4,622
Other technical income from insurance operations	7,982	5,288
Services rendered to third parties	5,361	4,740
Income from ATM rentals	4,098	4,934
Others	48,890	91,728
	<hr/>	<hr/>
Total other income	113,958	359,863
	<hr/>	<hr/>
Other expenses		
Commissions from insurance activities	(46,258)	(39,277)
Administrative and tax penalties	(15,655)	(4,935)
Cost of sale of POS equipment	(11,590)	(9,545)
Sundry technical insurance expenses	(8,008)	(9,582)
Provision for accounts receivable	(5,718)	(2,360)
Expenses related to rental income	(4,073)	(7,422)
Donations	(3,601)	(3,431)
Provision for sundry risk	(3,237)	(7,376)
Others	(53,105)	(58,966)
	<hr/>	<hr/>
Total other expenses	(151,245)	(142,894)
	<hr/>	<hr/>

(b) Corresponds to the sale of a property made by Interbank to third parties for US\$8,552,000 (approximately equivalent to S/32,667,000), with a net disposal cost of S/17,367,000.

Notes to the interim consolidated financial statements (continued)

18. Result from insurance activities, before expenses

(a) The composition of the category is presented below:

	30.09.2023	30.09.2022
	S/(000)	S/(000)
Insurance Income		
Annuities	563,079	563,353
Retail Insurance	208,786	259,508
Individual life	110,940	55,217
Total	<u>882,805</u>	<u>878,078</u>
Insurance Expenses		
Annuities	(997,511)	(1,047,234)
Retail Insurance	(35,288)	(46,602)
Individual life	(4,265)	89,916
Total	<u>(1,037,064)</u>	<u>(1,003,920)</u>
Results of insurance activities (*)	<u>(154,259)</u>	<u>(125,842)</u>

(*) Before expenses attributed to the insurance activity that are presented in the caption "Other expenses" in the interim consolidated statement of income, and that correspond to salaries and employee benefits, administrative expenses, depreciation and amortization, and other expenses. See also financial information for segments in Note 21.

Notes to the interim consolidated financial statements (continued)

19. Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the year	Weighted average number of shares (in thousands)
Period 2022				
Balance as of January 1, 2022	115,418	115,418	270	115,418
Balance as of September 30, 2022	<u>115,418</u>	<u>115,418</u>		<u>115,418</u>
Net earnings attributable to IFS's shareholders - restated S/(000)				<u>1,262,516</u>
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				<u>10.939</u>
Period 2023				
Balance as of January 1, 2023	115,418	115,418	270	115,418
Sale of treasury stock	1	1	103	0
Purchase of treasury stock	(939)	(939)	49	(170)
Balance as of September 30, 2023	<u>114,480</u>	<u>114,480</u>		<u>115,248</u>
Net earnings attributable to IFS's shareholders S/(000)				<u>787,829</u>
Basic and diluted earnings per share attributable to IFS's shareholders (Soles)				<u>6.836</u>

Notes to the interim consolidated financial statements (continued)

20. Transactions with related parties and affiliated entities

(a) The table below presents the main transactions with related parties and affiliated companies as of September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 2023 and 2022:

	30.09.2023	31.12.2022
	S/(000)	S/(000)
Assets		
Instruments at fair value through profit or loss	1,145	99
Investments at fair value through other comprehensive income	60,366	58,378
Loans, net (b)	1,665,707	1,317,453
Accounts receivable	87,546	117,273
Other assets	18,552	32,043
Liabilities		
Deposits and obligations	1,003,474	1,040,975
Other liabilities	9,113	3,215
Off-balance sheet accounts		
Indirect loans (b)	70,292	89,707
	30.09.2023	30.09.2022
	S/(000)	S/(000)
Income (expenses)		
Interest and similar income	64,325	51,742
Rental income	19,519	23,659
Valuation of financial derivative instruments	106	137
Administrative expenses	(26,017)	(21,476)
Interest and similar expenses	(28,712)	(9,884)
Others, net	36,200	33,558

Notes to the interim consolidated financial statements (continued)

(b) As of September 30, 2023 and December 31, 2022, the detail of loans is the following:

	30.09.2023			31.12.2022		
	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)	Direct Loans S/(000)	Indirect Loans S/(000)	Total S/(000)
Affiliated	1,354,015	15,634	1,369,649	1,108,276	18,832	1,127,108
Associates	311,692	54,658	366,350	209,177	70,875	280,052
	<u>1,665,707</u>	<u>70,292</u>	<u>1,735,999</u>	<u>1,317,453</u>	<u>89,707</u>	<u>1,407,160</u>

(c) As of September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, direct loans to employees, directors and executives amounted to S/211,295,000 and S/211,715,000, respectively; said loans are repaid monthly and bear interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with shares of any Subsidiary.

(d) The Group's key personnel basic remuneration for the nine-month periods ended September 30, 2023 and 2022, is presented below:

	30.09.2023 S/(000)	30.09.2022 S/(000)
Salaries	22,508	21,039
Board of Directors' compensations	<u>2,771</u>	<u>2,516</u>
Total	<u>25,279</u>	<u>23,555</u>

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

Notes to the interim consolidated financial statements (continued)

21. Business segments

The Chief Operating Decision Maker (“CODM”) of IFS is the Chief Executive Officer (“CEO”). The Group presents 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. Given into account that Izipay became a subsidiary of IFS since April 2022, the results shown for this segment are considered thereafter.

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

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

Notes to the interim consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the nine-month periods ended September 30, 2023 and 2022:

	30.09.2023					
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Payments S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Consolidated statement of income data						
Interest and similar income	4,519,975	654,718	134,951	6,248	(525)	5,315,367
Interest and similar expenses	(1,744,779)	(94,128)	(69,349)	(3,662)	1,089	(1,910,829)
Net interest and similar income	2,775,196	560,590	65,602	2,586	564	3,404,538
(Loss) reversal on loans, net of recoveries	(1,365,782)	-	155	-	-	(1,365,627)
(Loss) reversal due to impairment of financial investments	255	(8,783)	251	-	(4)	(8,281)
Net interest and similar income after impairment loss on loans	1,409,669	551,807	66,008	2,586	560	2,030,630
Fee income from financial services, net	613,711	(9,906)	109,622	260,684	(83,409)	890,702
Net gain on foreign exchange transactions	217,590	-	-	-	-	217,590
Net gain on sale of financial investments	1,094	7,127	629	-	-	8,850
Net gain (loss) on financial assets at fair value through profit or loss	67,025	(19,679)	(52,149)	-	(44,782)	(49,585)
Net gain on investment property	-	42,573	-	-	-	42,573
Other income	87,738	17,148	(1,869)	24,150	(13,209)	113,958
	987,158	37,263	56,233	284,834	(141,400)	1,224,088
Result from insurance activities, before expenses	-	(154,249)	-	-	(10)	(154,259)
Salaries and employee benefits	(483,172)	(72,801)	(62,047)	(56,248)	(4,592)	(678,860)
Administrative expenses	(730,574)	(50,669)	(33,153)	(125,111)	(9,848)	(949,355)
Depreciation and amortization	(201,987)	(14,742)	(11,216)	(39,795)	(11,721)	(279,461)
Other expenses	(58,923)	(142,521)	(1,324)	(14,979)	66,502	(151,245)
	(1,474,656)	(280,733)	(107,740)	(236,133)	40,341	(2,058,921)
Income (loss) before translation result and Income Tax	922,171	154,088	14,501	51,287	(100,509)	1,041,538
Exchange difference	(10,098)	556	(511)	(805)	927	(9,931)
Income Tax	(191,256)	-	(2,347)	(21,519)	(23,303)	(238,425)
Net profit (loss) for the period	720,817	154,644	11,643	28,963	(122,885)	793,182
Attributable to:						
IFS's shareholders	720,817	154,644	11,643	28,963	(128,238)	787,829
Non-controlling interest	-	-	-	-	5,353	5,353
	720,817	154,644	11,643	28,963	(122,885)	793,182

Notes to the interim consolidated financial statements (continued)

30.09.2022 (restated)

	Banking (*) S/(000)	Insurance S/(000)	Wealth management S/(000)	Payments (**) S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Consolidated statement of income data						
Interest and similar income	3,377,986	695,763	113,216	681	(315)	4,187,331
Interest and similar expenses	(997,471)	(93,045)	(32,264)	(859)	(2,603)	(1,126,242)
Net interest and similar income	2,380,515	602,718	80,952	(178)	(2,918)	3,061,089
(Loss) reversal due to impairment loss on loans, net of recoveries	(554,724)	-	2,217	-	-	(552,507)
(Loss) reversal due to impairment of financial investments	(314)	4,279	(8,528)	-	(11)	(4,574)
Net interest and similar income after impairment loss on loans	1,825,477	606,997	74,641	(178)	(2,929)	2,504,008
Fee income from financial services, net	586,277	(5,539)	125,949	165,900	(58,449)	814,138
Net gain on foreign exchange transactions	266,816	-	-	-	-	266,816
Net loss on sale of financial investments	(2,590)	(1,613)	(4,080)	-	-	(8,283)
Net gain (loss) on financial assets at fair value through profit or loss	(1,275)	(95,753)	(234,721)	-	39,959	(291,790)
Net gain (loss) on investment property	-	78,935	-	-	(32)	78,903
Other income	81,800	49,178	(561)	22,149	207,297	359,863
	931,028	25,208	(113,413)	188,049	188,775	1,219,647
Result from insurance activities, before expenses	-	(125,842)	-	-	-	(125,842)
Salaries and employee benefits	(501,006)	(59,494)	(62,539)	(34,753)	(4,021)	(661,813)
Administrative expenses	(677,049)	(49,861)	(32,540)	(71,828)	(17,014)	(848,292)
Depreciation and amortization	(189,613)	(18,213)	(11,067)	(18,629)	(6,268)	(243,790)
Other expenses	(55,366)	(116,044)	(843)	(21,731)	51,090	(142,894)
	(1,423,034)	(243,612)	(106,989)	(146,941)	23,787	(1,896,789)
Income (loss) before translation result and Income Tax	1,333,471	262,751	(145,761)	40,930	209,633	1,701,024
Exchange difference	(7,291)	(44,720)	(10,151)	4,316	(16,443)	(74,289)
Income Tax	(317,000)	-	(2,406)	(15,911)	(21,441)	(356,758)
Net profit (loss) for the period	1,009,180	218,031	(158,318)	29,335	171,749	1,269,977
Attributable to:						
IFS's shareholders	1,009,180	218,031	(158,318)	29,335	164,288	1,262,516
Non-controlling interest	-	-	-	-	7,461	7,461
	1,009,180	218,031	(158,318)	29,335	171,749	1,269,977

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

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

Notes to the interim consolidated financial statements (continued)

	30.09.2023					
	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 (*)	210,406	15,912	4,064	68,433	262	299,077
Total assets	68,822,094	14,568,871	4,653,841	914,497	399,739	89,359,042
Total liabilities	61,038,668	14,239,334	3,767,415	669,216	11,102	79,725,735
	31.12.2022 (Restated)					
	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	14,130,205	5,102,598	902,610	365,923	87,478,613
Total liabilities	59,498,433	13,789,726	4,208,369	686,292	(106,454)	78,076,366

(*) 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 nine-month periods ended September 30, 2023, is S/7,894,225,000 in Peru and S/157,777,000 in Panama (for the nine-month periods ended September 30, 2022, was S/6,809,426,000 in Peru and S/34,314,000 in Panama). The distribution of the Group's total assets based on the location of the customer and its assets as of September 30, 2023 is S/84,839,430,000 in Peru and S/4,519,612,000 in Panama (as of December 31, 2022, was S/82,503,996,000 in Peru and S/4,974,617,000 in Panama).

Notes to the interim consolidated financial statements (continued)

22. Financial instruments classification

The financial assets and liabilities of the consolidated statement of financial position as of September 30, 2023 and December 31, 2022, are presented below:

	As of September 30, 2023				
	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	-	-	-	10,980,537	10,980,537
Inter-bank funds	-	-	-	125,903	125,903
Financial investments	1,524,891	20,190,465	453,227	3,315,572	25,484,155
Loans, net	-	-	-	47,077,872	47,077,872
Due from customers on acceptances	-	-	-	57,701	57,701
Other accounts receivable and other assets, net	214,126	-	-	1,040,127	1,254,253
Insurance and reinsurance contract assets	-	-	-	26,287	26,287
	<u>1,739,017</u>	<u>20,190,465</u>	<u>453,227</u>	<u>62,623,999</u>	<u>85,006,708</u>
Financial liabilities					
Deposits and obligations	-	-	-	49,074,884	49,074,884
Inter-bank funds	-	-	-	451,070	451,070
Due to banks and correspondents	-	-	-	9,521,148	9,521,148
Bonds, notes and other obligations	-	-	-	5,845,875	5,845,875
Due from customers on acceptances	-	-	-	57,701	57,701
Insurance contract liabilities	-	-	-	11,564,218	11,564,218
Other accounts payable, provisions and other liabilities	178,279	-	-	2,762,980	2,941,259
	<u>178,279</u>	<u>-</u>	<u>-</u>	<u>79,277,876</u>	<u>79,456,155</u>

Notes to the interim consolidated financial statements (continued)

As of December 31, 2022 (restated)					
	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	-	-	-	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	-	-	919,767	1,435,567
Insurance and reinsurance contract assets	-	-	-	30,577	30,577
	<u>2,448,793</u>	<u>17,038,942</u>	<u>512,884</u>	<u>63,291,460</u>	<u>83,292,079</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	-	-	-	11,251,825	11,251,825
Other accounts payable, provisions and other liabilities	297,038	-	-	2,533,292	2,830,330
	<u>297,038</u>	<u>-</u>	<u>-</u>	<u>77,398,595</u>	<u>77,695,633</u>

Notes to the interim consolidated financial statements (continued)

23. Financial risk management

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

To manage the risks detailed above, every Subsidiary of the Group has a specialized structure and organization in their management, measurement systems, as well as mitigation and coverage processes, according to specific regulatory needs and requirements for the development of its business. The Group and its Subsidiaries, mainly Interbank, Interseguro, 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 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.

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

(a) Credit risk management for loans -

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

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

In compliance with the policy of monitoring the Group's credit risk, during 2022 Interbank performed the recalibration process of its risk parameters for the calculation of the expected credit losses.

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

Notes to the interim consolidated financial statements (continued)

(b) **Offsetting of financial assets and liabilities**

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

(b.1) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of September 30, 2023 and December 31, 2022, are presented below:

	Gross amounts of recognized financial assets S/(000)	Gross amounts of recognized financial liabilities and offset in the consolidated statement of financial position S/(000)	Net amounts of financial assets presented in the consolidated statement of financial position S/(000)	Related amounts not offset in the consolidated statement of financial position		Net amount S/(000)
				Financial Instruments (Including non-cash guarantees) S/(000)	Cash guarantees received S/(000)	
As of September 30, 2023						
Derivatives, Note 8(b)	214,126	-	214,126	(63,682)	(49,537)	100,907
Total	214,126	-	214,126	(63,682)	(49,537)	100,907
As of December 31, 2022						
Derivatives, Note 8(b)	515,800	-	515,800	(169,050)	(235,133)	111,617
Total	515,800	-	515,800	(169,050)	(235,133)	111,617

(b.2) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of September 30, 2023 and December 31, 2022, are presented below:

	Gross amounts of recognized financial liabilities S/(000)	Gross amounts of recognized financial assets and offset in the consolidated statement of financial position S/(000)	Net amounts of financial liabilities presented in the consolidated statement of financial position S/(000)	Related amounts not offset in the consolidated statement of financial position		Net amount S/(000)
				Financial Instruments (Including non-cash guarantees) S/(000)	Cash guarantees pledged, Note 4(d) S/(000)	
As of September 30, 2023						
Derivatives, Note 8(b)	178,279	-	178,279	(63,682)	(43,958)	70,639
Total	178,279	-	178,279	(63,682)	(43,958)	70,639
As of December 31, 2022						
Derivatives, Note 8(b)	297,038	-	297,038	(169,050)	(34,784)	93,204
Total	297,038	-	297,038	(169,050)	(34,784)	93,204

Notes to the interim consolidated financial statements (continued)

(c) Foreign exchange risk

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

As of September 30, 2023, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.790 per US\$1 bid and S/3.797 per US\$1 ask (S/3.808 and S/3.820 as of December 31, 2022, respectively). As of September 30, 2023, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.793 per US\$1 (S/3.814 as of December 31, 2022).

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

	As of September 30, 2023				As of December 31, 2022 (restated)			
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
Assets								
Cash and due from banks	6,999,192	3,566,754	414,591	10,980,537	10,205,093	2,404,942	583,376	13,193,411
Inter-bank funds	75,883	50,020	-	125,903	-	296,119	-	296,119
Financial investments	6,885,552	18,556,793	41,810	25,484,155	6,860,558	15,884,533	42,507	22,787,598
Loans, net	14,500,673	32,577,199	-	47,077,872	13,507,125	31,995,873	-	45,502,998
Due from customers on acceptances	57,701	-	-	57,701	45,809	-	-	45,809
Insurance and reinsurance contract assets	518	25,769	-	26,287	1,032	29,545	-	30,577
Other accounts receivable and other assets, net	275,934	978,226	93	1,254,253	303,720	1,131,459	388	1,435,567
	<u>28,795,453</u>	<u>55,754,761</u>	<u>456,494</u>	<u>85,006,708</u>	<u>30,923,337</u>	<u>51,742,471</u>	<u>626,271</u>	<u>83,292,079</u>
Liabilities								
Deposits and obligations	18,897,772	29,702,449	474,663	49,074,884	19,187,300	28,843,457	499,951	48,530,708
Inter-bank funds	56,912	394,158	-	451,070	-	30,012	-	30,012
Due to banks and correspondents	2,184,070	7,337,078	-	9,521,148	645,706	6,454,940	-	7,100,646
Bonds, notes and other obligations	5,348,810	497,065	-	5,845,875	7,257,098	649,205	-	7,906,303
Due from customers on acceptances	57,701	-	-	57,701	45,809	-	-	45,809
Insurance contract liabilities	3,913,056	7,651,162	-	11,564,218	4,202,094	7,049,731	-	11,251,825
Other accounts payable, provisions and other liabilities	1,313,476	1,627,735	48	2,941,259	1,229,952	1,599,519	859	2,830,330
	<u>31,771,797</u>	<u>47,209,647</u>	<u>474,711</u>	<u>79,456,155</u>	<u>32,567,959</u>	<u>44,626,864</u>	<u>500,810</u>	<u>77,695,633</u>
Forwards position, net	(686,720)	418,277	268,443	-	(1,993,217)	2,074,784	(81,567)	-
Currency swaps position, net	726,870	(726,870)	-	-	1,384,495	(1,384,495)	-	-
Cross currency swaps position, net	2,295,525	(2,295,525)	-	-	2,354,679	(2,354,679)	-	-
Options position, net	400	(400)	-	-	(172)	172	-	-
Monetary position, net	<u>(640,269)</u>	<u>5,940,596</u>	<u>250,226</u>	<u>5,550,553</u>	<u>101,164</u>	<u>5,451,388</u>	<u>43,894</u>	<u>5,596,446</u>

As of September 30, 2023, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$697,734,000, equivalent to S/2,646,505,000 (US\$614,405,000, equivalent to S/2,343,341,000 as of December 31, 2022).

Notes to the interim consolidated financial statements (continued)

24. Fair value

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

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

	As of September 30, 2023				As of December 31, 2022			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Financial assets								
Financial investments								
At fair value through profit or loss (*)	309,284	318,690	896,917	1,524,891	428,739	564,559	939,695	1,932,993
Debt instruments measured at fair value through other comprehensive income	11,874,160	8,108,390	-	19,982,550	9,946,427	6,770,090	-	16,716,517
Equity instruments measured at fair value through other comprehensive income	404,842	10,455	37,930	453,227	464,556	10,188	38,140	512,884
Derivatives receivable	-	214,126	-	214,126	-	515,800	-	515,800
	<u>12,588,286</u>	<u>8,651,661</u>	<u>934,847</u>	<u>22,174,794</u>	<u>10,839,722</u>	<u>7,860,637</u>	<u>977,835</u>	<u>19,678,194</u>
Accrued interest				207,915				322,425
Total financial assets				<u>22,382,709</u>				<u>20,000,619</u>
Financial liabilities								
Derivatives payable	-	178,279	-	178,279	-	297,038	-	297,038

(*) As of September 30, 2023 and December 31, 2022, correspond mainly to participations in mutual funds and investment funds.

Financial assets included in Level 1 are those measured on the basis of information that is available on the market, to the extent that their quoted prices reflect an active and liquid market and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

Financial instruments included in Level 2 are valued based on the market prices of other instruments with similar characteristics or with financial valuation models based on information of variables observable in the market (interest rate curves, price vectors, etc.).

Financial assets included in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market. The valuation requires Management to make certain assumptions about the model variables and data, including the forecast of cash flow, discount rate, credit risk and volatility.

During the year 2023 and 2022, there were no transfers of financial instruments to or from level 3 to level 1 or level 2.

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

	30.09.2023 S/(000)	31.12.2022 S/(000)
Initial balance as of January 1	977,835	1,133,763
Purchases	72,294	180,344
Sales	(30,564)	(280,297)
Loss recognized on the consolidated statement of income	<u>(84,718)</u>	<u>(55,975)</u>
Ending balance	<u>934,847</u>	<u>977,835</u>

Notes to the interim consolidated financial statements^(continued)

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

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

	As of September 30, 2023					As of December 31, 2022 (restated)				
	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	-	10,980,537	-	10,980,537	10,980,537	-	13,193,411	-	13,193,411	13,193,411
Inter-bank funds	-	125,903	-	125,903	125,903	-	296,119	-	296,119	296,119
Investments at amortized cost	3,015,615	78,957	-	3,094,572	3,315,572	2,949,507	-	-	2,949,507	3,302,779
Loans, net	-	45,107,965	-	45,107,965	47,077,872	-	42,932,260	-	42,932,260	45,502,998
Due from customers on acceptances	-	57,701	-	57,701	57,701	-	45,809	-	45,809	45,809
Insurance and reinsurance contract assets	-	26,287	-	26,287	26,287	-	30,577	-	30,577	30,577
Other accounts receivable and other assets, net	-	1,040,127	-	1,040,127	1,040,127	-	919,767	-	919,767	919,767
Total	3,015,615	57,417,477	-	60,433,092	62,623,999	2,949,507	57,417,943	-	60,367,450	63,291,460
Liabilities										
Deposits and obligations	-	49,008,141	-	49,008,141	49,074,884	-	48,464,095	-	48,464,095	48,530,708
Inter-bank funds	-	451,070	-	451,070	451,070	-	30,012	-	30,012	30,012
Due to banks and correspondents	-	9,508,157	-	9,508,157	9,521,148	-	6,859,664	-	6,859,664	7,100,646
Bonds, notes and other obligations	4,582,592	827,739	-	5,410,331	5,845,875	6,447,282	990,545	-	7,437,827	7,906,303
Due from customers on acceptances	-	57,701	-	57,701	57,701	-	45,809	-	45,809	45,809
Insurance contract liabilities	-	11,564,218	-	11,564,218	11,564,218	-	11,251,825	-	11,251,825	11,251,825
Other accounts payable and other liabilities	-	2,762,980	-	2,762,980	2,762,980	-	2,533,292	-	2,533,292	2,533,292
Total	4,582,592	74,180,006	-	78,762,598	79,277,876	6,447,282	70,175,242	-	76,622,524	77,398,595

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

- (i) Long-term fixed-rate and variable-rate loans are assessed by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these loans. As of September 30, 2023 and December 31, 2022, the book value of loans, net of allowances, was not significantly different from the calculated fair values.
- (ii) Instruments whose fair value approximates their book value: For financial assets and financial liabilities that are liquid or have short-term maturity (less than 3 months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable-rate financial instruments.
- (iii) Fixed-rate financial instruments: The fair value of fixed-rate financial assets and financial liabilities at amortized cost is determined by comparing market interest rates when they were first recognized with current market rates related to similar financial instruments for their remaining term to maturity. The fair value of fixed interest rate deposits is based on discounted cash flows using market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued, the fair value is determined based on quoted market prices. When quotations are not available, a discounted cash flow model is used based on the yield curve of the appropriate interest rate for the remaining term to maturity.

Notes to the interim consolidated financial statements (continued)

25. Fiduciary activities and management of funds

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held as trust are not included in the consolidated financial statements.

As of September 30, 2023 and December 31, 2022, the value of the managed off-balance sheet financial assets is as follows:

	30.09.2023	31.12.2022
	S/(000)	S/(000)
Investment funds	17,699,156	16,821,566
Mutual funds	<u>5,021,413</u>	<u>4,495,832</u>
Total	<u>22,720,569</u>	<u>21,317,398</u>