Management's Discussion and Analysis of Financial Condition and Results of Operations

Second Quarter 2020

August, 2020

Index

I. Overview

Intercorp is a holding company for one of Peru's largest business groups. Focused on Peru's growing middle class, it provides a variety of services to satisfy consumers' evolving preferences for modern goods and services. Intercorp's cash flows are primarily generated by dividends from subsidiaries. Intercorp's businesses are mainly focused on three industries: financial services; retail (including shopping malls); and education. Intercorp manages its businesses primarily through two principal holding companies, Intercorp Financial Services ("IFS") and Intercorp Retail.

IFS is a leading provider of financial services in the fast-growing, underpenetrated and profitable Peruvian financial system. With one of the largest distribution networks in Peru (as measured by the number of financial stores, ATMs, correspondent agents and sales force), IFS provides a wide range of products spanning banking, insurance and wealth management services to individual and commercial clients, through its main subsidiaries: Interbank, a universal bank; Interseguro, an insurance company; and Inteligo, a wealth management services provider. IFS' subsidiaries are managed with a coordinated strategy focusing on specific businesses that are believed to offer high growth, high margin opportunities.

Intercorp Retail is the holding company for retail and shopping malls businesses. Intercorp Retail controls InRetail Perú. InRetail Perú owns: a leading supermarket chain, Supermercados Peruanos; two pharmacy chains, Inkafarma and Mifarma; and the largest developer and operator of shopping malls operating under the Real Plaza brand. Separately, Intercorp Retail also controls other retail businesses, such as Promart, chain of home improvement stores, Oechsle, department store chain, and Financiera Oh!, a consumer financing company.

Intercorp began investing in education in 2010 and is rapidly expanding its footprint into this sector. Their education businesses, Innova Schools, UTP and Zegel IPAE, are operated through other subsidiaries within Intercorp's corporate structure. Innova Schools is a scalable network of private K-12 schools operating in 63 locations across Peru and 2 in Mexico. UTP consists of a university and a technical school, with more than 70,000 students. Zegel IPAE complements the education portfolio with a technical school focused on specialized business careers.

<ins>Relevant events: COVID -19 Global Pandemic</ins>

Due to the pandemic, on March 15th 2020, the Peruvian Government declared National State of Emergency, ordering closure of national borders and mandatory lockdown, guaranteeing access to essential services and goods, the closure of non-essential businesses, and others. Up to now, the period of the National State of Emergency has been extended until September 30th, 2020.

In this context, the Government has activated extraordinary measures to mitigate the financial and economic impact of Covid-19, particularly for customers of the financial system (due to the closure of certain economic sectors). Furthermore, "Reactiva Perú" Program has been implemented.

Regarding the economic reactivation, the Government approved the program, which comprises of 4 phases. Each one includes a group of economic activities that will be able to initiate according to a schedule set up by the Government; taking into consideration public health, internal mobility and social dimension criteria.

Intercorp's Management not only focuses on guaranteeing the operativity of all of its subsidiaries, but also on strengthening their liquidity and solvency position. Likewise, protecting the health and wellbeing of employees is one of the main priorities of the group companies. There are specific protocols that include social distancing and the maintenance of a healthy work environment and the implementation of home office and a frequent communication with employees.

Following is the detail of the main measures enacted by the Government or regulatory entities, which have had impact on each of the business segments:

Financial business:
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 severance indemnities and launching of credit programs guaranteed by the Peruvian Government, such as "Reactiva Perú".

As of June 30, 2020, Interbank holds loans of the "Reactiva Perú" program for approximately S/3,833 million, which are recorded in "Loans, net" of the consolidated statements of financial position.

Retail business:
As aforementioned, since the Declaration of State of Emergency, shopping malls were partially closed, with the exception of stores linked to essential services such as: supermarkets, drugstores and banks.

With the extension of activities of Phase 2 of the "Resumption of Activities", the reopening of shopping malls was allowed. However, the resumption of operations of tenants has been subject to Government requirements related to the application of biosecurity measures and capacity restrictions, among other limits.

Educational business:
Through Vice-Ministerial Resolutions No. 093-2020-MINEDU and No. 095-2020-MINEDU, the Government enacted the suspension of in-person classes, for all educational levels, and authorized the rendering of the service via non-attendance or remote means for the year 2020, as long as the Nacional State of Emergency and Health Emergency remain in effect.

II. Results Analysis

The table below details Intercorp's assets and equity in its main businesses as of June 30, 2020 and December 31, 2019.

	As of June 30, 2020				As of December 31, 2019			
	Assets		Equity		Assets		Equity	
	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%
IFS								
Interbank (banking)……………………………………	63,002.1	60.2%	5,716.6	57.5%	53,019.4	56.7%	6,342.9	60.9%
Interseguro (insurance)………………………………….	14,164.7	13.5%	666.5	6.7%	13,917.6	14.9%	973.9	9.3%
Inteligo (wealth management)…………………………….	4,292.3	4.1%	757.7	7.6%	4,098.1	4.4%	853.8	8.2%
IFS (holding company) and eliminations…………………	320.8	0.3%	654.2	6.6%	484.5	0.5%	686.2	6.6%
Total IFS………………………………………………….	81,779.8	78.2%	7,795.0	78.4%	71,519.5	76.5%	8,856.9	85.0%
Intercorp Retail								
Supermercados Peruanos (food retail)……………………	5,119.1	4.9%	1,112.8	11.2%	5,003.2	5.4%	1,086.3	10.4%
Inkafarma (pharmacies)………………………………….	5,642.1	5.4%	719.4	7.2%	5,611.8	6.0%	776.5	7.5%
InRetail Shopping Malls (shopping malls)……………….	5,291.0	5.1%	2,455.3	24.7%	5,223.8	5.6%	2,524.6	24.2%
Other [(1)]………………………………………………………	3,831.8	3.7%	(916.8)	-9.2%	3,613.3	3.9%	(931.7)	-8.9%
Total Intercorp Retail…………………………………….	19,884.0	19.0%	3,370.8	33.9%	19,452.0	20.8%	3,455.7	33.2%
Other subsidiaries/Intercorp (holding company) and eliminations………………………………..…	2,904.1	2.8%	(1,218.0)	-12.2%	2,510.6	2.7%	(1,892.1)	-18.2%
Total Consolidated………………………………………..	104,567.9	100%	9,947.7	100%	93,482.1	100%	10,420.4	100%

(1) Includes assets and equity attributed to Intercorp Retail as a holding company and other immaterial subsidiaries of Intercorp Retail

i. Intercorp

As a holding company, Intercorp is dependent on its subsidiaries' results of operations for its earnings and cash flows. The following discussion includes the results from operations of Intercorp's subsidiaries that provide the substantial majority of the contribution to its net profit and dividend inflows.

The following table presents information of the unconsolidated income statement regarding the contributions attributable to Intercorp, based on its equity ownership, from its primary businesses for the three months ended June 30, 2020 and 2019.

	For the six-month periods ended June 30		Change	
	2020	2019		
	(S/ millions)		(S/ in millions)	%
IFS				
Banking	(242.8)	404.1	(646.9)	N/M
Insurance	42.1	62.9	(20.8)	-33.1%
Wealth Management	(14.2)	86.8	(101.0)	N/M
IFS expenses and eliminations	(6.3)	(27.2)	20.9	-76.9%
Total IFS	**(221.3)**	**526.5**	**(747.8)**	**N/M**
Intercorp Retail				
Food Retail	18.8	28.7	(9.9)	-34.6%
Pharmacies	68.3	80.8	(12.5)	-15.5%
Shopping malls	(10.1)	54.9	(65.0)	N/M
Other subsidiaries / holding company and eliminations	(84.3)	(10.8)	(73.5)	678.9%
Total Intercorp Retail	**(7.3)**	**153.5**	**(160.9)**	**N/M**
Other subsidiaries	(20.4)	(14.3)	(6.1)	42.9%
Net (loss) profit attributable to Intercorp	**(249.0)**	**665.8**	**(914.8)**	**N/M**
Financial expenses, net	(43.4)	(43.2)	(0.2)	0.5%
General expenses	(14.7)	(20.5)	5.7	-28.0%
Other income (expenses), net	11.1	(37.1)	48.2	N/M
Foreign exchange (loss) gain, net	(57.2)	18.1	(75.3)	N/M
Total expenses	**(104.3)**	**(82.7)**	**(21.6)**	**26.2%**
Net (loss) profit	**(353.3)**	**583.1**	**(936.4)**	**N/M**

For the six months ended June 30, 2020, Intercorp showed a loss of S/ -353.3 million, a S/ 936.4 million decrease in net profits compared to the same period in 2019, driven by lower profits in IFS (-S/ 747.8 million) caused by the COVID-19 economic impact. Interbank explains -S/ 646.9 million due to impairment loss on loans and Inteligo (-S/ 101 million) due to negative mark-to-market valuations in the three months ended March 31, 2020, partially offset by strong gains in the proprietary portfolio in the subsequent quarter. At the holding level, there was a foreign exchange loss of S/ 75.3 million due to a higher exchange rate on the dollar denominated debt.

ii. IFS

The table below sets forth the main components of IFS' consolidated income statement for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30,		Change	
	2020	2019		
	(S/ million)		(S/ million)	%
Interest and similar income	2,291.7	2,368.5	-76.8	-3.2%
Interest and similar expense	-649.1	-687.8	38.7	-5.6%
Net interest and similar income	**1,642.6**	**1,680.6**	**-38.0**	**-2.3%**
Impairment loss on loans, net of recoveries	-1,603.2	-379.4	-1,223.8	N/M
Recovery (loss) due to impairment of financial investments	-52.4	2.7	-55.1	N/M
Net interest and similar income after impairment loss	**-13.0**	**1,303.9**	**-1,316.9**	**N/M**
Fee income from financial services, net	362.9	445.7	-82.8	-18.6%
Other income	226.6	268.2	-41.6	-15.5%
Total premiums earned minus claims and benefits	-123.3	-143.8	20.5	-14.3%
Other expenses	-927.1	-966.4	39.3	-4.1%
Income before translation result and income tax	**-473.9**	**907.7**	**-1,381.6**	**N/M**
Translation result	-29.6	22.0	-51.6	N/M
Income tax	191.1	-226.9	418.0	N/M
Profit for the period	**-312.4**	**702.8**	**-1,015.2**	**N/M**
Attributable to IFS' shareholders	**-310.1**	**698.5**	**-1,008.6**	**N/M**
EPS	**n.m.**	**6.31**		
ROAE	**n.m.**	**18.9%**		

IFS' net results attributable to shareholders were S/ -310.1 million in the six months ended June 30, 2020, compared to profits of S/ 698.5 million in the corresponding period of the previous year. This was mainly due to higher impairment loss on loans, in addition to reductions in net fee income from financial services, net interest and similar income, and other income, all at Interbank. Lower other income at Inteligo and negative translation results across all subsidiaries also explained IFS' bottom-line performance. These effects were partially compensated by a reversal of the income tax payment at Interbank, as well as by reductions in other expenses at both Interbank and Interseguro, and in the adjustment of technical reserves at Interseguro.

It is worth mentioning that IFS's results in the six months ended June 30, 2020 were affected by (i) the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic at Interbank for S/ 96.3 million after taxes; and (ii) the adjustments of the bank's expected loss models to address the impact of the COVID-19 pandemic.

IFS' Segments

The following discussion details the results of operations of each of IFS's three segments: Banking, Insurance and Wealth Management.

Banking

The table below details selected financial information for our Banking segment for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30,		Change	
	2020	2019		
	(S/ million)		(S/ million)	%
Interest and similar income	1,890.2	1,984.1	-93.9	-4.7%
Interest and similar expense	-576.6	-622.3	45.7	-7.3%
Net interest and similar income	**1,313.6**	**1,361.9**	**-48.3**	**-3.5%**
Impairment loss on loans, net of recoveries	-1,603.1	-379.3	-1,223.8	N/M
Recovery (loss) due to impairment of financial investments	0.0	0.1	-0.1	N/M
Net interest and similar income after impairment loss	**-289.6**	**982.6**	**-1,272.2**	**N/M**
Fee income from financial services, net	303.4	393.9	-90.5	-23.0%
Other income	211.9	228.4	-16.5	-7.2%
Other expenses	-752.1	-786.6	34.5	-4.4%
Income before translation result and income tax	**-526.3**	**818.4**	**-1,344.7**	**N/M**
Translation result	-1.8	-3.4	1.6	-47.2%
Income tax	181.9	-215.0	396.9	N/M
Profit for the period	**-346.2**	**599.9**	**-946.1**	**N/M**
ROAE	**N/M**	**21.8%**		
Efficiency ratio	**39.9%**	**38.6%**		
NIM	**4.7%**	**5.7%**		

Interbank's net results reached S/ -346.2 million in the six months ended June 30, 2020, compared to profits of S/ 599.9 million in the corresponding period of the previous year. The main factor that contributed to this result was a more than four-fold growth in impairment loss on loans, in addition to reductions of 23.0% in net fee income from financial services, 7.2% in other income and 3.5% in net interest and similar income. These effects were partially offset by a reversal of the income tax payment and a 4.4% decrease in other expenses.

It is worth mentioning that Interbank's comparable results were affected by (i) the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo for S/ 32.4 million after taxes in the six months ended June 30, 2019; (ii) the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic for S/ 96.3 million after taxes in the six months ended June 30, 2020; and (iii) the adjustments of the bank's expected loss models to address the impact of the COVID-19 pandemic, also in the six months ended June 30, 2020.

Net interest and similar income decreased 3.5% due to a 4.7% reduction in interest and similar income, partially offset by a 7.3% decrease in interest and similar expense. However, excluding the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-

19 pandemic for S/ 136.7 million in the six months ended June 30, 2020, net interest and similar income, and interest and similar income would have grown 6.5% and 2.2%, respectively.

The lower interest and similar income was mainly due to reductions of 67.1% in interest on due from banks and inter-bank funds, 3.1% in interest on loans, and 1.1% in interest on financial investments.

Interest on due from banks and inter-bank funds decreased S/ 36.6 million, or 67.1%, explained by a 90 basis point reduction in the average yield, partially compensated by 23.3% growth in the average volume. On one hand, the decrease in the nominal average rate was mainly related to lower returns on deposits and reserve funds at the Central Bank, partially offset by higher yields on inter-bank funds. On the other hand, the increase in the average volume was explained by higher deposits and reserve funds at the Central Bank, partially compensated by a lower average balance of inter-bank funds.

Interest on loans decreased S/ 56.1 million, or 3.1%, mainly due to a 160 basis point reduction in the average yield, partially compensated by 13.8% growth in the average volume of loans. However, excluding the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic for S/ 136.7 million in the six months ended June 30, 2020, interest on loans would have grown 4.4%.

The annual decrease in the average rate on loans, from 10.9% for the six months ended June 30, 2019 to 9.3% for the corresponding period of 2020, was due to reductions of 160 basis point in retail loans and 130 basis points in commercial loans. The decrease in retail loans was mainly explained by lower rates on credit cards, mostly related to the previously mentioned one-off impact, as well as by decreases in the average yields on mortgages and other consumer loans. In the commercial portfolio, rates decreased on all types of loans. It is worth mentioning that, as a result of the loan rescheduling carried out as part of the measures implemented to deal with the COVID-19 pandemic, a portion of the interest on loans to be recorded between April and June 2020 was rescheduled, affecting the average yield on loans for the six months ended June 30, 2020. Additionally, the incidence of the low-return loans offered to a number of commercial clients as part of the Reactiva Peru Program also had an impact on the average rate on loans.

The higher average volume of loans was attributed to increases of 17.3% in commercial loans and 10.8% in retail loans. In the commercial portfolio, the higher average volume was mainly due to increases of 21.1% in short and medium-term loans, and 10.2% in trade finance loans, attributed to the disbursement of loans under the Reactiva Peru Program. In the retail portfolio, average volumes grew mostly due to increases of 10.5% in both credit cards and mortgages, and 6.6% in payroll deduction loans.

Interest on financial investments decreased 1.1% YoY due to a 60 basis point reduction in the average yield, partially offset by 16.0% growth in the average volume. On one hand, the decrease in the nominal average rate, from 4.0% for the six months ended June 30, 2019 to 3.4% for the corresponding period of 2020, was mainly a result of lower yields on corporate bonds from non-financial institutions, global bonds and sovereign bonds. On the other hand, the increase in the average volume was the result of higher average balances of sovereign bonds.

The nominal average yield on interest-earning assets decreased 140 basis points, from 8.2% for the six months ended June 30, 2019 to 6.8% for the corresponding period of 2020, in line with the lower returns on all of the interest-earning assets. However, excluding the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic in the six months ended June 30, 2020, the nominal average yield on interest-earning assets would have been 7.3% in such period.

The lower interest and similar expense was due to reductions of 9.2% in interest on deposits and obligations, and 9.0% in interest on bonds, notes and other obligations, partially offset by a 4.5% increase in interest on due to banks and correspondents.

Interest on deposits and obligations decreased S/ 32.6 million, or 9.2%, explained by a 50 basis point reduction in the average cost, from 2.2% for the six months ended June 30, 2019 to 1.7% for the corresponding period of 2020, partially offset by 15.6% growth in the average volume. The lower average cost was due to reductions in rates paid to commercial and institutional deposits, while rates on retail deposits remained stable. The higher average volume was explained by growth in retail, commercial and institutional deposits. By currency, average balances of soles-denominated deposits grew 26.1% while average dollar-denominated deposits decreased 1.4%.

The reduction in interest on bonds, notes and other obligations was the result of higher efficiencies in this component of interest-bearing liabilities, associated with liability management transactions executed throughout the last 12 months. Among these, the execution of a call option for local subordinated bonds in July 2019 and the redemption of international hybrid bonds in April 2020 contributed to a lower interest expense, although partially compensated by the placement of a new international subordinated bond in June 2020. Additionally, the maturity of Certificates of Deposit for S/ 150 million in March 2020 also contributed to the lower interest expense of this component of the funding base.

The S/ 3.7 million, or 4.5%, increase in interest on due to banks and correspondents was the result of 40.8% growth in the average volume, partially compensated by a 110 basis point reduction in the average cost, from 4.2% for the six months ended June 30, 2019 to 3.1% for the corresponding period of 2020. On one hand, the higher volume was explained by growth in funding from the Central Bank, correspondent banks abroad and COFIDE, as well as by higher inter-bank funds. On the other hand, the decrease in the average cost was due to lower rates paid to inter-bank funds and funding from correspondent banks abroad, the Central Bank and COFIDE.

The average cost of funding decreased 60 basis points, from 3.0% for the six months ended June 30, 2019 to 2.4% for the corresponding period of 2020, in line with the lower cost on all of the interest-bearing liabilities.

As a result of the above, net interest margin was 4.7% for the six months ended June 30, 2020, 100 basis points lower than the 5.7% reported for the corresponding period of the previous year. However, excluding the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic in the six months ended June 30, 2020, net interest margin would have been 5.2% in such period.

Impairment loss on loans, net of recoveries increased more than four-fold in the six months ended June 30, 2020, compared to the corresponding period of the previous year. This was mainly a result of higher requirements in credit cards and other consumer loans, as well as in exposures to small-sized companies and corporate companies, all in relation to the adjustment of the bank's expected loss models to address the impact of the COVID-19 pandemic.

The S/ 90.5 million, or 23.0%, decrease in net fee income from financial services was mainly due to a S/ 86.0 million reduction in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services.

Other income decreased S/ 16.5 million, or 7.2%, mainly due to lower net gain on valuation of trading securities, partially compensated by increases in net gain on foreign exchange transactions and in net gain on sale of securities.

Other expenses decreased S/ 34.5 million, or 4.4%, as a result of reductions in salaries and employee benefits and administrative expenses, attributed to cost containment measures implemented to offset the impacts of the COVID-19 pandemic on revenues.

The efficiency ratio was 39.9% in the six months ended June 30, 2020, compared to the 38.6% registered in the corresponding period of 2019. However, excluding the one-off impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic, the efficiency ratio would have been 37.2% in the six months ended June 30, 2020, which represents an improvement compared to the corresponding period of 2019.

Income before translation result and income tax was S/ -526.3 million in the six months ended June 30, 2020, which was then compensated by a reversal of the income tax payment.

As a result of the above, net result for the period was S/ -346.2 million in the six months ended June 30, 2020, compared to profits of S/ 599.9 million registered in the corresponding period of 2019.

Insurance

The table below details selected financial information for our Insurance segment for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30, 2020	For the six months ended June 30, 2019	Change	
	(S/ million)		(S/ million)	%
Net interest and similar income	275.1	273.3	1.8	0.7%
Recovery (loss) due to impairment of financial investments	-45.2	2.8	-48	N/M
Net interest and similar income after impairment loss	**229.9**	**276.1**	**-46.2**	**-16.7%**
Fee income from financial services, net	-2.3	-2.0	-0.3	18.1%
Other income	80.8	63.5	17.3	27.2%
Total premiums earned minus claims and benefits	-123.3	-143.8	20.5	-14.2%
Other expenses	-128.2	-145.1	16.9	-11.7%
Income before translation result and income tax	**57.0**	**48.8**	**8.2**	**16.8%**
Translation result	-20.1	13.0	-33.1	N/M
Income tax	0.0	0.0	0	N/M
Profit for the period	**36.9**	**61.8**	**-24.9**	**-40.3%**
Profit attributable to IFS' shareholders	**36.9**	**61.8**	**-24.9**	**-40.3%**
Efficiency ratio	**11.3%**	**13.7%**		
ROAE	**11.2%**	**13.7%**		

Interseguro's profit attributable to IFS' shareholders in the six months ended June 30, 2020 was S/ 36.9 million, a decrease of S/ 24.9 million compared to the corresponding period of the previous year.

The reduction was mainly a result of negative performances of S/ 48.0 million in impairment loss on financial investments, and S/ 33.1 million in translation result, partially offset by increases of S/ 20.5 million in total premiums earned minus claims and benefits, and S/ 17.3 million in other income, as well as by a S/ 16.9 million reduction in other expenses.

Net interest and similar income was S/ 275.1 million in the six months ended June 30, 2020, a slight increase of S/ 1.8 million compared to the corresponding period of the previous year. The result was explained by S/ 9.5 million growth in interest and similar income, attributable to a higher organic growth of the fixed income portfolio, partially offset by a S/ 7.6 million increase in interest and similar expenses.

Loss due to impairment of financial investments was S/ -45.2 million in the six months ended June 30, 2020, compared to a recovery of S/ 2.8 million in the corresponding period of 2019, attributable to an additional provision for impairment on a fixed income investment that had been downgraded in relation to the COVID-19 pandemic.

Other income was S/ 80.8 million, a S/ 17.3 million increase, mainly due to growth of S/ 50.1 million in net gain on sale of securities, partially offset by decreases of S/ 15.5 million in net gain on valuation of real estate investments and S/ 14.9 million in net trading result, both related to the impact of the COVID19 pandemic in the real estate and financial markets, respectively.

Other expenses were S/ 128.2 million in the six months ended June 30, 2020, a S/ 16.9 million reduction compared to the corresponding period of the previous year. This was mainly due to decreases of S/ 6.6 million in administrative expenses and S/ 11.7

million in varied technical insurance expenses, both related to cost containment measures implemented to deal with the COVID-19 pandemic.

Total premiums earned less claims and benefits

	For the six months ended June 30, 2020	2019	Change
	(S/ million)		%
Net premiums	290.5	335.6	-13.4%
Adjustment of technical reserves	-51.2	-141.2	-63.7%
Net claims and benefits incurred	-362.6	-338.1	7.2%
Total premiums earned minus claims and benefits	**-123.3**	**-143.8**	**-14.2%**

Total premiums earned minus claims and benefits increased S/ 20.5 million explained by a S/ 90.0 million decrease in adjustment of technical reserves, partially offset by a S/ 45.1 million reduction in net premiums and S/ 24.5 million growth in net claims and benefits incurred.

The 13.4% decrease in net premiums was mainly due to reductions of S/ 43.4 million in annuities and S/ 2.2 million in individual life, partially offset by a slight increase of S/ 1.5 million in retail insurance.

It is worth mentioning that the overall activity in net premiums was affected by the national lockdown implemented to face the COVID-19 pandemic, which mostly impacted the annuity segment of the insurance market and the collection of individual life premiums.

Adjustment of technical reserves decreased S/ 90.0 million in the six months ended June 30, 2020, mainly due to a release of technical reserves for annuities which was related to (i) the effect of lower sales, (ii) a higher mortality rate resulting from the COVID-19 pandemic, and (iii) lower technical reserves for inflation-indexed annuities due to the decrease in inflation rate. Likewise, a S/ 24.1 million decrease in individual life also contributed to the reduction in adjustment of technical reserves, in turn associated with lower profitability of flex life products, which are linked to equity investments on behalf of clients.

Growth in net claims and benefits incurred was explained by increases of S/ 17.7 million in annuity benefits, S/ 3.1 million in individual life claims and S/ 1.8 million in retail insurance claims.

Wealth Management

The table below details selected financial information for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30,		Change	
	2020	2019		
	(S/ million)		(S/ million)	%
Interest and similar income	74.4	84.5	-10.1	-12.0%
Interest and similar expense	-28.1	-29.3	1.2	-4.2%
Net interest and similar income	**46.3**	**55.2**	**-8.9**	**-16.2%**
Impairment loss on loans, net of recoveries	0.0	-0.1	0.1	-54.4%
Recovery (loss) due to impairment of financial investments	-7.1	-0.2	-6.9	N/M
Net interest and similar income after impairment loss	**39.2**	**55.0**	**-15.8**	**-28.8%**
Fee income from financial services, net	83.4	76.0	7.4	9.8%
Other income	-75.5	37.3	-112.8	N/M
Other expenses	-61.5	-55.6	-5.9	10.6%
Income before translation result and income tax	**-14.4**	**112.8**	**-127.2**	**N/M**
Translation result	-5.6	2.3	-7.9	N/M
Income tax	-2.0	-3.5	1.5	-41.8%
Profit for the period	**-22.0**	**111.7**	**-133.7**	**N/M**
ROAE	**N/M**	**27.9%**		
Efficiency ratio	**N/M**	**32.8%**		

Inteligo's net results in the six months ended June 30, 2020 were S/ -22.0 million, compared to profits of S/ 111.7 million in the corresponding period of the previous year. This was mainly explained by negative mark-to-market valuations in the three months ended March 31, 2020, partially offset by strong gains in the proprietary portfolio in the subsequent quarter.

Net interest and similar income decreased S/ 8.9 million, or 16.2%. This was a consequence of lower interest income and dividend distributions from portfolio investments, as well as lower interest generated by inter-bank fund placements in the six months ended June 30, 2020.

Net fee income from financial services was S/ 83.4 million, an increase of S/ 7.4 million, or 9.8%, mainly explained by higher brokerage fees due to increased trading volumes, triggered by higher market volatility contributing to client appetite for investing or rebalancing portfolios.

Other income (loss) was S/ -75.5 million, a decrease of S/ 112.8 million, attributable to negative mark-to-market valuations and realized losses on Inteligo's proprietary portfolio in the three months ended March 31, 2020, partially offset by gains of S/ 10.3 million in the subsequent quarter, following the recovery of financial markets.

Inteligo's other expenses reached S/ 61.5 million in the six months ended June 30, 2020, an increase of S/ 5.9 million, or 10.6%, mainly related to incentive fees for annual performance.

iii. Intercorp Retail

Results of Operations for the six months ended June 30, 2019 compared to the six months ended June 30, 2019.

Intercorp Retail

The table below sets forth the main components of Intercorp Retail's consolidated income statement for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30			
	2020	2019	Change	
	(S/ million)		(S/ million)	%
Total revenues….....................................	7,671.9	7,716.4	-44.5	-0.6%
Cost of sales….......................................	-5,490.7	-5,387.8	102.9	1.9%
Gross profit..	**2,181.2**	**2,328.6**	**-147.4**	**-6.3%**
Selling and administrative expenses…....	-1,752.1	-1,754.2	-2.0	-0.1%
Other income (expense)…......................	34.7	36.1	-1.3	-3.7%
Operating profit…...............................	**463.8**	**610.5**	**-146.7**	**-24.0%**
Financial income (expense), net….........	-357.0	-226.9	130.1	57.3%
Income tax expense…...........................	-75.0	-141.3	-66.3	-46.9%
Net profit (loss)…...............................	**31.7**	**242.3**	**-210.5**	**-86.9%**
Attributable to:				
Intercorp Retail's shareholders	18.6	141.3	-122.7	
Minority interest	13.1	101.0	-87.9	
Adjusted EBITDA	**839.1 #**	**939.2**	**-100.1**	**-10.7%**
Adjusted EBITDA margin	10.9%	12.2%		-123bps

Intercorp Retail reported a net profit of S/31.7 million as of June 30 2020, representing a decrease of S/210.5 million compared to the same period of 2019, due to the almost complete closure of Shopping Malls and the total closure of Department Stores and Home Improvement Stores during most of Q2'20, due to the National State of Emergency. Net profit was also negatively impacted by a higher exchange rate loss which relates to the loss on dollar denominated lease liabilities as per IFRS 16.

Intercorp Retail's gross profit decreased 6.3% in the first six months of 2020, compared to the same period in 2019. Revenues were positively impacted by the Food Retail segment, compensating the significant decrease in revenues from Shopping Malls, Department Stores and Home Improvement Stores, due to the National State of Emergency, as explained before.

The following discussion details the operating results of Intercorp Retail's primary segments: Food Retail, InRetail Pharma and InRetail Shopping Malls. Detailed financial information for other related businesses is not presented because they do not contribute materially to Intercorp's financial results.

Intercorp Retail's Segments

Food Retail

The table below details selected financial information for Supermercados Peruanos for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30			
	2020	2019	Change	
	(S/ million)		(S/ million)	%
Total revenues…......................................	3,259.8	2,799.3	460.4	16.4%
Cost of sales…...	-2,426.8	-2,072.1	354.6	17.1%
Gross profit…...	**833.0**	**727.2**	**105.8**	**14.5%**
Selling and administrative expenses…..	-660.7	-628.7	32.0	5.1%
Other income (expense)….....................	-8.6	23.5	-32.1	-
Operating profit…..................................	**163.7**	**122.0**	**41.7**	**34.2%**
Financial income (expense)…..................	-119.3	-52.2	67.2	128.7%
Income tax expense….............................	-17.9	-29.4	-11.5	-39.0%
Net profit…..	**26.5**	**40.5**	**-14.0**	**-34.5%**
Adjusted EBIDTA…..............................	**301.5**	**234.2**	**67.3**	**28.7%**
Adjusted EBITDA margin…...................	9.2%	8.4%	-	88bps

Food Retail reported a net profit of S/26.5 million in the first six months of 2020 compared to S/40.5 million in the same period of 2019. This reduction is mainly explained by a higher exchange rate loss related to the loss on dollar denominated lease liabilities as per IFRS 16.

Food Retail's gross profit increased 14.5% in the first six months of 2020, compared to the same period of 2019. This growth is mainly explained by a same store sales growth of 19.5% in the second quarter, positively impacted by a strong increase in both food and non-food categories, and across all formats. In particular, non-food categories showed an acceleration since the beginning of May, positively impacted by the lifting of sale restrictions on non-essential categories. Gross margin decreased from 26.0% in the first six months of 2019 to 25.6% in the same period of 2020, mainly due to the higher penetration of new formats and e-commerce.

Food Retail's selling and administrative expenses grew 5.1% in the first six months of 2020 compared to the same period of 2019. As a percentage of revenues, these expenses decreased from 22.5% to 20.3%, mainly due to better fixed cost dilution, and cost saving initiatives, aiming to offset incremental expenses related to COVID-19.

InRetail Pharma

The table below details selected financial information for InRetail Pharma for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30			
	2020	2019	Change	
	(S/ million)		(S/ million)	%
Total revenues…..	3,382.3	3,392.3	-10.0	-0.3%
Cost of sales…...	-2,352.3	-2,363.8	-11.5	-0.5%
Gross profit…...	**1,030.0**	**1,028.5**	**1.5**	**0.1%**
Selling and administrative expenses….......	-752.7	-759.9	-7.2	-1.0%
Other income (expense)…...........................	3.3	1.1	2.2	193.3%
Operating profit….......................................	**280.6**	**269.7**	**10.9**	**4.1%**
Financial income (expense), net….............	-114.3	-79.9	34.4	43.1%
Income tax expense…..................................	-55.5	-58.9	-3.4	-5.7%
Net profit…..	**110.8**	**130.9**	**-20.1**	**-15.4%**
Adjusted EBITDA…...................................	**456.1**	**436.1**	**20.0**	**4.6%**
Adjusted EBITDA margin….........................	13.5%	12.9%	-	63bps

InRetail Pharma reported S/110.8 million of net profit in the first six months of 2020, which represented a decrease of 15.4% compared to the same period of 2019. This reduction is mainly explained by a higher exchange rate loss related to the loss on dollar denominated lease liabilities as per IFRS 16, explained before.

InRetail Pharma's gross profit increased 0.1% in the first six months of 2020 compared to the same period of 2019, impacted by a decline in MDM's revenues due to a high comparison basis in Q2'19, when we still distributed discontinued business lines, and due to the National State of Emergency. For the six months ended June 2020, gross margin was 30.5%, in line with 30.3% in the same period in 2019, despite the gross margin reduction in the MDM unit, which was affected by a change in client mix in the distribution unit in the context of COVID-19.

InRetail Pharma's selling and administrative expenses were S/752.7 million in the first six months of 2020, which registered a slight decrease of 1.0% over the same period in 2019. As a percentage of revenues, these expenses decreased from 22.4% to 22.3%.

InRetail Shopping Malls

The table below details selected financial information for InRetail Shopping Malls for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30			
	2020	2019	Change	
	(S/ million)		(S/ million)	%
Total revenues…	176.2	257.2	-81.0	-31.5%
Cost of sales…	-75.7	-84.3	-8.6	-10.2%
Gross profit…	**100.5**	**172.8**	**-72.4**	**-41.9%**
Selling and administrative expenses…	-23.5	-18.9	4.6	24.5%
Other income (expense)…	-29.1	7.0	-36.1	-
Operating profit…	**47.8**	**161.0**	**-113.1**	**-**
Financial income (expense), net…	-69.0	-51.1	17.9	35.0%
Income tax expense…	6.4	-33.0	-39.3	-
Net profit…	**-14.8**	**76.9**	**-91.7**	**-**
Adjusted EBITDA…	**83.5**	**159.8**	**-76.3**	**-47.8%**
Adjusted EBITDA / Net Rental Income…	69.2%	81.4%	-	-1,220bps

InRetail Shopping Malls reported -S/14.8 million of net loss in the first six months of 2020. Net Income was mainly impacted by the negative performance of the segment, as explained before, and an FX loss related to the dollar denominated lease liabilities as per IFRS 16.

InRetail Shopping Malls' revenues, which are mainly rental income from property investments, decreased 31.5% in the first six months of 2020. From March 16th until June 22nd, Shopping Malls operated only supermarkets, pharmacies and bank branches, which represented approximately ~20% of GLA due to the National State of Emergency. Since June 22nd, non-essential retail stores started gradually reopening within the Shopping Malls, as soon as authorized by Government. In Q2'20, a tenant SSS of 3.1% was registered, considering only supermarkets and pharmacies, which were the only retail tenants allowed to operate their physical stores during that period. Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of our shopping malls. These operating costs are billed directly to tenants and are also reported as income from rendering of services. Net rental income decreased from S/196.4 million in the first six months of 2019, to S/120.7 million in the same period of 2020 (a 38.6% decrease).

In the first six months of 2020, InRetail Shopping Malls' selling and administrative were S/23.5 million, an increase of 24.5% over the same period of 2019, mainly due to a higher provision for doubtful accounts. As a percentage of revenues, these expenses increased from 7.3% to 13.4%.

III. Other financial information

i. Liquidity and Capital Resources

Intercorp's main source of cash flows are the dividends received from its subsidiaries. Intercorp's dividends have been contributed mainly by IFS and the rest by Intercorp Retail. Its main uses of funds have been investments in subsidiaries, interest payments on its financial obligations and the payment of dividends to its shareholders. Intercorp typically pays dividends to its shareholders in four quarterly installments after such dividends are declared at its annual general shareholders meeting. The table below provides information regarding the cash flows of Intercorp.

	For the six-month periods ended June 30	
	2020	2019
	(S/ millions)	
Operating activities		
Net (loss) profit for the period	(353.2)	583.1
Adjustments to reconcile net income to net cash		
Loss (gain) from participation in income of Subsidiaries, net	248.9	(665.7)
(Gain) loss on valuation of financial investments	(8.2)	17.9
Changes in fair value of investment property	(10.9)	3.3
Exchange difference from corporate bonds and others	66.8	(19.0)
Net changes in asset and liability accounts		
(Increase) decrease of other accounts receivable	(1.9)	16.2
Decrease of interest, provisions and other accounts payable	(3.7)	(15.9)
Net cash used in operating activities	**(61.9)**	**(78.6)**
Investing activities		
Dividends received	574.4	559.8
Acquisition of subsidiary's shares	(5.3)	0.0
Financial investments net of amortization	(62.3)	0.0
Capital contribution to Subsidiaries	(110.6)	(155.3)
Net cash provided by investing activities	**396.2**	**404.5**
Financing activities		
Loans paid to third parties	0.0	(153.0)
Loans paid to Subsidiaries	0.0	(65.3)
Payment of dividends	(26.3)	(49.6)
Net cash (used in) provided by financing activities	**(26.3)**	**(267.9)**
Net cash increase	**308.0**	**58.0**
Balance of cash at the beginning of period	**217.5**	**7.5**
Balance of cash at the end of period	**525.4**	**65.4**

Net cash used in operating activities decreased S/ 16.7 million for the six months ended June 30, 2020 when compared to the corresponding period in 2019 and Net cash provided by investing activities decreased in S/ 8.4 million during the same period of time due to lower capital contributions to subsidiaries. Finally, net cash from financing activities decreased in S/ 241.6 million for the six months ended June 30, 2020 because no loans were received from third parties and subsidiaries, and no dividends were distributed to shareholders beginning the second quarter after an annual shareholders meeting agreement.

ii. Dividends Received by Intercorp

The following table sets forth details regarding the dividends received by Intercorp from its subsidiaries for the six months ended June 30, 2020 and 2019.

	For the six-month periods ended June 30			For the year ended December 31,		
	2020	2020	2019	2019	2019	2018
	(US$. in millions)(1)	(S/ in millions)		(US$. in millions)	(S/ in millions)	
IFS[1]	142.7	493.1	488.3	147.1	488.3	381.0
Intercorp Retail[2]	18.0	61.3	60.1	18.0	60.1	0.0
Other subsidiaries[3]	5.8	19.9	11.5	3.5	11.5	8.9
	166.5	**574.4**	**559.8**	**168.6**	**559.8**	**389.9**

(1) Translated to U.S. dollars for convenience only at the rate of S/ 3.456 = US$1.00
(2) Translated to U.S. dollars for convenience only at the rate of S/ 3.406 = US$1.00
(3) Translated to U.S. dollars for convenience only at the rate of S/ 3.412 = US$1.00

Dividends Paid by Intercorp's Subsidiaries

IFS has been the main source of recurring dividends for Intercorp. Below we discuss the dividend policies of IFS and its subsidiaries Interbank, Interseguro and Inteligo.

IFS

The following table sets forth dividends declared and paid, net profits and dividend payout ratios (dividends paid divided by net profit for the prior year) for IFS for the six months ended June 30, 2020 and 2019. The dividends declared and paid by IFS are in US dollars.

	For the six-month periods ended June 30		
	2020	2020	2019
	(US$. in millions) (1)	(S/ in millions)	
IFS			
Dividends declared and paid	**202.0**	**698.2**	**654.5**
Net profit (2)	417.0	1,441.3	1,084.3
Dividend payout ratio	**48.4%**	**48.4%**	**60.4%**

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.456= US$1.00 , the exchange rate reported on the day of the operation.
(2) Refers to net profit for the previous fiscal year.

IFS's subsidiaries

The following tables sets forth dividends declared and paid, net profits and dividend payout ratios (dividends paid divided by net profit) for IFS's subsidiaries for the six months ended June 30, 2020 and 2019.

	For the six-month periods ended June 30		
	2020	**2020**	**2019**
	(US$. in millions) [1]	**(S/ in millions)**	
Interbank			
Dividends declared and paid………….	**87.5**	**302.3**	**467.0**
Net profit. [2]…………………………...	349.7	1,208.5	1,037.9
Dividend payout ratio…………………..	**25.0%**	**25.0%**	**45.0%**
Interseguro			
Dividends declared and paid………….	**57.8**	**199.7**	**138.0**
Net profit. [2]……………………………	125.9	435.0	361.1
Dividend payout ratio…………………..	**45.9%**	**45.9%**	**38.2%**
Inteligo			
Dividends declared and paid………….	**30.0**	**103.7**	**101.2**
Net profit [2]…………………………...	58.1	200.8	192.2
Dividend payout ratio…………………..	**51.6%**	**51.6%**	**52.7%**

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.456= US$1.00 , the exchange rate reported on the day of the operation

(2) Refers to net profit for the previous fiscal year.

Interbank's dividends are proposed annually by its board of directors and are subject to approval at its general shareholders' meeting. Dividend distributions depend on several factors, including: (i) net profit; (2) planned capital expenditures; (3) capital and legal reserve requirements; and (4) prevailing market conditions. Up to 2015, the stated policy of Interbank was to distribute up to 50% of distributable income (which is net profit minus required legal reserves, which are equivalent to 10% of net profit). For 2013, 2014 and 2015 Interbank declared and distributed as dividends approximately 50% of its distributable income. For the year 2019, the stated policy is to distribute a minimum of 20% of net profits of each year.

Interseguro's dividends are proposed annually by its board of directors and are subject to approval at its general shareholders' meeting. The stated policy of Interseguro (2019) is to distribute a minimum of 30% of distributable income. This policy is revised annually.

Dividend distributions depend on several factors, including: (i) net profit; (ii) planned capital expenditures; (iii) capital and legal reserve requirements; and (iv) prevailing market conditions.

Inteligo changed its dividends policy after its acquisition by IFS. Before its acquisition by IFS became effective on August 1, 2014, Inteligo declared and paid dividends on a quarterly basis. After such acquisition, in line with the dividend policies of Interbank and Interseguro, Inteligo's dividends are proposed annually by its board of directors and are subject to approval at its general shareholders' meeting. Dividend distributions depend on several factors, including (1) approval by Inteligo's shareholders of the dividend proposal; (2) net profit; (3) planned capital expenditures; and (4) prevailing market conditions. Dividends distributed to IFS by Inteligo are mainly generated by Inteligo Bank. The dividend policy of Inteligo Bank is to distribute up to 52% of its net profit for the previous year. Inteligo Bank intends to pay future dividends on an annual basis.

Intercorp Retail

The following table sets forth dividends declared and paid, net profits and dividend payout ratios (dividends paid divided by net profit for the prior year) for Intercorp Retail for the six months ended June 30, 2019. The dividends declared and paid by Intercorp Retail are in US dollars

	For the six-month periods ended June 30		
	2020	**2020**	**2019**
	(US$. in millions) (1)	**(S/ in millions)**	**(S/ in millions)**
Intercorp Retail			
Dividends declared and paid (2)……….	**18.0**	**61.3**	**60.7**
Net profit ………………………………..	92.6	315.3	142.0
Dividend payout ratio…………………..	**19.4%**	**19.4%**	**42.8%**

(1) Translated to U.S. dollars for convenience only at the rate of S/ 3.406 = US$1.00 , the exchange rate reported on March 31, 2019 by the SBS.

(2) Refers to net profit for the previous fiscal year.

Intercorp Retail's subsidiaries

The following tables sets forth dividends declared and paid, net profits and dividend payout ratios (dividends paid divided by net profit) for InRetail Peru (Intercorp Retail's subsidiary) for the six months, ended June 30, 2020.

	For the six-month periods ended June 30		
	2020	**2020**	**2019**
	(US$. in millions) (1)	**(S/ in millions)**	**(S/ in millions)**
InRetail Peru			
Dividends declared and paid ………….	**58.0**	**197.9**	**118.1**
Net profit(2) ……………………………….	34.6	118.2	182.1
Dividend payout ratio…………………..	**167.5%**	**167.5%**	**64.8%**

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.412= US$1.00 , the exchange rate reported on the day of the operation.

(2) Refers to net profit for the previous fiscal year.

iii. Indebtedness

Unconsolidated

As of June 30, 2020, Intercorp had S/ 1,669 million (US$ 471.7 million) of unconsolidated outstanding obligations (excluding interest, provisions and other accounts payable) consisting of long-term indebtedness: S/ 1,074.5 million (US$ 305 million) of Senior Notes due 2029 (net of issuance expenses), S/ 298.3 million of Senior Notes due 2030 (net of issuance expenses) and S/ 296.2 million of Senior Notes due 2029 (net of issuance expenses). As of the same date, Intercorp had guaranteed up to US$ 98.2 million of indebtedness in favor of un-affiliated third parties of its subsidiaries.