

Intercorp Financial Services Inc. and Subsidiaries

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

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Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of financial position

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

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

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of income

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

	Note	31.03.2021 S/(000)	31.03.2020 S/(000)
Interest and similar income	15	1,085,687	1,248,210
Interest and similar expenses	15	(251,807)	(338,094)
Net interest and similar income		<u>833,880</u>	<u>910,116</u>
Impairment loss on loans, net of recoveries	6(d.1) and (d.2)	(189,004)	(312,618)
Recovery (loss) due to impairment of financial investments	5(c)	47,223	(40,522)
Net interest and similar income after impairment loss		<u>692,099</u>	<u>556,976</u>
Fee income from financial services, net	16	201,258	220,308
Net gain on foreign exchange transactions		51,506	131,339
Net gain on sale of financial investments		206,084	28,288
Net gain (loss) on financial assets at fair value through profit or loss		70,787	(154,174)
Net gain on investment property	7(b)	44,007	21,943
Other income	17	15,275	11,917
		<u>588,917</u>	<u>259,621</u>
Insurance premiums and claims			
Net premiums earned	18(a)	123,009	125,317
Net claims and benefits incurred for life insurance contracts and others	18(b)	(240,942)	(186,106)
		<u>(117,933)</u>	<u>(60,789)</u>
Other expenses			
Salaries and employee benefits		(179,878)	(209,874)
Administrative expenses		(216,403)	(193,886)
Depreciation and amortization		(67,661)	(66,363)
Other expenses	17	(48,100)	(41,083)
		<u>(512,042)</u>	<u>(511,206)</u>
Income before translation result and Income Tax		651,041	244,602
Translation result		(30,590)	(23,856)
Income Tax	14(e)	(91,703)	(75,841)
Net profit for the period		<u>528,748</u>	<u>144,905</u>
Attributable to:			
IFS's shareholders		526,272	143,375
Non-controlling interest		2,476	1,530
		<u>528,748</u>	<u>144,905</u>
Earnings per share attributable to IFS's shareholders, basic and diluted (stated in Soles)	19	4.560	1.242
Weighted average number of outstanding shares (in thousands)	19	<u>115,418</u>	<u>115,446</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 three-month periods ended March 31, 2021 and 2020

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

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of changes in equity

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

Attributable to IFS's shareholders

	Number of shares		Unrealized results, net						Instruments that will be reclassified to the consolidated statement of Income					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)	Instruments that will not be reclassified to the consolidated statement of Income		Instruments that will be reclassified to the consolidated statement of Income			Retained earnings S/(000)	Total S/(000)		
							Equity instruments at fair value S/(000)	Debt instruments at fair value S/(000)	Insurance premiums reserves S/(000)	Cash flow hedges reserve S/(000)	Translation of foreign operations S/(000)				
Balances as of January 1, 2020	115,447	(1)	1,038,017	(196)	530,456	4,700,000	264,883	1,036,159	(923,855)	(22,758)	88,476	2,145,688	8,856,870	46,578	8,903,448
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	143,375	143,375	1,530	144,905
Other comprehensive income	-	-	-	-	-	-	(206,295)	(1,103,250)	748,388	33,995	28,877	-	(498,285)	(1,064)	(499,349)
Total other comprehensive income	-	-	-	-	-	-	(206,295)	(1,103,250)	748,388	33,995	28,877	143,375	(354,910)	466	(354,444)
Purchase of treasury stock, Note 13(b)	-	(2)	-	(97)	-	-	-	-	-	-	-	-	(97)	-	(97)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	35,513	-	-	-	-	(35,513)	-	-	-
Others	-	-	-	-	2,315	-	-	-	-	-	-	(4,623)	(2,308)	(332)	(2,640)
Balance as of March 31, 2020	115,447	(3)	1,038,017	(293)	532,771	4,700,000	94,101	(67,091)	(175,467)	11,237	117,353	2,248,927	8,499,555	46,712	8,546,267
Balances as of January 1, 2021	115,447	(24)	1,038,017	(2,769)	532,771	5,200,000	297,212	1,667,103	(1,255,845)	(37,108)	165,411	1,303,317	8,908,109	45,840	8,953,949
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	526,272	526,272	2,476	528,748
Other comprehensive income	-	-	-	-	-	-	167,891	(1,455,467)	994,376	26,835	39,065	-	(227,300)	(1,937)	(229,237)
Total other comprehensive income	-	-	-	-	-	-	167,891	(1,455,467)	994,376	26,835	39,065	526,272	298,972	539	299,511
Declared dividends, Note 13(a)	-	-	-	-	-	-	-	-	-	-	-	(332,096)	(332,096)	-	(332,096)
Purchase of treasury stock, Note 13(b)	-	(5)	-	(605)	-	-	-	-	-	-	-	-	(605)	-	(605)
Sale of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(72,930)	-	-	-	-	72,930	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	527	527	(1)	526
Balance as of March 31, 2021	115,447	(29)	1,038,017	(3,374)	532,771	5,200,000	392,173	211,636	(261,469)	(10,273)	204,476	1,570,950	8,874,907	46,378	8,921,285

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

Intercorp Financial Services Inc. and Subsidiaries

Interim consolidated statement of cash flows

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

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

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

Interim consolidated statement of cash flows (continued)

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

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

Intercorp Financial Services Inc. and Subsidiaries

Notes to the interim consolidated financial statements

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

1. Business activity

(a) Business activity -

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

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

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

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

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

(b) Global pandemic Covid-19 -

(b.1) State of National and Sanitary Emergency

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

i) Liquidity and solvency

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

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

Notes to the interim consolidated financial statements (continued)

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

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

ii) Operations

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

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

iii) Distribution channels

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

iv) Employees

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

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

2. Subsidiaries

IFS's Subsidiaries are the following:

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

(c) Inteligo Group Corp. and Subsidiaries -

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

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the 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 Perú Holding S.A.C.	Financial holding company incorporated in Peru in December 2018. As of March 31, 2021 and December 31, 2020, it holds 99.99 percent interest in Interfondos S.A. Sociedad Administradora de Fondos, company that manages mutual funds and investment funds.
Inteligo USA, Inc.	Incorporated in the United States of America in January 2019 and provides investment consultancy and related services.

Notes to the interim consolidated financial statements (continued)

- (d) **Negocios e Inmuebles S.A. and Holding Retail Perú S.A. -**
These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura in 2017. As of March 31, 2021 and December 31, 2020, as a result of the merger between Interseguro and Seguros Sura, both companies hold 8.50 percent of Interseguro's capital stock.
- (e) **San Borja Global Opportunities S.A.C. -**
Its corporate purpose is the marketing of products and services through Internet, telephony or related and it operates under the name of Shopstar, an online marketplace, dedicated to the sale of products from different stores locally.
- (f) **IFS Digital S.A.C. -**
Entity incorporated in August 2020, its corporate purpose is to perform any type of investments and related services.

3. Significant accounting policies

3.1 Basis of presentation and use of estimates -

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

3.2 Basis of consolidation -

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

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

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

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

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

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

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

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

(d) The Group maintains restricted funds related to:

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

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

Notes to the interim consolidated financial statements (continued)

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

(e) **Inter-bank funds**

These are loans made between financial institutions with maturity, in general, minor than 30 days. As of December 31, 2020, Inter-bank funds assets accrued interest at an annual rate of 0.25 percent in foreign currency and Inter-bank funds liabilities accrued interest at an annual rate of 0.25 percent in foreign currency and do not have specific guarantees.

5. Financial investments

(a) This caption is made up as follows:

	31.03.2021 S/(000)	31.12.2020 S/(000)
Debt instruments measured at fair value through other comprehensive income (b) and (c)	17,990,326	17,902,352
Investments at amortized cost (d)	2,752,712	2,650,930
Investments at fair value through profit or loss (e)	2,288,443	2,042,777
Equity instruments measured at fair value through other comprehensive income (f)	1,450,066	1,373,548
Total financial investments	<u>24,481,547</u>	<u>23,969,607</u>
Accrued income		
Debt instruments measured at fair value through other comprehensive income (b)	178,395	251,140
Investments at amortized cost (d)	18,905	56,368
Total	<u>24,678,847</u>	<u>24,277,115</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 March 31, 2021									
Corporate, leasing and subordinated bonds (*)	8,027,854	479,487	(167,294)	8,340,047	Nov-21 / Feb-97	0.18	11.19	0.47	10.73
Sovereign Bonds of the Republic of Peru	6,532,441	22,951	(164,359)	6,391,033	Aug-24 / Feb-55	1.40	6.29	-	-
Negotiable Certificates of Deposit issued by BCRP	1,749,616	2,739	(25)	1,752,330	Apr-21 / Mar-23	0.24	1.22	-	-
Global Bonds of the Republic of Peru	850,857	-	(14,163)	836,694	Jul-25 / Dec-32	-	-	0.90	2.80
Bonds guaranteed by the Peruvian Government	533,273	28,994	(1,916)	560,351	Oct-24 / Oct-33	1.61	4.54	1.89	4.86
Global Bonds of the Republic of Colombia	109,630	639	(398)	109,871	Mar-23 / Feb-24	-	-	1.31	1.76
Total	17,803,671	534,810	(348,155)	17,990,326					
Accrued Interest				178,395					
Total				18,168,721					
As of December 31, 2020									
Corporate, leasing and subordinated bonds (*)	8,031,775	1,046,789	(121,797)	8,956,767	Mar-21 / Feb-97	0.04	13.33	0.44	10.73
Sovereign Bonds of the Republic of Peru	5,765,074	589,423	(154)	6,354,343	Aug-24 / Feb-55	0.15	6.13	-	-
Negotiable Certificates of Deposit issued by BCRP	1,279,644	4,087	(5)	1,283,726	Jan-21 / Mar-23	0.25	2.28	-	-
Bonds guaranteed by the Peruvian Government	566,915	79,762	-	646,677	Oct-24 / Jul-34	0.58	2.61	2.64	4.24
Global Bonds of the Republic of Peru	491,791	9,189	-	500,980	Jul-25 / Dec-32	-	-	1.04	1.79
Global Bonds of the Republic of Colombia	157,405	2,454	-	159,859	Jul-21 / Feb-24	-	-	0.25	1.38
Total	16,292,604	1,731,704	(121,956)	17,902,352					
Accrued Interest				251,140					
Total				18,153,492					

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

Notes to the interim consolidated financial statements (continued)

6. Loan, net

(a) This caption is made up as follows:

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

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

Direct loans, (c.1)	31.03.2021				31.12.2020			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not Impaired								
High grade	29,556,957	1,167,894	-	30,724,851	29,056,184	1,268,445	-	30,324,629
Standard grade	4,575,420	1,461,993	-	6,037,413	4,354,168	1,534,936	-	5,889,104
Sub-standard grade	750,448	1,334,751	-	2,085,199	692,669	1,159,438	-	1,852,107
Past due but not impaired	600,323	1,258,977	-	1,859,300	790,257	1,781,871	-	2,572,128
Impaired								
Individually	-	-	7,678	7,678	-	-	7,678	7,678
Collectively	-	-	2,379,155	2,379,155	-	-	2,436,258	2,436,258
Total direct loans	35,483,148	5,223,615	2,386,833	43,093,596	34,893,278	5,744,690	2,443,936	43,081,904

Indirect loans	31.03.2021				31.12.2020			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not Impaired								
High grade	3,911,306	474,708	-	4,386,014	3,938,193	460,431	-	4,398,624
Standard grade	139,355	63,636	-	202,991	104,499	68,379	-	172,878
Sub-standard grade	199	9,424	-	9,623	65	10,302	-	10,367
Past due but not impaired	-	-	-	-	-	-	-	-
Impaired								
Individually	-	-	22,607	22,607	-	-	22,607	22,607
Collectively	-	-	4,667	4,667	-	-	7,455	7,455
Total indirect loans	4,050,860	547,768	27,274	4,625,902	4,042,757	539,112	30,062	4,611,931

Notes to the interim consolidated financial statements (continued)

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

	31.03.2021				31.12.2020			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Commercial loans								
Not impaired								
High grade	16,365,099	760,966	-	17,126,065	15,876,174	757,184	-	16,633,358
Standard grade	3,001,814	944,684	-	3,946,498	2,902,150	966,358	-	3,868,508
Sub-standard grade	327,405	187,932	-	515,337	304,843	124,287	-	429,130
Past due but not impaired	280,068	219,850	-	499,918	419,007	414,829	-	833,836
Impaired								
Individually	-	-	7,678	7,678	-	-	7,678	7,678
Collectively	-	-	242,718	242,718	-	-	229,057	229,057
Total direct loans	19,974,386	2,113,432	250,396	22,338,214	19,502,174	2,262,658	236,735	22,001,567
Consumer loans								
Not impaired								
High grade	6,524,176	181,812	-	6,705,988	6,615,423	209,136	-	6,824,559
Standard grade	917,849	320,829	-	1,238,678	798,142	400,173	-	1,198,315
Sub-standard grade	189,306	632,533	-	821,839	135,137	539,175	-	674,312
Past due but not impaired	102,951	590,688	-	693,639	133,187	882,195	-	1,015,382
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	1,598,673	1,598,673	-	-	1,703,607	1,703,607
Total direct loans	7,734,282	1,725,862	1,598,673	11,058,817	7,681,889	2,030,679	1,703,607	11,416,175

Notes to the interim consolidated financial statements (continued)

	31.03.2021				31.12.2020			
	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	5,660,981	35,377	-	5,696,358	5,447,111	24,010	-	5,471,121
Standard grade	474,548	175,083	-	649,631	422,425	145,076	-	567,501
Sub-standard grade	212,069	388,099	-	600,168	217,289	371,910	-	589,199
Past due but not impaired	213,046	380,190	-	593,236	233,595	416,371	-	649,966
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	456,468	456,468	-	-	443,480	443,480
Total direct loans	6,560,644	978,749	456,468	7,995,861	6,320,420	957,367	443,480	7,721,267

	31.03.2021				31.12.2020			
	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	1,006,701	189,739	-	1,196,440	1,117,476	278,115	-	1,395,591
Standard grade	181,209	21,397	-	202,606	231,451	23,329	-	254,780
Sub-standard grade	21,668	126,187	-	147,855	35,400	124,066	-	159,466
Past due but not impaired	4,258	68,249	-	72,507	4,468	68,476	-	72,944
Impaired								
Individually	-	-	-	-	-	-	-	-
Collectively	-	-	81,296	81,296	-	-	60,114	60,114
Total direct loans	1,213,836	405,572	81,296	1,700,704	1,388,795	493,986	60,114	1,942,895

Notes to the interim consolidated financial statements (continued)

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

(d.1) Direct loans

Changes in the allowance for expected credit losses for direct loans, see (d.1.1)	31.03.2021				31.03.2020				31.12.2020
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of year balances	180,241	1,145,207	1,659,403	2,984,851	461,892	394,773	538,114	1,394,779	1,394,779
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	103,813	-	-	103,813	68,032	-	-	68,032	451,031
Assets matured or derecognized (excluding write-offs)	(35,463)	(15,739)	(11,822)	(63,024)	(29,357)	(10,723)	(8,878)	(48,958)	(175,993)
Transfers to Stage 1	77,933	(76,453)	(1,480)	-	62,925	(60,072)	(2,853)	-	-
Transfers to Stage 2	(61,447)	69,462	(8,015)	-	(66,197)	84,126	(17,929)	-	-
Transfers to Stage 3	(14,997)	(189,317)	204,314	-	(400)	(71,341)	71,741	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(53,583)	63,296	211,413	221,126	(29,800)	165,829	153,202	289,231	2,151,311
Others	(58,690)	(28,965)	15,807	(71,848)	46,739	36,703	(75,114)	8,328	(49,358)
Total	(42,434)	(177,716)	410,217	190,067	51,942	144,522	120,169	316,633	2,376,991
Write-offs	-	-	(574,226)	(574,226)	-	-	(255,967)	(255,967)	(925,960)
Recovery of written-off loans	-	-	43,437	43,437	-	-	27,754	27,754	106,395
Foreign exchange effect	2,830	2,143	5,438	10,411	903	2,830	7,601	11,334	32,646
Expected credit loss at the end of year balances	140,637	969,634	1,544,269	2,654,540	514,737	542,125	437,671	1,494,533	2,984,851

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

Commercial loans	31.03.2021				31.03.2020				31.12.2020
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of year balances	71,272	98,040	68,448	237,760	54,693	24,399	67,158	146,250	146,250
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	21,889	-	-	21,889	11,537	-	-	11,537	118,602
Assets derecognized or matured (excluding write-offs)	(14,167)	(3,970)	(545)	(18,682)	(11,586)	(1,885)	(455)	(13,926)	(30,646)
Transfers to Stage 1	9,183	(9,183)	-	-	3,188	(3,156)	(32)	-	-
Transfers to Stage 2	(6,686)	6,705	(19)	-	(4,920)	4,977	(57)	-	-
Transfers to Stage 3	(185)	(4,460)	4,645	-	(100)	(877)	977	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(5,581)	19,610	12,019	26,048	3,170	9,142	11,650	23,962	64,166
Others	(5,858)	(8,177)	(2,966)	(17,001)	(7,054)	9,767	(5,856)	(3,143)	(50,679)
Total	(1,405)	525	13,134	12,254	(5,765)	17,968	6,227	18,430	101,443
Write-offs	-	-	(6,859)	(6,859)	-	-	(2,336)	(2,336)	(27,817)
Recovery of written-off loans	-	-	235	235	-	-	355	355	1,756
Foreign exchange effect	2,526	1,694	2,528	6,748	722	326	630	1,678	16,128
Expected credit loss at the end of year balances	72,393	100,259	77,486	250,138	49,650	42,693	72,034	164,377	237,760

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

Notes to the interim consolidated financial statements (continued)

Consumer loans	31.03.2021				31.03.2020				31.12.2020
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of year balances	<u>85,321</u>	<u>901,602</u>	<u>1,426,470</u>	<u>2,413,393</u>	<u>384,989</u>	<u>332,697</u>	<u>340,914</u>	<u>1,058,600</u>	<u>1,058,600</u>
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	79,970	-	-	79,970	51,154	-	-	51,154	185,014
Assets derecognized or matured (excluding write-offs)	(20,526)	(10,699)	(8,535)	(39,760)	(15,692)	(8,254)	(4,478)	(28,424)	(125,246)
Transfers to Stage 1	51,055	(49,772)	(1,283)	-	48,282	(45,461)	(2,821)	-	-
Transfers to Stage 2	(48,274)	53,107	(4,833)	-	(57,194)	64,409	(7,215)	-	-
Transfers to Stage 3	(14,150)	(170,330)	184,480	-	(149)	(66,844)	66,993	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(36,082)	23,591	179,289	166,798	(32,827)	140,654	85,953	193,780	1,908,097
Others	(40,536)	(15,339)	20,297	(35,578)	59,024	17,013	(17,916)	58,121	144,988
Total	<u>(28,543)</u>	<u>(169,442)</u>	<u>369,415</u>	<u>171,430</u>	<u>52,598</u>	<u>101,517</u>	<u>120,516</u>	<u>274,631</u>	<u>2,112,853</u>
Write-offs	-	-	(556,729)	(556,729)	-	-	(239,170)	(239,170)	(868,121)
Recovery of written-off loans	-	-	42,371	42,371	-	-	26,162	26,162	100,760
Foreign exchange effect	15	205	809	1,029	125	2,354	5,687	8,166	9,301
Expected credit loss at the end of year balances	<u>56,793</u>	<u>732,365</u>	<u>1,282,336</u>	<u>2,071,494</u>	<u>437,712</u>	<u>436,568</u>	<u>254,109</u>	<u>1,128,389</u>	<u>2,413,393</u>

Mortgage loans	31.03.2021				31.03.2020				31.12.2020
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of year balances	<u>11,123</u>	<u>62,782</u>	<u>114,079</u>	<u>187,984</u>	<u>9,418</u>	<u>22,788</u>	<u>89,476</u>	<u>121,682</u>	<u>121,682</u>
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	772	-	-	772	431	-	-	431	2,125
Assets derecognized or matured (excluding write-offs)	(415)	(156)	(2,351)	(2,922)	(373)	(283)	(3,369)	(4,025)	(13,556)
Transfers to Stage 1	1,730	(1,730)	-	-	10,232	(10,232)	-	-	-
Transfers to Stage 2	(731)	3,859	(3,128)	-	(457)	11,043	(10,586)	-	-
Transfers to Stage 3	(468)	(1,525)	1,993	-	(8)	(885)	893	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(1,229)	(893)	4,863	2,741	450	11,186	50,537	62,173	100,318
Others	(910)	(619)	(1,784)	(3,313)	(4,897)	(2,297)	(50,491)	(57,685)	(25,139)
Total	<u>(1,251)</u>	<u>(1,064)</u>	<u>(407)</u>	<u>(2,722)</u>	<u>5,378</u>	<u>8,532</u>	<u>(13,016)</u>	<u>894</u>	<u>63,748</u>
Write-offs	-	-	(367)	(367)	-	-	(999)	(999)	(4,350)
Recovery of written-off loans	-	-	-	-	-	-	-	-	-
Foreign exchange effect	265	241	2,048	2,554	43	148	1,170	1,361	6,904
Expected credit loss at the end of year balances	<u>10,137</u>	<u>61,959</u>	<u>115,353</u>	<u>187,449</u>	<u>14,839</u>	<u>31,468</u>	<u>76,631</u>	<u>122,938</u>	<u>187,984</u>

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

Notes to the interim consolidated financial statements (continued)

	31.03.2021				31.03.2020				31.12.2020
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Small and micro-business loans									
Expected credit loss at the beginning of year balances	12,525	82,783	50,406	145,714	12,792	14,889	40,566	68,247	68,247
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	1,182	-	-	1,182	4,910	-	-	4,910	145,290
Assets derecognized or matured (excluding write-offs)	(355)	(914)	(391)	(1,660)	(1,706)	(301)	(576)	(2,583)	(6,545)
Transfers to Stage 1	15,965	(15,768)	(197)	-	1,223	(1,223)	-	-	-
Transfers to Stage 2	(5,756)	5,791	(35)	-	(3,626)	3,697	(71)	-	-
Transfers to Stage 3	(194)	(13,002)	13,196	-	(143)	(2,735)	2,878	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(10,691)	20,988	15,242	25,539	(593)	4,847	5,062	9,316	78,730
Others	(11,386)	(4,830)	260	(15,956)	(334)	12,220	(851)	11,035	(118,528)
Total	(11,235)	(7,735)	28,075	9,105	(269)	16,505	6,442	22,678	98,947
Write-offs	-	-	(10,271)	(10,271)	-	-	(13,462)	(13,462)	(25,672)
Recovery of written-off loans	-	-	831	831	-	-	1,237	1,237	3,879
Foreign exchange effect	24	3	53	80	13	2	114	129	313
Expected credit loss at the end of year balances	1,314	75,051	69,094	145,459	12,536	31,396	34,897	78,829	145,714

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

	31.03.2021				31.03.2020				31.12.2020
	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Total S(000)
Changes in the allowance for expected credit losses for indirect loans									
Expected credit loss at beginning of year balances	15,741	18,945	23,037	57,723	16,367	4,720	18,607	39,694	39,694
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	2,717	-	-	2,717	1,118	-	-	1,118	5,816
Assets derecognized or matured	(2,508)	(481)	(902)	(3,891)	(887)	(395)	(43)	(1,325)	(3,753)
Transfers to Stage 1	200	(131)	(69)	-	1,659	(1,659)	-	-	-
Transfers to Stage 2	(419)	419	-	-	(127)	127	-	-	-
Transfers to Stage 3	-	-	-	-	-	(1)	1	-	-
Impact on the expected credit loss for credits that change stage in the year (*)	(146)	(146)	189	(103)	(1,407)	350	1	(1,056)	6,698
Others	1,807	(1,024)	(569)	214	(1,942)	(251)	(559)	(2,752)	8,192
Total	1,651	(1,363)	(1,351)	(1,063)	(1,586)	(1,829)	(600)	(4,015)	16,953
Write-offs	-	-	-	-	-	-	1	1	-
Foreign exchange effect	242	131	16	389	285	127	18	430	1,076
Expected credit loss at the end of year balances	17,634	17,713	21,702	57,049	15,066	3,018	18,026	36,110	57,723

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

Notes to the interim consolidated financial statements (continued)

7. Investment property

(a) This caption is made up as follows:

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

DCF: Discounted cash flow

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

(a) These captions are comprised of the following:

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

Notes to the interim consolidated financial statements (continued)

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

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

Notes to the interim consolidated financial statements (continued)

	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Effective part recognized in other comprehensive income during the year S/(000)	Maturity	Hedged Instruments	Caption of the consolidated statement of financial position where the hedged item has been recognized
As of December 31, 2020							
Derivatives held for trading -							
Forward exchange contracts	23,512	13,935	3,661,038	-	Between January 2021 and December 2022	-	-
Interest rate swaps	140,906	139,531	4,382,535	-	Between May 2021 and June 2036	-	-
Currency swaps	69,007	50,192	2,520,758	-	Between April 2021 and April 2028	-	-
Cross currency swaps	-	67,523	213,125	-	January 2023	-	-
Options	-	145	22,700	-	Between January 2021 and June 2021	-	-
	<u>233,425</u>	<u>271,326</u>	<u>10,800,156</u>	<u>-</u>			
Derivatives held as hedges - Cash flow hedges:							
Cross currency swaps (CCS)	126,839	-	1,596,861	(10,768)	January 2023	Corporate bonds	Bonds, notes and obligations outstanding
Cross currency swaps (CCS)	34,985	-	543,150	(5,904)	October 2027	Senior bonds	Bonds, notes and obligations outstanding
Interest rate swaps (IRS) (*)	-	-	-	964	-	-	-
Interest rate swaps (IRS) (*)	-	-	-	677	-	-	-
Interest rate swaps (IRS) (*)	-	-	-	681	-	-	-
	<u>161,824</u>	<u>-</u>	<u>2,140,011</u>	<u>(14,350)</u>			
	<u>395,249</u>	<u>271,326</u>	<u>12,940,167</u>	<u>(14,350)</u>			

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

(i) As of March 31, 2021 and December 31, 2020, certain derivative financial instruments required the establishment of collateral deposits; see Note 4(d).

(ii) For the designated hedging derivatives mentioned in the table above, changes in fair values of hedging instruments completely offset the changes in fair values of hedged items; therefore, there has been no hedge ineffectiveness as of March 31, 2021 and December 31, 2020.

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

Notes to the interim consolidated financial statements (continued)

9. Deposits and obligations

(a) This caption is made up as follows:

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

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

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

10. Due to banks and correspondents

(a) This caption is comprised of the following:

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

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

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

Notes to the interim consolidated financial statements (continued)

11. Bonds, notes and other obligations

(a) This caption is comprised of the following:

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

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

Notes to the interim consolidated financial statements (continued)

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

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

12. Insurance contract liabilities

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

Notes to the interim consolidated financial statements (continued)

13. Equity

(a) Capital stock and distribution of dividends -

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

As of March 31, 2021 and December 31, 2020, IFS's capital stock is represented by 115,447,705 subscribed and paid-in common shares.

The General Shareholders' Meeting of IFS held on March 31, 2021, agreed to distribute dividends for the year 2020 for approximately US\$88,891,000 (equivalent to approximately S/332,096,000), equivalent to US\$0.77 per share, were paid on May 6, 2021.

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

(b) Treasury stock -

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

(c) Capital surplus -

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

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

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

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

Notes to the interim consolidated financial statements (continued)

14. Tax situation

- (a) IFS and its Subsidiaries incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas (see Note 2), are not subject to any Income Tax, or any other taxes on capital gains, equity or property. The Subsidiaries incorporated and domiciled in Peru, are subject to the Peruvian Tax legislation; see paragraph (c).

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

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Subsidiaries; any increased tax or surcharge that could arise from possible tax audits would be applied to the results of the period in which such tax increase or surcharge may be determined.

Following is the description of the main ongoing tax procedures for the Subsidiaries:

Interbank:

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

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, the most relevant matter subject to discrepancy with SUNAT corresponds to whether the "interest in suspense" are subject to Income Tax or not. In this sense, Interbank considers that the interest in suspense do not constitute accrued income, in accordance with the SBS's regulations and International Financial Reporting Standards, which is also supported by a ruling by the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009 and a pronouncement in June 2019.

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

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

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

Interseguro:

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

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

Notes to the interim consolidated financial statements (continued)

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

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

15. Interest income and expenses, and similar accounts

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

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

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

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

Notes to the interim consolidated financial statements (continued)

16. Fee income from financial services, net

(a) This caption is comprised of the following:

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

Notes to the interim consolidated financial statements (continued)

17. Other income and (expenses)

(a) This caption is comprised of the following:

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

Notes to the interim consolidated financial statements (continued)

18. Net premiums earned

(a) This caption is comprised of the following:

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

19. Earnings per share

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

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

Notes to the interim consolidated financial statements (continued)

20. Transactions with shareholders, related parties and affiliated entities

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

Notes to the interim consolidated financial statements (continued)

21. Business segments

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

Banking -

Mainly loans, credit facilities, deposits and current accounts.

Insurance -

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

Wealth management -

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

Notes to the interim consolidated financial statements (continued)

	31.03.2021				
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and consolidation adjustments S/(000)	Total consolidated S/(000)
Capital investments (*)	33,260	122,798	1,364	-	157,422
Total assets	69,970,377	14,775,465	4,565,298	731,152	90,042,292
Total liabilities	63,695,862	13,773,518	3,373,737	277,890	81,121,007

	31.12.2020				
	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and Consolidation adjustments S/(000)	Total consolidated S/(000)
Capital investments (*)	193,113	109,786	6,771	-	309,670
Total assets	68,038,621	15,311,267	4,308,618	577,523	88,236,029
Total liabilities	61,814,096	14,375,950	3,233,691	(141,657)	79,282,080

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

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

Notes to the interim consolidated financial statements (continued)

22. Financial instruments classification

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

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

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.

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

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

(a) Credit risk management for loans

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

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

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

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

Notes to the interim consolidated financial statements (continued)

(b) Offsetting of financial assets and liabilities

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

Notes to the interim consolidated financial statements (continued)

(c) Foreign exchange risk

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

24. Fair value

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

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

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

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

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

Notes to the interim consolidated financial statements (continued)

25. Fiduciary activities and management of funds

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

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

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