

Translation of consolidated financial statements originally issued in Spanish – Note 28

Intercorp Perú Ltd. and Subsidiaries

**Interim consolidated financial statements as of September 30, 2020,
December 31, 2019 and for the nine-month periods ended September 30,
2020 and 2019**

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Intercorp Perú Ltd. and Subsidiaries

Interim consolidated financial statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

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Intercorp Perú Ltd. and Subsidiaries

Interim consolidated statements of financial position

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

	Note	2020 S/(000)	2019 S/(000)		Note	2020 S/(000)	2019 S/(000)
Assets				Liabilities			
Cash and due from banks	4			Deposits and obligations	10	45,086,812	37,823,027
Cash and clearing		1,808,372	1,955,364	Inter-bank funds	4(e)	-	169,138
Deposits in the Central Reserve Bank of Peru		13,778,922	6,067,984	Due to banks and correspondents	11	13,750,197	6,726,260
Deposits in local and foreign banks		2,424,058	2,481,012	Bonds, notes and other obligations	12	13,973,846	13,000,767
Restricted funds		663,447	1,316,278	Due from customers on acceptances		15,693	139,685
		<u>18,674,799</u>	<u>11,820,638</u>	Insurance contract liabilities	13	11,793,254	11,338,810
				Accounts payable, provisions and other liabilities	9	8,859,777	8,378,783
				Deferred Income Tax liability, net		689,497	722,521
				Total liabilities		<u>94,169,076</u>	<u>78,298,991</u>
Inter-bank funds	4(e)	-	85,006				
Financial investments	5	23,425,567	19,198,405	Equity, net			
Loans, net	6	40,991,875	37,774,580	Equity attributable to Intercorp Perú Ltd.'s shareholders:	14		
Investment property	7	4,771,561	4,710,348	Capital stock		5,547,671	4,502,155
Inventories, net	8	2,685,564	2,397,306	Reserves		4,493,142	3,868,659
Property, furniture and equipment, net		10,200,784	10,272,996	Unrealized results		140,601	113,207
Due from customers on acceptances		15,693	139,685	Retained earnings		13,403	1,936,421
Accounts receivable and other assets, net	9	3,000,195	2,251,524			<u>10,194,817</u>	<u>10,420,442</u>
Goodwill, trademark and other intangible assets, net	9(c)	4,545,406	4,549,598	Non-controlling interest		4,529,600	4,762,686
Deferred Income Tax asset, net		582,049	282,033			<u>14,724,417</u>	<u>15,183,128</u>
		<u>90,218,694</u>	<u>81,661,481</u>	Total equity, net			
						<u>108,893,493</u>	<u>93,482,119</u>
Total assets		<u>108,893,493</u>	<u>93,482,119</u>	Total liabilities and equity net			

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

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Intercorp Perú Ltd. and Subsidiaries

Interim consolidated statements of income

For the nine-month periods ended September 30, 2020 and 2019

	Note	30.09.2020 S/(000)	30.09.2019 S/(000)
Interest and similar income	16	3,999,752	4,036,769
One-off impact from the modification of contractual cash flows due to the loan rescheduling schemes	16	(173,643)	-
Interest and similar expenses	16	<u>(1,511,258)</u>	<u>(1,631,675)</u>
Net interest and similar income		2,314,851	2,405,094
Impairment loss on loans, net of recoveries	6(d)	(2,345,745)	(763,977)
(Loss) recovery due to impairment on financial investments	5(b.2)	<u>(55,195)</u>	<u>1,529</u>
Net interest and similar income after impairment loss		(86,089)	1,642,646
Net sales from retail business	20	11,430,148	10,864,764
Cost of sales from retail business	20	(8,363,820)	(7,885,377)
Fee income from financial services, net	17	573,433	706,621
Net gain on foreign exchange transactions		248,699	191,542
Net gain on sale of financial investments		133,207	96,821
Gain from derecognition of financial assets at amortized cost	5(d)	-	8,474
Net gain on financial assets at fair value through profit or loss		62,235	3,836
Income from educational services		639,812	682,212
Net gain on investment property	7(b)	247,830	312,407
Other income	18	<u>99,623</u>	<u>77,268</u>
		5,071,167	5,058,568
Insurance premiums and claims	19		
Net premiums earned		387,557	312,340
Net claims and benefits incurred for life insurance contracts and others		<u>(572,635)</u>	<u>(514,206)</u>
		(185,078)	(201,866)
Other expenses			
Salaries and employee benefits		(1,996,232)	(2,007,496)
Administrative and sales expenses		(1,668,446)	(1,801,888)
Depreciation and amortization		(820,806)	(773,238)
Other expenses	18	<u>(218,119)</u>	<u>(140,685)</u>
		(4,703,603)	(4,723,307)
Income before translation result and Income Tax		96,397	1,776,041
Translation result		(250,251)	(883)
Income tax (current and deferred)	15(h)	<u>(1,728)</u>	<u>(579,444)</u>
Net (loss) profit for the period		<u>(155,582)</u>	<u>1,195,714</u>
Attributable to:			
Intercorp Perú's shareholders		(206,268)	755,610
Non-controlling interest		<u>50,686</u>	<u>440,104</u>
		(155,582)	1,195,714
(Loss) earnings per share attributable to Intercorp Perú's shareholders (A and B classes) basic and diluted (stated in Soles)	21	(1.38)	5.07
Weighted average number of outstanding shares (A and B classes) (In thousands)	21	<u>149,019</u>	<u>149,019</u>

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Intercorp Perú Ltd. and Subsidiaries

Interim consolidated statements of other comprehensive income

For the nine-month periods ended September 30, 2020 and 2019

	30.09.2020	30.09.2019
	S/(000)	S/(000)
Net (loss) profit for the period	(155,582)	1,195,714
Other comprehensive income that will not be reclassified to the consolidated income statements in subsequent periods		
(Losses) gains on equity instruments at fair value through other comprehensive income	(30,826)	64,728
Income Tax	-	(32,195)
Total unrealized (loss) gain that will not be reclassified to the consolidated income statements	(30,826)	32,533
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods:		
Net movement of debt instruments at fair value through other comprehensive income	(86,657)	1,285,520
Income Tax	(1,413)	(2,088)
	(88,070)	1,283,432
Net movement of insurance premiums reserve	204,868	(1,066,585)
Net movement of cash flow hedges	(119,574)	(7,204)
Income Tax	8,925	1,837
	(110,649)	(5,367)
Translation of foreign operations	65,144	852
Total unrealized gain to be reclassified to the consolidated income statements in subsequent periods	71,293	212,332
Total other comprehensive income for the period, net of Income Tax	(115,115)	1,440,579
Attributable to:		
Intercorp Peru's shareholders	(178,874)	931,049
Non-controlling interest	63,759	509,530
	(115,115)	1,440,579

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Intercorp Perú Ltd. and Subsidiaries

Interim consolidated statements of changes in equity

For the nine-month periods ended September 30, 2020 and 2019

	Attributable to Intercorp Perú's shareholders													
	Number of shares	Unrealized results, net										Total	Non-controlling interest	Total equity, net
		Issued	Capital stock	Reserves	Instruments that will not be reclassified to the income statements	Instruments that will be reclassified to the income statements					Retained earnings			
						Equity instruments at fair value	Debt instruments at fair value	Insurance premiums reserves	Cash flow hedges reserve	Translation of foreign operations				
(in thousands)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Balances as of January 1, 2019	149,019	4,010,690	3,740,123	(7,530)	(167,140)	57,395	(7,216)	21,903	112	1,063,864	8,712,201	3,688,383	12,400,584	
Net profit for the period	-	-	-	-	-	-	-	-	-	755,610	755,610	440,104	1,195,714	
Other comprehensive income	-	-	-	23,844	918,117	(756,038)	(5,103)	(5,381)	-	-	175,439	69,426	244,865	
Total other comprehensive income	-	-	-	23,844	918,117	(756,038)	(5,103)	(5,381)	-	755,610	931,049	509,530	1,440,579	
Earnings capitalization, Note 14(a)	-	491,465	-	-	-	-	-	-	-	(491,465)	-	-	-	
Transfer of retained earnings to reserves, Note 14(c)	-	-	58,536	-	-	-	-	-	-	(58,536)	-	-	-	
Declared dividends, Note 14(a)	-	-	-	-	-	-	-	-	-	(98,940)	(98,940)	-	(98,940)	
Dividends declared to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(194,289)	(194,289)	
Capital contribution from non-controlling interest in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	31,681	31,681	
Acquisition of non-controlling interest, Note 2.2	-	-	-	-	-	-	-	-	-	(131,819)	(131,819)	64,094	(67,725)	
Initial Public Offering of Subsidiary, Note 1.3	-	-	-	-	-	-	-	-	-	495,449	495,449	410,152	905,601	
Others	-	-	-	-	-	-	-	-	-	(845)	(845)	18,296	17,451	
Balance as of September 30, 2019	149,019	4,502,155	3,798,659	16,314	750,977	(698,643)	(12,319)	16,522	112	1,533,318	9,907,095	4,527,847	14,434,942	
Balances as of January 1, 2020	149,019	4,502,155	3,868,659	35,008	748,401	(652,426)	(25,348)	7,249	323	1,936,421	10,420,442	4,762,686	15,183,128	
Net loss for the period	-	-	-	-	-	-	-	-	-	(206,268)	(206,268)	50,686	(155,582)	
Other comprehensive income	-	-	-	(21,735)	(62,306)	144,446	(77,895)	44,884	-	-	27,394	13,073	40,467	
Total other comprehensive income	-	-	-	(21,735)	(62,306)	144,446	(77,895)	44,884	-	(206,268)	(178,874)	63,759	(115,115)	
Earnings capitalization, Note 14(a)	-	1,045,516	-	-	-	-	-	-	-	(1,045,516)	-	-	-	
Transfer of retained earnings to reserves, Note 14(c)	-	-	624,483	-	-	-	-	-	-	(624,483)	-	-	-	
Dividends declared to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(264,780)	(264,780)	
Capital contribution from non-controlling interest in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	7,661	7,661	
Others	-	-	-	-	-	-	-	-	-	(46,751)	(46,751)	(39,726)	(86,477)	
Balance as of September 30, 2020	149,019	5,547,671	4,493,142	13,273	686,095	(507,980)	(103,243)	52,133	323	13,403	10,194,817	4,529,600	14,724,417	

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Intercorp Perú Ltd. and Subsidiaries

Interim consolidated statements of cash flows

For the nine-month periods ended September 30, 2020 and 2019

	30.09.2020	30.09.2019
	S/(000)	S/(000)
Cash flows from operating activities		
Net (loss) profit for the period	(155,582)	1,195,714
Plus (minus) adjustments to net (loss) profit		
Impairment loss on loans, net of recoveries	2,345,745	763,977
Depreciation and amortization	820,806	773,238
Deferred Income Tax	(313,883)	(14,939)
Net gain on sale of financial investments	(133,207)	(96,821)
Gain from derecognition of financial assets at amortized cost	-	(8,474)
Impairment loss (recovery) on financial investments	55,195	(1,529)
Net gain of financial assets at fair value through profit or loss	(62,235)	(3,836)
Gain for valuation of investment property	(63,919)	(47,994)
Translation result	250,251	883
Provision for impairment of inventories, net of recoveries	26,623	14,661
Net increase in accrued interest receivable	(86,485)	(29,842)
Net increase in accrued interest payable	50,636	9,426
Net changes in assets and liabilities		
Net increase in loans	(5,476,555)	(3,516,395)
Net increase of financial investments through profit or loss	(430,090)	(19,058)
Net increase in inventories	(314,881)	(136,746)
Net decrease (increase) in restricted funds	652,831	(270,805)
Net increase in deposits and obligations	7,263,785	2,494,245
Net increase in other assets	(596,899)	(1,133,927)
Net increase in other liabilities	467,978	796,177
Net cash provided by operating activities	<u>4,300,114</u>	<u>767,955</u>

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Interim consolidated statements of cash flows (continued)

For the nine-month periods ended September 30, 2020 and 2019

	30.09.2020	30.09.2019
	S/(000)	S/(000)
Cash flows from investing activities		
Purchase of investments at fair value through other comprehensive income and at amortized cost	(3,667,477)	(452,042)
Purchase of investment property	(64,932)	(211,470)
Purchase of property, furniture and equipment	(442,597)	(749,540)
Purchase of intangible assets	(191,690)	(113,941)
Acquisition of Subsidiaries	-	(4,867)
Sale of subsidiary shares, net of commissions paid	-	368,256
	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(4,366,696)</u>	<u>(1,163,604)</u>
Cash flows from financing activities		
Net increase in due to banks and correspondents	6,973,301	126,495
Net increase in bonds, notes and other obligations	973,079	2,821,919
Net decrease in inter-bank funds assets	85,006	495,037
Net (decrease) increase in inter-bank funds liabilities	(169,138)	15,001
Payment of dividends to shareholders	(26,284)	(74,691)
Payment of dividends to non-controlling interest	(264,780)	(194,289)
Capital contribution from non-controlling interest	7,661	31,681
Initial Public Offering of subsidiary, net of related expenses	-	397,175
Purchase of non-controlling interest	(5,271)	(67,725)
	<u>(5,271)</u>	<u>(67,725)</u>
Net cash provided by financing activities	<u>7,573,574</u>	<u>3,550,603</u>
Net increase in cash and cash equivalents	7,506,992	3,154,954
Cash and cash equivalents at the beginning of the year	<u>10,504,360</u>	<u>7,597,063</u>
Cash and cash equivalents at the end of the period	<u>18,011,352</u>	<u>10,752,017</u>

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Intercorp Perú Ltd. and Subsidiaries

Notes to the Interim consolidated financial statements

As of September 30, 2020 and December 31, 2019

1. Business activity and other relevant events -

1.1 Business activity

Intercorp Perú Ltd. (henceforth “Intercorp Perú” or “the Company”) is a limited liability holding company incorporated in November 1997 in The Commonwealth of The Bahamas. Intercorp Perú is the holding company of the group of Subsidiaries of the denominated “Intercorp Group” (or “the Group”), thus coordinating their policies and management. Intercorp Perú as a holding company also maintains certain investments in all types of securities.

The Company’s legal address is Sassoon House Shirley Street & Victoria Avenue, Nassau, The Bahamas. Management and its administrative offices are located at Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

The operations of Intercorp Perú and its Subsidiaries are concentrated mainly in Peru, but it also maintains operations in The Bahamas, Panama, Ecuador, Colombia, Mexico and Spain, see Note 2. Develops activities in the financial, insurance, retail, pharma, real estate and educational businesses. The relevant activities and data of the Subsidiaries as of September 30, 2020, and December 31, 2019, and for nine month periods ended September 30, 2020 and 2019, see Note 2.

The interim consolidated financial statements as of September 30, 2020 were approved by Management on November 16, 2020. The annual audited consolidated financial statements of Intercorp and Subsidiaries as of December 31, 2019 and 2018, were approved by Management on March 13, 2020 and by the Board of Directors on May 26, 2020.

1.2 COVID-19 global pandemic -

In December 2019, a new coronavirus strain (Covid-19) was first identified in Wuhan, China, later it was declared as a pandemic by the World Health Organization, which has resulted in travel restrictions and trade slowdowns. In Perú, on March 15, 2020, the Government, through Supreme Decree No.044-2020, declared a National lockdown ordering the closing of the national borders, compulsory social confinement, the lockdown of businesses deemed non-essential (exceptions were production, distribution and commercialization of food and pharmaceuticals, financial services and healthcare), among others. As of the date of this report, the National lockdown has been extended until November 30, 2020.

Within this context, the Ministry of Economy and Finance (henceforth “MEF”), the Central Reserve Bank of Peru (henceforth “BCRP”) and the Superintendence of Banking, Insurance and Private Pension Fund Administrators (henceforth “SBS”), activated extraordinary measures aimed to alleviate the financial and economic impact of Covid-19, in particular on customers of the financial systems (due to the lockdown of certain economic sectors).

Furthermore, with the purpose of securing the continuity of the payments chain, the Government implemented the program “Reactiva Perú”. Through this program, the Peruvian State guarantees the loans granted by Entities of the Financial System to micro, small, medium and large companies so that they can access to working capital funding at low interest rates and can be able to comply with their short-term obligations with their workers and suppliers of goods and services. The maximum maturity term of these loans is 36 months, including periods of grace of up to 12 months, as well as a maximum amount of S/10,000,000 per loan per company, depending on their sales volume. As of September 30, 2020, the Group

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has had access to funding for approximately S/88,840,000 within “Reactiva Perú”, which is presented in the caption “Bonds, notes and other obligations” in the interim consolidated statements of financial position.

Regarding the reactivation of the economic activities, through Supreme Decree No. 080-2000-PCM the Government approved the Program of “Resumption of Activities”, which comprises 4 phases. Each phase includes a group of economic activities that are allowed to resume according to a schedule set up by the Government, taking into consideration criteria on public health criteria (course of the pandemic, healthcare capacity and diagnosis degree), domestic mobility (related to possible increases in contagion risk), social dimension and economic activity, as summarized below:

Phase 1: began in May 2020 and comprises the resumption of some activities in mining and manufacturing (large-scale mining, industrial fishing, glass industry, paper industry, metal-mechanic, etc.), construction (Government projects, sanitation works, etc.), services and tourism (delivery and carry-out services in restaurants, notaries, building and house maintenance, telecommunications, etc.) and commerce (agricultural products and e-commerce for household goods and related).

Phase 2: began in June 2020 and comprises the resumption of some activities in agriculture and mining. In addition, by the middle of said month, an extension of resuming activities included shopping malls and department stores.

Phase 3: began in July 2020 and comprises the resumption of shops in general (with 50 percent capacity), restaurants and related services (except bars and with 40 percent capacity); and national transportation of people and cargo, among others.

Phase 4: began gradually in October 2020 by expanding the shops capacity to 60 percent (50 percent in Phase 3), restaurants and related services (except bars) with 50 percent (40 percent in Phase 3), international air transport, services provided by travel agencies and tour operators, art services, entertainment and recreation services between 50-60 percent, among others.

Intercorp’s management closely monitors the economic situation and is focused on securing the operativity of all its Subsidiaries, as well as strengthening their liquidity and solvency position. On the other hand, the well-being of people is one of Intercorp’s main priorities. Hence, employees of the Group are subject to specific safety protocols which include social distancing, hygiene practices, health monitoring, home office implementation and strong communication.

Following as summarized the impact of the main measures enacted by the Government or regulatory entities, in the context of a Health Emergency which have had impact on each of the business segments of the Group:

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 September 30, 2020, Interbank holds loans of the “Reactiva Perú” program for approximately S/6,709 million, which are recorded in “Loans, net” of the interim consolidated statements of financial position.

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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.

1.3 Initial Public Offering of Intercorp Financial Services Inc.

On July 3, 2019, following the approval by the Board, Intercorp Financial Services, Subsidiary of Intercorp, filed with the Securities and Exchange Commission of the United States of America (“SEC”), a Registration Statement under Form F-1 of the Securities Exchange Act of 1933 of the United States of America, in relation with a proposal of an Initial Public Offering of IFS’ (The Offering).

On July 18, 2019, IFS announced the Initial Public Offering of approximately 9,000,000 common shares at a price of US\$46.00 per share with sellers being: (i) IFS, (ii) Interbank, (iii) Intercorp Perú Ltd., and (iv) a non-related shareholder. Also, IFS granted the underwriters an option for a period of 30 days to purchase up to an aggregate of 1,350,000 additional new common shares.

As part of the Offering, IFS sold 2,418,754 common shares held as treasury stock (including shares sold by Interbank), and 1,150,000 new common shares to be issued. Intercorp Perú sold 2,531,246 shares, and the non-related shareholder sold 3,000,000 shares. Also, the underwriters exercised the purchase option over 1,186,841 new common shares.

In this sense, Intercorp Perú and Subsidiaries jointly sold 7,286,841 shares at US\$46.00 per share. The sale value amounted to approximately US\$335,195,000 (before issuance expenses).

The total impact of the Offering over Intercorp Perú’s consolidated net equity, after discounting the issuance expenses, amounted to S/1,053,215,000, which is mainly explained by:

- Effects recorded in the net equity attributable to the Intercorp Peru’s shareholders for S/495,013,000, which are mainly composed of:
 - (i) Issuance of 2,336,841 shares by IFS for an amount of S/336,950,000; its effect on the equity attributable to Intercorp Perú amounts to S/237,964,000 and was recorded by adding “Retained earnings.”
 - (ii) Sale of 2,418,754 treasury shares by IFS, including shares sold by Interbank, for a total amount of S/347,175,000; its effect on the equity attributable to Intercorp Perú amounts to S/245,185,000 and was recorded by increasing “Retained earnings.”

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- (iii) Dilution of Intercorp Perú Ltd's direct and indirect ownership percentage in IFS due to effects resulting from the Offering; its effect on the equity attributable to Intercorp Perú amounts to S/195,590,000 and was recorded by reducing "Retained earnings."
- (iv) Sale of 2,531,246 shares of IFS, which generated a profit of S/207,454,000 net of the investment cost amounting to S/160,802,000, which was recorded in "Retained earnings".
- Effects recorded in the non-controlling net equity amounting to S/558,202,000, which corresponds to the non-controlling ownership percentage recognized as a result of the Offering.

1.4 Acquisition of Corporación Educativa Hispanoamericana, S.C. -

In June 2019, Intercorp's Subsidiaries, Transformando la Educación de México, S.A de C.V. and Servicios Administrativos Transformando la Educación de México, S.C., acquired 100 percent of the shares of Corporación Educativa Hispanoamericana, S.C., an entity incorporated in Mexico which operates a private educational institution "Comunidad Educativa Hispanoamericana" for approximately S/5,034,000 (equivalent to MXN 32,759,000), adjusted price in March 2020 (S/5,815,000 equivalent to MXN 33,130,000 as of December 31, 2019).

The acquisition of Corporation Educativa Hispanoamericana S.C. was recorded in accordance with IFRS 3 "Business Combinations", applying the purchase accounting method. The impacts of said acquisition did not generate significant effects in the Company's consolidated financial statements.

2. Organization of Intercorp Peru Group

Below is the information about the entities that are part of Intercorp Group:

2.1 Financial and insurance entities

Intercorp Financial Services Inc. -

It is a limited liability holding, incorporated in September 2006 in the Republic of Panama, in order to group the companies of Intercorp Group engaged in financial and insurance businesses.

As of September 30, 2020 and December 31, 2019, the Company holds directly and indirectly 70.62 percent of the issued and outstanding capital stock of IFS. It is worth mentioning that the percentage of indirect participation over IFS' issued capital stock is held by Intercorp Perú through its Subsidiaries IFH Capital Corp. and Intercorp Capital Investments Inc., in which Intercorp Perú holds 100 percent of both their capital stock and, at the same time, each of these Subsidiaries hold 8.44 percent of IFS' capital stock as of September 30, 2020 and December 31, 2019.

Likewise, as of September 30, 2020 and December 31, 2019, IFS holds 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. - Interbank (henceforth "Interbank"), 99.84 percent of the outstanding capital stock of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), and 100 percent of Inteligo Group Corp. (henceforth "Inteligo"). The operations of Interbank, Interseguro are concentrated in Peru, while the operations of Inteligo and Subsidiaries (Inteligo Sociedad Agente de Bolsa S.A., Inteligo Bank Ltd. and Interfondos) are concentrated in Peru and Panama.

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Notes to the Interim consolidated financial statements (continued)

The Subsidiaries of IFS and their economic activities are presented below:

- (a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -
Interbank is incorporated in Peru and is authorized to operate as a universal bank by the SBS, in accordance with Peruvian legislation. Interbank's operations are governed by the General Act of the Financial and Insurance System and Organic Act of the SBS – Act No. 26702 (henceforth “Banking and Insurance Act”), which establishes the requirements, rights, obligations, restrictions and other operating conditions that Peruvian financial and insurance entities must comply with in Peru.

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

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

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

- (b) Interseguro Compañía de Seguros S.A. -
Interseguro is incorporated in Peru and its operations are governed by the Banking and Insurance Act. It is authorized by the SBS to issue life and general risk insurance contracts.

As of September 30, 2020 and December 31, 2019, Interseguro maintains contributions in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth “Patrimonio Fideicometido – Interproperties Perú”), a structured entity, incorporated in April 2008, in which several investors (related parties to the Group) contributed investment properties. Each investor or investors have ownership of and specific control over the contributed investment property. 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). Intercorp Group has ownership and decision-making power over these properties and the Group has the exposure or rights to their returns; therefore, the Group consolidates the silos containing the investment properties that it controls.

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Notes to the Interim consolidated financial statements (continued)

- (c) **Inteligo Group Corp. and Subsidiaries –**
Inteligo Group Corp. is an entity incorporated in the Republic of Panama. As of September 30, 2020 and December 31, 2019, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the 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 September 30, 2020 and December 31, 2019, it holds 99.99 percent interest in Interfondos S.A. Sociedad Administradora de Fondos.
	Interfondos S.A. Sociedad Administradora de Fondos 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.

- (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 September 30, 2020 and December 31, 2019, as a result of the merger between Interseguro and Seguros Sura, both companies hold 8.50 percent of Interseguro's capital stock.
- (e) **San Borja Global Opportunities S.A.C. -**
Its corporate purpose is the marketing of products and services through Internet, telephony or related.
- (f) **IFS Digital S.A.C. -**
Incorporated in August 2020, its main purpose is to carry out all kinds of investments and related services.
- (g) **Hipotecaria Sura Empresa Administradora Hipotecaria S.A. -**
Company dedicated to granting mortgage loans and acquired as part of the acquisition of the Sura Group in 2017. Since 2015 it has not granted loans and was extinguished as of December 31, 2019.

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Notes to the Interim consolidated financial statements (continued)

2.2. Retail and real estate businesses -

(i) Intercorp Retail Inc. -

It is a limited liability holding company incorporated in the Republic of Panama in December 2010, in order to group the entities of Intercorp Group engaged in the retail business in Peru. As of September 30, 2020 and December 31, 2019, the Company holds 100 percent of its capital stock.

In June 2019, Intercorp Retail Inc. acquired shares of HPSA Corp. for approximately US\$24 million and of IFH Retail Corp. for approximately US\$34 million. After these acquisitions, Intercorp Retail Inc. increased its shareholding from 65.01 percent to 74.99 percent in HPSA Corp., and from 78.35 percent to 84.28 percent in IFH Retail Corp.

As of September 30, 2020 and December 31, 2019, the Company holds 100 percent of the capital stock of Intercorp Retail Inc., which holds the following Subsidiaries:

Entity	Activity
InRetail Perú Corp. (As of September 30, 2020 and December 31, 2019, Intercorp Retail Inc. holds 59.04 percent of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 70.85 and 70.80 percent (directly and indirectly) of InRetail Perú Corp.'s outstanding capital stock as of September 30, 2020 and December 31, 2019, respectively)	Holding incorporated in the Republic of Panama in January 2011, which holds 100 percent of the capital stock of the following Subsidiaries, which operate several businesses: (a) Shopping malls: Developed by InRetail Real Estate Corp., owner of Patrimonio en Fideicomiso InRetail Shopping Malls, which in turn is owner of (i) Real Plaza S.R.L. and (ii) Patrimonio en Fideicomiso - D.S. No. 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso -D.S. No. 093-2002-EF Interproperties Holding II, equity trusts which are special-purpose entities; see description in paragraph 2.2(v); (b) Patrimonio en Fideicomiso Inretail Consumer: Equity trust incorporated in August 2014, which develops the following retail businesses: (i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of September 30, 2020 and December 31, 2019, operates stores under the trademarks "Plaza Veá", "Plaza Veá Súper", "Vivanda", "Mass" and "Economax"; (ii) Pharma: Developed by InRetail Pharma S.A. (formerly Eckerd Perú) and Subsidiaries, a company that, as of September 30, 2020 and December 31, 2019, operates under the trademark "Inkafarma". In January 2018, InRetail Pharma S.A. through its Subsidiary IR Pharma S.A.C. (currently merged with InRetail Pharma) acquired the 100 percent of Quicorp S.A. and Subsidiaries, which operate under the trademarks "Mifarma" and "BTL".

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Notes to the Interim consolidated financial statements (continued)

Entity	Activity
	(c) IR Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.
IFH Retail Corp. (As of September 30, 2020 and December 31, 2019, Intercorp Retail Inc. holds 84.28, of its capital stock)	Holding incorporated in the Republic of Panama in September 2006. As of September 30, 2020 and December 31, 2019, holds 13.74 and 22.63 percent of Tiendas Peruanas S.A. and Subsidiaries, respectively; see Note 2.2(ii), a company engaged in the retail business through department stores under the trademark “Oechsle” and 96 percent of Financiera OH! S.A., as of September 30, 2020 and December 31, 2019, which provides financial support to the companies of Intercorp Group dedicated to the retail business.
HPSA Corp. (As of September 30, 2020 and December 31, 2019, Intercorp Retail Inc. holds 74.99 percent, of its capital stock.	Holding incorporated in the Republic of Panama, owner of Homecenters Peruanos S.A. and Subsidiary, a company engaged in the operation of the business of home improvement stores under the trademark “Promart”.
Lince Global Opportunities Corp. (As of September 30, 2020 and December 31, 2019, Intercorp Retail Inc. holds 100 percent of its capital stock)	Holding incorporated in the Republic of Panama in December 2010, which holds 98.79 percent of the capital stock of Inmobiliaria Milenia S.A., which is engaged in the real estate business.
(ii) Callao Global Opportunities - Subsidiary of Intercorp Perú, incorporated in 2011 as a limited liability holding company in the Republic of Panama. As of September 30, 2020 and December 31, 2019, it holds 85.53 and 76.18 percent, respectively, of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.	
	On the other hand, as indicated in Note 2.2(i), as of September 30, 2020 and December 31, 2019, Intercorp Perú holds 84.28 percent of IFH Retail Corp., through Intercorp Retail; which, in turn, holds 13.74 and 22.63 percent, respectively, of Tiendas Peruanas S.A. As of September 30, 2020 and December 31, 2019, therefore the joint shareholding of Intercorp Perú in Tiendas Peruanas, through IFH Retail Corp. and Callao Global Opportunities, is equivalent to 99.27 and 98.81 percent of its capital stock, respectively.
(iii) Intercorp Investments Perú Inc. - It is a limited liability holding company incorporated in September 2006 in the Republic of Panama. As of September 30, 2020 and December 31, 2019, the Company holds 100 percent of its capital stock. Intercorp Investments Perú Inc. is the sole shareholder of Horizonte Global Opportunities Corp., a holding company incorporated in the Republic of Panama, owner of Horizonte Global Opportunities Perú S.A.C., whose sole asset is a land lot located in the district of Independencia in Lima.	
(iv) Urbi Propiedades S.A. - As of September 30, 2020 and December 31, 2019, the Company holds 100 percent of the capital stock of this entity, incorporated in Peru in 1998, engaged in real estate management and in the provision of structuring and real estate project management.	

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As of September 30, 2020 and December 31, 2019, Urbi holds 100 percent of the following Subsidiaries:

Entity	Activity
Alameda Colonial S.A.	Incorporated in Lima in May 2006, to build apartments under the Government's program "Mi Vivienda".
Domus Hogares del Norte S.A.	Incorporated in Lima in June 2009, to develop real estate projects.
Urbi Solutions S.A.C.	Incorporated in Lima in June 2014, to engage in the construction of real estate projects.

- (v) Patrimonio en Fideicomiso – D.S. No. 093-2002-EF, Interproperties Holding and Interproperties Holding II - In September 2011 and May 2012, Patrimonio en Fideicomiso – D.S. No. 093-2002-EF, Interproperties Holding and Patrimonio en Fideicomiso – D.S. No. 093-2002-EF, Interproperties Holding II (henceforth and collectively "Interproperties Holding") were incorporated with the purpose of creating autonomous equity trusts, independent from each investor constituted as originator.

Through these equity trusts, several Subsidiaries of Intercorp Perú perform investments in real estate projects whose returns back (i) the certificates of participation issued, and (ii) the compliance with other obligations assumed directly or through third parties in order to obtain the resources that are necessary to perform said investments. As of September 30, 2020, and December 31, 2019, the company that consolidates financial information with Intercorp Perú and that holds 100 percent of the participations in Interproperties Holding is InRetail Perú Corp.

Through these equity trusts, Intercorp Group holds the ownership of the property where the shopping malls called "Real Plaza" operate. As of September 30, 2020 and December 31, 2019, the main shopping malls are located in different cities of Peru.

- (vi) Intercorp Re Inc. -
It is a limited liability holding incorporated in August 2015 in the Republic of Panama. As of September 30, 2020 and December 31, 2019, the Company holds 100 percent of its capital stock and, in turn, Intercorp Re Inc. is the sole shareholder of Inteligo Real Estate Corp., a holding company incorporated in the Republic of Panama, owner of Inteligo Real Estate Perú S.A.C.

2.3 Educational business -

- (i) NG Education Holdings Corp. -
It is a limited liability holding company incorporated in January 2011 in the Republic of Panama, whose purpose is to group the Subsidiaries of Intercorp Group engaged in the educational business in Peru.

As of September 30, 2020 and December 31, 2019, Intercorp Perú holds 100 percent of its participation of Class A shares and 51.47 percent of Class B shares of NG Education Holdings Corp.

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NG Education Holdings Corp. mainly holds the following Subsidiaries:

Entity	Activity
<p>Colegios Peruanos S.A. (As of September 30, 2020 and December 31, 2019, NG Education Holdings Corp. holds 33.99 percent of its capital stock).</p>	<p>As of September 30, 2020, it operates 63 schools under the trademark “Innova Schools” (54 schools as of December 31, 2019).</p>
<p>NG Education S.A.C (As of September 30, 2020 and December 31, 2019, NG Education Holdings Corp. holds 48.67 percent of its capital stock)</p>	<p>Holding incorporated in Peru in November 2011. As of September 30, 2020 and December 31, 2019, NG Education S.A.C. holds 100 percent of the following Subsidiaries:</p> <p>(a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 2 business units: UTP University and Post-Graduate School. As of September 30, 2020 and December 31, 2019, UTP holds 100 percent of the following Subsidiaries:</p> <p style="padding-left: 40px;">(i) Corriente Alternativa S.A.C.: School of artistic education that provides the career of Visual Arts and has 1 premise in Lima.</p> <p style="padding-left: 40px;">(ii) Instituto Superior Tecnológico Corriente Alternativa S.A.C.: As of the date of this report, it is not operating.</p> <p style="padding-left: 40px;">(iii) IDAT S.A.C.: Institute that offers professional technical degrees, with 8 premises located in Lima and other Peruvian provinces, as of September 30, 2020 and December 31, 2019.</p> <p>(b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of September 30, 2020 and December 31, 2019, has 1 premise.</p>

(ii) NG Education Holdings II Corp.-

It is a limited liability holding company incorporated in October 2013 in the Republic of Panama. As of September 30, 2020 and December 31, 2019, Intercorp Perú holds 50 percent of the capital stock of NG Education Holdings II Corp., which in turn owns the following Subsidiaries:

Entity	Activity
<p>Servicios Educativos Perú S.A.C. (As of September 30, 2020 and December 31, 2019, NG Education Holdings II Corp. holds 100 percent of its capital stock)</p>	<p>Company incorporated in Perú in October 2013. As of September 30, 2020 and December 31, 2019, it holds 100 percent of the capital stock of Servicios Educativos Empresariales S.A.C., incorporated in Lima in February 2012. As of September 30, 2020, operates 10 premises under the</p>

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Notes to the Interim consolidated financial statements (continued)

Entity	Activity
	trademark “Zegel-IPAE” and 1 premise in construction located in Arequipa (9 premises under the trademark “Zegel-IPAE” and 2 premises in construction located in Arequipa and Lima as of December 31, 2019).
(iii) NG Education Holdings III Corp. –	
	It is a limited liability holding company incorporated in July 2013 in the Republic of Panama. As of September 30, 2020 and December 31, 2019, Intercorp Perú holds 85.31 percent of its capital stock and, in turn, at the same dates, it holds 16.52 percent of the capital stock of Colegios Peruanos S.A.
(iv) Intercorp Education Services, S.L. -	
	It is a limited liability holding company incorporated in November 2017 in Spain. As of September 30, 2020 and December 31, 2019, Intercorp Perú holds 100 percent of its capital stock. This Subsidiary has 55 percent of the capital stock of Transformando la Educación en México S.L. de C.V., which, at the same time, holds 99.99 percent of the capital stock of Servicios Administrativos Transformando la Educación en México, S.C. The latter operates under the brand “Innova Schools” and is headquartered in Mexico.
	In June 2019, Transformando la Educación en México S.L. de C.V. and Servicios Administrativos Transformando la Educación en México S.C. acquired 100 percent of the shares of Corporación Educativa Hispanoamericana S.C., a company established in Mexico and dedicated to the educational sector. See Note 1.4.
(v) Intercorp Education Services Colombia; S.L. -	
	It is a limited liability holding company incorporated in February 2020 in Spain. As of September 30, 2020, Intercorp Perú holds 100 percent of its capital stock. This Subsidiary has 55 percent of the capital stock of Colegios Colombianos Holding S.A.S.; which, at the same time, holds 100 percent of the capital stock of Colegios Colombianos S.A.S., which was incorporated in Colombia and, as of the date of this report, has not started operations to the public.

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Notes to the Interim consolidated financial statements (continued)

2.4. Other entities -

As of September 30, 2020 and December 31, 2019, the Company holds 100 percent of the capital stock of the following Subsidiaries:

Entity	Activity	Country of incorporation
San Miguel Global Opportunities S.A.C.	Real estate business	Peru
Intercorp Management S.A.C.	Administrative services	Peru
Puente de San Miguel Arcángel S.A.	Holding	Panama
Centro Cívico S.A.	Real estate business	Peru
La Punta Global Opportunities Corp.	Specialized investments	Panama
Urbi Proyectos S.A.	Real estate projects	Peru
Beacon Healthcare S.A.C.	Holding	Peru
Centros de Salud Peruanos S.A.C.	Health	Peru
Escuela Peruana de Educación S.A.C.	Education	Peru
Colectivo 23 S.A.C.	Education	Peru
IFH Capital Corp.	Financial Intermediation	Panama
Intercorp Capital Investment Inc.	Financial Intermediation	Panama

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The following table presents the financial information of the main Subsidiaries, before eliminations and adjustments for consolidation purposes with Intercorp Perú, as of September 30, 2020, and December 31, 2019; and for the nine-month periods ended September 30, 2020 and 2019:

Subsidiary	Total assets		Total liabilities		Net equity		Net profit (loss)	
	As of September 30, 2020	As of December 31, 2019	As of September 30, 2020	As of December 31, 2019	As of September 30, 2020	As of December 31, 2019	For the nine-month periods ended September 30	
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	2020	2019
Intercorp Financial Services Inc. and Subsidiaries	86,012,425	71,562,293	77,677,220	62,658,845	8,335,205	8,903,448	6,112	1,037,342
Intercorp Retail Inc. and Subsidiaries	19,942,484	19,451,980	14,440,927	13,768,195	5,501,557	5,683,785	48,464	340,922
NG Education Holdings Corp. and Subsidiaries	3,067,405	2,698,812	2,215,245	1,831,630	852,160	867,182	(16,528)	55,679
Urbi Propiedades S.A. and Subsidiaries	606,057	533,551	141,409	119,326	464,648	414,225	30,525	(13,373)
La Punta Global Opportunities Corp.	333,146	322,680	-	-	333,146	322,680	10,467	31,332
NG Education Holdings II Corp. and Subsidiaries	253,347	232,322	143,431	111,433	109,916	120,889	(11,045)	(8,622)
Intercorp Investments Perú Inc. and Subsidiaries	136,216	134,402	32,803	34,249	103,413	100,153	1,422	(8,828)
Beacon Healthcare S.A.C. and Subsidiary	144,797	139,573	82,080	79,453	62,717	60,120	(9,016)	(6,131)
San Miguel Global Opportunities S.A.C.	135,109	134,054	28,751	32,652	106,358	101,402	956	8,607
Callao Global Opportunities Corp.	100,962	116,234	-	-	100,962	116,234	(80,982)	(21,582)
Intercorp Education Services S.L. and Subsidiaries	90,409	96,958	10,440	8,494	79,969	88,464	(10,367)	(6,830)
NG Education Holdings III Corp.	49,248	56,886	2	6	49,246	56,880	(8,189)	(1,703)
Others	29,234	21,369	10,326	8,562	18,908	12,807	(46,481)	(29,700)

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Notes to the Interim consolidated financial statements (continued)

3. Significant accounting principles and practices

3.1 Basis of presentation

The Interim consolidated financial statements as of September 30, 2020 and December 31, 2019, and for the nine-month periods ended September 30, 2020 and 2019 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The Interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s consolidated audited financial statements as of December 31, 2019 and 2018 (henceforth “Annual Consolidated Financial Statements”).

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

3.2 Basis of consolidation -

The Interim consolidated financial statements of the Group comprise the financial statements of Intercorp Peru Ltd. and its Subsidiaries. The method adopted by Intercorp to consolidate its Subsidiaries is described in Note 4.3 to the Annual Consolidated Financial Statements. There were no changes in the composition of Intercorp Group in the reported period.

3.3 Regulations issued by the SBS -

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

3.3.1 Regulations related to loan portfolio

- (a) Multiple Official Letters No.10997-2020-SBS, No.11150-2020-SBS, No.11170-2020-SBS and No.13195-2020-SBS issued on March 13, 2020, March 16, 2020, March 20, 2020, and May 19, 2020,

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respectively. Through these Multiple Official Letters, the SBS established the following exceptional measures applicable to loan portfolio:

- The financial system entities are enabled to modify the contractual conditions of loans without presenting them as refinanced provided that the entire term is not extended for more than six months from the original term. Also, debtors must have a maximum past due of 15 days as of February 29, 2020.
 - In the case of loans to retail clients with modified contractual conditions, the associated interest can continue to be recognized on an accrual basis. However, if the debtor changes its situation to past due after the establishment of new loan terms, the financial entity must reverse the cumulative interest of said loan, proportionally, in a nine-month period.
 - For loans to non-retail clients with modified contractual conditions, the associated interest must be recognized by the cash flow method. Cumulative and not collected interest related to these loans must be reversed starting on the modification date.
 - For debtors with past due loans of more than 15 days as of February 29, 2020, the calculation of past due days will be suspended during the National lockdown.
 - If a debtor presents past due payments after the contractual modifications, said loan will be deemed as refinanced loan, following the general criteria of the current regulation.
 - According to Multiple Official Letter No.11150-2020-SBS, the scope of the aforementioned facilities shall be determined by each entity of the financial system, after analyzing the level of impact in their respective loan portfolio.
 - Financial entities are able to record, as preventive and responsible manner, necessary voluntary provisions that allow them to deal with risk increasing in the loan portfolio, at the moment they materialize.
- (b) Multiple Official Letter No.13805-2020-SBS, issued on May 29, 2020: Amended the following regulations:
Multiple Official Letters No.10997-2020-SBS, No.11150-2020-SBS and No. 11170-2020-SBS (see Note 3.3.1 (a)); and additionally, amended Multiple Official Letters No. 12679-2020 and No. 13195-2020, issued on May 5, 2020, and May 19, 2020, respectively. The main amendments were the following:
- (i) Financial entities can unilaterally reprogram loans until September 30, 2020, provided the compliance of certain criteria included in said Multiple Official Letter.
 - (ii) The loan rescheduling term ranges from 6 to 12 months with respect to the original term.

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- (iii) For contractual modifications made since the date of the regulation, and only for purposes of the National lockdown, the debt shall be deemed as current if it is past due for a maximum of 30 calendar days.
- (iv) The suspension of counting of past due days, applicable to past due loans of more than 15 days as of February 29, 2020, shall be effective for the duration of the National lockdown, as well as the accounting situation of said loans. Also, in the case of loans that as of February 29, 2020, have been past due between 15 and 60 days, said suspension shall be effective until the end of the month following that of the lifting of the National lockdown.
- (c) Multiple Official Letter No. 15994-2020-SBS, issued on July 2, 2020: Amended the following regulations:
Multiple Official Letters No. 10997-2020-SBS, No. 11150-2020-SBS, No. 11170-2020-SBS, No. 12679-2020-SBS, No. 13195-2020-SBS, No. 13805-2020-SBS and No. 14355-2020-SBS, issued, respectively, on March 13, 2020, March 16, 2020, March 20, 2020, May 5, 2020, May 19, 2020, May 29, 2020, and June 9, 2020. The main clarification was the following:
 - (i) The suspension of counting of past-due days, shall be maintained only until July 31, 2020, applicable to loans with more than 15 calendar days past due, as of February 29, 2020, as well as the accounting situation of said loans.

In application of the regulations issued by the SBS and summarized in previous paragraphs, Interbank and Financiera OH! has reprogramed loans for approximately S/12,308 millions and has modified their respective payment schedules. Thus, the present value of the loans has decreased by S/174 millions, which are presented by reducing the interest income of the loan portfolio; see Note 16.

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

This Resolution establishes that in the modifications of the contractual conditions indicated in the Multiple Official Letters mentioned in Note 3.3.1, it shall not increase the regulatory capital requirement for the non-revolving consumer loans and mortgage loans. Likewise, said Resolution authorizes the financial entities to use the additional regulatory capital for the component of the economic cycle.

3.3.3 Repurchase agreements of loan portfolio represented by securities

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

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Notes to the Interim consolidated financial statements (continued)

4. Cash and due from banks

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

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Cash and clearing (b)	1,808,372	1,955,364
Deposits in the Central Reserve Bank of Peru – BCRP (b)	13,774,087	6,061,774
Deposits in banks (c)	2,424,058	2,481,012
Accrued interest	4,835	6,210
	<u>18,011,352</u>	<u>10,504,360</u>
Restricted funds (d)	663,447	1,316,278
Total	<u>18,674,799</u>	<u>11,820,638</u>

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

(b) In accordance with rules in force, Interbank and Financiera OH! (henceforth “Financiera”) are required to maintain a legal reserve in order to honor its obligations with the public. This reserve may be comprised of funds kept in Interbank, in Financiera and in the BCRP.

The legal reserve funds maintained in the BCRP are non-interest bearing, except for the part that exceeds the minimum reserve required that accrued interest at an annual rate established by the BCRP. As of September 30, 2020, the excess in foreign currency accrued interest at an annual average rate of 0.01 percent (1.25 percent as of December 31, 2019). During 2020 and 2019, Interbank and the Financiera did not maintain excess reserves in national currency.

In Management’s opinion, Interbank and the Financiera have complied with the requirements established by the rules in force related to the computation of the legal reserve.

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

(d) The Group maintains restricted funds related to:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Repurchase agreements with BCRP (*)	539,324	1,208,506
Derivative financial instruments, Note 9(b)	92,608	57,816
Others	31,515	49,956
	<u>663,447</u>	<u>1,316,278</u>
Total	<u>663,447</u>	<u>1,316,278</u>

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

(*) As of September 30, 2020, corresponds to deposits maintained in the BCRP which guarantee loans amounting to S/520,000,000 (guaranteed loans amounting to S/1,205,200,000 as of December 31, 2019); see Note 11(a).

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

5. Financial Investments

(a) This caption is made up as follows:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Debt instruments at fair value through other comprehensive income (b)	16,866,307	13,930,357
Investments at amortized cost (d)	2,653,100	2,160,775
Investments at fair value through profit or loss (c)	2,732,456	2,044,738
Equity instruments at fair value through other comprehensive income (e)	<u>977,532</u>	<u>839,762</u>
Total financial investments	<u>23,229,395</u>	<u>18,975,632</u>
Accrued income -		
Debt instruments at fair value through other comprehensive income (b)	177,748	176,562
Investments at amortized cost (d)	<u>18,424</u>	<u>46,211</u>
Total	<u>23,425,567</u>	<u>19,198,405</u>

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

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

As of September 30, 2020	Unrealized gross amount				Maturity	Annual effective interest rates			
	Amortized	Gains	Losses (c)	Estimated		S/		US\$	
	cost			fair value		Min	Max	Min	Max
	S/(000)	S/(000)	S/(000)	S/(000)					
Corporate, leasing and subordinated bonds (*)	8,166,064	653,669	(158,760)	8,660,973	Oct-20 / Jul-97	(0.28)	13.95	(16.19)	41.24
Peruvian Sovereign Bonds	5,408,486	317,329	(3,339)	5,722,476	Aug-24 / Feb-55	1.00	5.55	-	-
Negotiable Certificates of Deposit issued by BCRP	1,209,664	4,176	(3)	1,213,837	Oct-20 / Mar-23	0.25	2.29	-	-
Bonds guaranteed by the Peruvian Government	585,513	59,931	-	645,444	Oct-24 / Jul-34	1.28	3.47	2.02	4.48
Global Bonds of the Republic of Peru	446,822	3,784	(233)	450,373	Jul-25 / Aug-27	-	-	1.33	1.59
Global Bonds of the Republic of Colombia	157,023	1,205	-	158,228	Jul-21 / Feb-24	-	-	0.94	1.98
Global Bonds of the Republic of Mexico	14,974	2	-	14,976	Mar-22	-	-	0.80	0.80
Total	15,988,546	1,040,096	(162,335)	16,866,307					
Accrued interest				177,748					
Total				17,044,055					

As of December 31, 2019	Unrealized gross amount				Maturity	Annual effective interest rates			
	Amortized	Gains	Losses (c)	Estimated		S/		US\$	
	cost			fair value		Min	Max	Min	Max
	S/(000)	S/(000)	S/(000)	S/(000)					
Corporate, leasing and subordinated bonds (*)	7,494,157	637,757	(12,300)	8,119,614	Jan-20 / Jan-114	0.71	21.76	2.26	10.73
Peruvian Sovereign Bonds	3,213,581	330,856	(242)	3,544,195	Aug-24 / Feb-55	1.59	5.31	-	-
Negotiable Certificates of Deposit issued by BCRP	1,481,962	1,533	(2)	1,483,493	Jan-20 / Jun-21	2.15	3.04	-	-
Bonds guaranteed by the Peruvian Government	626,087	42,153	(167)	668,073	Oct-24 / Jul-34	2.24	4.14	3.61	5.14
Global Bonds of the Republic of Colombia	114,431	551	-	114,982	Jul-21 / Mar-23	-	-	2.24	2.46
Total	12,930,218	1,012,850	(12,711)	13,930,357					
Accrued interest				176,562					
Total				14,106,919					

(*) As of September 30, 2020 and December 31, 2019, Inteligo holds corporate bonds from different entities for approximately S/298,551,000 and S/440,409,000, respectively, which guarantee loans with Credit Suisse First Boston and Bank J. Safra Sarasin.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

(b.1) The Group has determined that the unrealized losses on debt instruments, not related to credit risk, are of temporary nature. The detail of the unrealized losses of the debt instruments classified as at fair value through other comprehensive income is as follows:

Issuer	30.09.2020			31.12.2019			Maturity as of September 30, 2020	Risk rating as of September 30, 2020 (***)
	Amortized cost	Unrealized gross gain	Unrealized gross loss	Amortized cost	Unrealized gross gain	Unrealized gross loss		
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Peruvian Sovereign Bonds	5,408,486	317,329	(3,339)	3,213,581	330,856	(242)	2024-2055	A- (**)
Corporación Financiera de Desarrollo S.A.	298,814	17,499	(6,223)	374,631	30,197	(1,438)	2029-2046	AA (**)
Rutas de Lima	295,622	-	(123,481)	285,047	46,465	-	2036-2039	Less than de B- (*)
Latam airlines	14,035	-	(8,943)	22,356	614	-	2024	Less than de B- (*)
Instruments with individual losses lower than S/4 million	1,380,649	-	(20,349)	1,669,667	62,232	(11,031)	-	-
Total	7,397,606	334,828	(162,335)	5,565,282	470,364	(12,711)		

(*) Instrument rated abroad.

(**) Instrument rated in Peru.

(***) Corresponds to the instrument's rating with the largest unrealized loss.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

- (b.2) On the other hand, the movement of the allowance for expected credit losses for debt instruments measured at fair value through other comprehensive income is presented below:

	30.09.2020 S/(000)	31.12.2019 S/(000)	30.09.2019 S/(000)
Expected credit loss at the beginning of the period	34,743	28,050	28,050
Impairment of financial investments			
New assets originated or purchased	133	1,588	1,379
Assets derecognized or matured (excluding write-offs)	(869)	(1,290)	(1,146)
Others (*)	55,930	6,492	(1,762)
Loss (recovery) of the period to impairment on financial investments	55,195	6,790	(1,529)
Foreign exchange effect	4,345	(97)	-
Expected credit loss at the end of the period	<u>94,282</u>	<u>34,743</u>	<u>26,521</u>

(*) As of September 30, 2020, mainly includes impairment allocated to Rutas de Lima for approximately S/49.6 millions.

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

	30.09.2020 S/(000)	31.12.2019 S/(000)
Equity Instruments		
Local and foreign mutual funds and investment funds participations	1,992,376	1,527,172
BioPharma Credit PLC	131,823	132,054
Royalty Pharma	111,900	117,682
Others	415,969	211,948
Debt Instruments		
Corporate, leasing and subordinated bonds	80,388	55,882
Total	<u>2,732,456</u>	<u>2,044,738</u>

- (d) As of September 30, 2020, investments at amortized cost are comprised of Sovereign Bonds of the Republic of Peru issued in Soles and Corporate Bonds, for an amount of S/2,671,524,000, including accrued interest (as of December 31, 2019 are entirely comprised of Sovereign Bonds of the Republic of Peru issued in Soles, for an amount of S/2,206,986,000, including accrued interest). These investments present low credit risk and their expected credit loss is insignificant.

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Notes to the Interim consolidated financial statements (continued)

As of September 30, 2020, the Sovereign Bonds of the Republic of Peru have maturity dates that range from September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 5.15 percent with estimated fair value amounting to approximately S/2,890,132,000. As of December 31, 2019, these investments have maturity dates that range from September 2023 to August 2037, have accrued interest at effective annual rates ranging from 4.29 percent and 6.26 percent and estimated fair value amounting to approximately S/2,890,132,000.

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

As of September 30, 2020 and December 31, 2019, Interbank keeps loans with the BCRP that are guaranteed with these sovereign bonds of the Republic of Peru, classified as restricted, for approximately S/1,751,243,000 and S/762,347,000, respectively; see Note 11.

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

	30.09.2020	31.12.2019
	S/(000)	S/(000)
BioPharma Credit PLC	359,691	336,338
ViaSat Inc.	122,453	-
Ishares diverse countries (ETF)	114,019	140,198
Luz del Sur S.A.A.	95,671	87,984
Engie- Energía Perú S.A.	84,895	90,670
Ferreycorp S.A.A.	74,209	83,013
Credicorp	52,663	18,030
Others	73,731	83,529
Total	977,532	839,762

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

(f) As explained in more detail, in Note 34.1 of the Annual Consolidated Financial Statements, the Group rates its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When the financial assets are first recognized, the Group recognizes an allowance based on 12 months ECLs. Stage 1 also includes financial assets whose credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 also includes financial assets whose credit risk has improved and the financial asset has been reclassified from Stage 3.
- Stage 3: Financial assets considered credit -impaired. The Group records an allowance for the lifetime financial asset.

Below are the debt instruments measured at fair value through other comprehensive income and at amortized cost according to the stages indicated by previous paragraph as of September 30, 2020 and December 31, 2019:

Debt instruments measured at fair value through other comprehensive income and at amortized cost	30.09.2020			
	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Corporate, leasing and subordinated bonds	8,452,878	203,005	5,092	8,660,975
Peruvian Sovereign Bonds	8,375,574	-	-	8,375,574
Negotiable Certificates of Deposit issued by BCRP	1,213,837	-	-	1,213,837
Bonds guaranteed by the Peruvian Government	645,444	-	-	645,444
Global Bonds of the Republic of Colombia	158,228	-	-	158,228
Global Bonds of the Republic of Peru	450,373	-	-	450,373
Global Bonds of the Republic of Mexico	14,976	-	-	14,976
Total	19,311,310	203,005	5,092	19,519,407

Debt instruments measured at fair value through other comprehensive income and at amortized cost	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Corporate, leasing and subordinated bonds	7,786,439	333,175	-	8,119,614
Peruvian Sovereign Bonds	5,704,970	-	-	5,704,970
Negotiable Certificates of Deposit issued by BCRP	1,483,493	-	-	1,483,493
Bonds guaranteed by the Peruvian Government	668,073	-	-	668,073
Global Bonds of the Republic of Colombia	114,982	-	-	114,982
Total	15,757,957	333,175	-	16,091,132

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

6. Loans, net

(a) This caption is made up as follows:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Direct loans		
Loans	34,761,130	28,489,561
Credit cards	5,725,716	6,806,208
Leasing	1,063,579	1,324,380
Discounted notes	439,924	684,334
Factoring	470,015	343,852
Advances and overdrafts	61,245	87,373
Refinanced loans	275,516	268,451
Past due and under legal collection loans	1,256,923	1,033,902
	<u>44,054,048</u>	<u>39,038,061</u>
Plus (minus)		
Accrued interest from performing loans	451,016	364,531
Unearned interest and interest collected in advance	(18,211)	(41,683)
Impairment allowance for loans (d.1)	(3,494,978)	(1,586,329)
Total direct loans, net	<u>40,991,875</u>	<u>37,774,580</u>
Indirect loans	<u>4,561,373</u>	<u>4,061,099</u>

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

	30.09.2020	31.12.2019
	S/(000)	S/(000)
	(*)	
Commercial loans	21,124,082	16,634,838
Consumer loans	13,240,879	14,443,141
Mortgage loans	7,470,447	7,206,445
Small and micro-business loans	2,218,640	753,637
Total	<u>44,054,048</u>	<u>39,038,061</u>

(*) As of September 30, 2020, the balance of the direct loan portfolio includes disbursements made by Interbank within the “Reactiva Perú” program for approximately S/6,709 million, out of which S/4,731 million were granted to clients of its commercial portfolio and S/1,978 million to clients of its small and micro-business portfolio.

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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 loan portfolio:

Commercial loans	30.09.2020				31.12.2019			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	15,590,116	800,450	-	16,390,566	11,942,618	53,449	-	11,996,067
Standard grade	2,868,805	778,828	-	3,647,633	2,605,473	127,347	-	2,732,820
Sub-standard grade	131,566	138,872	-	270,438	132,707	401,991	-	534,698
Past due but not impaired	316,604	260,171	-	576,775	1,069,813	102,267	-	1,172,080
Impaired								
Individually impaired	-	-	7,695	7,695	-	-	8,444	8,444
Collectively impaired	-	-	230,975	230,975	-	-	190,729	190,729
Total commercial loans	18,907,091	1,978,321	238,670	21,124,082	15,750,611	685,054	199,173	16,634,838

Consumer loans	30.09.2020				31.12.2019			
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)
Not impaired								
High grade	8,341,116	301,907	-	8,643,023	10,155,000	176,899	-	10,331,899
Standard grade	1,332,979	347,774	-	1,680,753	1,768,328	339,381	-	2,107,709
Sub-standard grade	396,555	578,537	-	975,092	307,838	480,921	-	788,759
Past due but not impaired	220,548	988,987	-	1,209,535	201,928	532,093	-	734,021
Impaired								
Collectively impaired	-	-	732,476	732,476	-	-	480,753	480,753
Total consumer loans	10,291,198	2,217,205	732,476	13,240,879	12,433,094	1,529,294	480,753	14,443,141

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Notes to the Interim consolidated financial statements (continued)

Mortgage loans	30.09.2020				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Not impaired								
High grade	5,547,978	12,726	-	5,560,704	5,676,737	21,775	-	5,698,512
Standard grade	839,512	65,464	-	904,976	550,656	65,662	-	616,318
Sub-standard grade	297,769	95,699	-	393,468	25,855	190,605	-	216,460
Past due but not impaired	199,258	92,323	-	291,581	225,687	201,506	-	427,193
Impaired								
Collectively impaired	-	-	319,718	319,718	-	-	247,962	247,962
Total mortgage loans	6,884,517	266,212	319,718	7,470,447	6,478,935	479,548	247,962	7,206,445

Small and micro-business loans	30.09.2020				31.12.2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Not impaired								
High grade	1,645,273	104,704	-	1,749,977	532,978	19,622	-	552,600
Standard grade	265,391	9,011	-	274,402	75,464	23,775	-	99,239
Sub-standard grade	37,740	57,889	-	95,629	3,977	14,737	-	18,714
Past due but not impaired	10,883	39,176	-	50,059	11,515	23,563	-	35,078
Impaired								
Collectively impaired	-	-	48,573	48,573	-	-	48,006	48,006
Total small and micro-business loans	1,959,287	210,780	48,573	2,218,640	623,934	81,697	48,006	753,637

Total direct loans	38,042,093	4,672,518	1,339,437	44,054,048	35,286,574	2,775,593	975,894	39,038,061
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Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

(d) During the nine-months period ended September 30, 2020, the impairment loss for direct and indirect loans amounted to S/2,333,681,000 and S/12,064,000, respectively. Following is the movement of the allowance for expected credit loss for direct and indirect loans:

(d.1) Direct loans:

Direct loans	30.09.2020				30.09.2019				31.12.2019
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of period balances	542,152	445,597	598,580	1,586,329	444,159	492,778	553,315	1,490,252	1,490,252
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	771,271	-	-	771,271	600,007	-	-	600,007	794,622
Assets derecognized or repaid (excluding write offs)	(159,000)	(67,131)	(27,103)	(253,234)	(224,320)	(82,982)	(33,519)	(340,821)	(459,248)
Transfers to Stage 1	79,168	(77,858)	(1,310)	-	118,162	(116,396)	(1,766)	-	-
Transfers to Stage 2	(324,853)	338,110	(13,257)	-	(143,959)	160,030	(16,071)	-	-
Transfers to Stage 3	(89,203)	(174,747)	263,950	-	(175,128)	(134,016)	309,144	-	-
Impact on the expected credit loss for credits that change stage in the period	(40,991)	321,258	475,690	755,957	(101,346)	143,177	468,158	509,989	719,591
Others (*)	776,148	328,803	(45,264)	1,059,687	44,703	(28,211)	(1,870)	14,622	(28,228)
Total provision expenses	1,012,540	668,435	652,706	2,333,681	118,119	(58,398)	724,076	783,797	1,026,737
Write-offs	-	-	(551,811)	(551,811)	-	-	(786,466)	(786,466)	(1,097,321)
Recovery of written-off loans	-	-	96,801	96,801	-	-	128,032	128,032	171,831
Foreign exchange effect	6,723	6,030	17,225	29,978	61	139	246	446	(5,170)
Expected credit loss at the end of period balances	1,561,415	1,120,062	813,501	3,494,978	562,339	434,519	619,203	1,616,061	1,586,329

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

Direct loans – Commercial	30.09.2020				30.09.2019				31.12.2019
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of period balances	54,693	24,399	67,158	146,250	68,705	27,397	98,111	194,213	194,213
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	101,235	-	-	101,235	51,240	-	-	51,240	42,558
Assets derecognized or repaid (excluding write offs)	(17,645)	(3,902)	(1,240)	(22,787)	(27,270)	(7,851)	(2,310)	(37,431)	(54,346)
Transfers to Stage 1	2,698	(2,698)	-	-	7,623	(7,623)	-	-	-
Transfers to Stage 2	(29,164)	29,164	-	-	(12,062)	13,233	(1,171)	-	-
Transfers to Stage 3	(583)	(2,878)	3,461	-	(5,924)	(3,441)	9,365	-	-
Impact on the expected credit loss for credits that change stage in the period	4,482	17,684	22,921	45,087	(5,466)	3,445	20,976	18,955	29,078
Others (*)	(7,202)	(19,133)	(7,006)	(33,341)	(2,953)	(1,038)	2,701	(1,290)	(35,128)
Total provision expenses	53,821	18,237	18,136	90,194	5,188	(3,275)	29,561	31,474	(17,838)
Write-offs	-	-	(18,502)	(18,502)	-	-	(14,892)	(14,892)	(29,800)
Recovery of written-off loans	-	-	636	636	-	-	794	794	968
Foreign exchange effect	6,361	2,883	5,565	14,809	72	22	78	172	(1,293)
Expected credit loss at the end of period balances	114,875	45,519	72,993	233,387	73,965	24,144	113,652	211,761	146,250

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Notes to the Interim consolidated financial statements (continued)

Direct loans – Small and micro-business	30.09.2020				30.09.2019				31.12.2019
	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Stage 1 S/(000)	Stage 2 S/(000)	Stage 3 S/(000)	Total S/(000)	Total S/(000)
Expected credit loss at the beginning of period balances	12,910	14,972	41,061	68,943	13,764	16,898	38,681	69,343	69,343
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	140,289	-	-	140,289	13,596	-	-	13,596	16,382
Assets derecognized or repaid (excluding write offs)	(2,806)	(1,043)	(1,020)	(4,869)	(3,854)	(1,460)	(2,626)	(7,940)	(10,402)
Transfers to Stage 1	2,278	(2,277)	(1)	-	1,779	(1,779)	-	-	-
Transfers to Stage 2	(33,424)	33,495	(71)	-	(4,387)	4,440	(53)	-	-
Transfers to Stage 3	(502)	(4,512)	5,014	-	(2,034)	(6,655)	8,689	-	-
Impact on the expected credit loss for credits that change stage in the period	(787)	12,512	12,142	23,867	(1,592)	6,514	26,343	31,265	42,193
Others (*)	(51,564)	(18,652)	210	(70,006)	(4,330)	386	1,782	(2,162)	(722)
Total provision expenses	53,484	19,523	16,274	89,281	(822)	1,446	34,135	34,759	47,451
Write-offs	-	-	(21,031)	(21,031)	-	-	(37,737)	(37,737)	(52,978)
Recovery of written-off loans	-	-	2,969	2,969	-	-	4,158	4,158	5,316
Foreign exchange effect	30	5	265	300	(21)	(8)	(96)	(125)	(189)
Expected credit loss at the end of period balances	66,424	34,500	39,538	140,462	12,921	18,336	39,141	70,398	68,943

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

Contingent credits, guarantees and stand-by letters, import and export letters of credit	30.09.2020				30.09.2019				31.12.2019
	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Stage 1 S(000)	Stage 2 S(000)	Stage 3 S(000)	Total S(000)	Total S(000)
Expected credit loss at the beginning of period balances	16,367	4,720	18,607	39,694	19,829	19,753	22,469	62,051	62,051
Impact of the expected credit loss in the consolidated statement of income -									
New originated or purchased assets	3,519	-	-	3,519	6,396	-	-	6,396	6,937
Assets derecognized or repaid (excluding write offs)	(2,102)	(551)	(149)	(2,802)	(9,329)	(5,809)	(3,302)	(18,440)	(19,800)
Transfers to Stage 1	1,746	(1,746)	-	-	9,180	(9,180)	-	-	-
Transfers to Stage 2	(574)	574	-	-	(1,928)	1,928	-	-	-
Transfers to Stage 3	(90)	(39)	129	-	(183)	(9)	192	-	-
Impact on the expected credit loss for credits that change stage in the period	(1,250)	479	720	(51)	(3,450)	(1,225)	390	(4,285)	(4,329)
Others (*)	12,115	(367)	(350)	11,398	(639)	(1,803)	(1,049)	(3,491)	(4,740)
Total	13,364	(1,650)	350	12,064	47	(16,098)	(3,769)	(19,820)	(21,932)
Write-offs	-	-	-	-	-	-	-	-	-
Foreign exchange effect	654	295	41	990	28	41	2	71	(425)
Expected credit loss at the end of period balances	30,385	3,365	18,998	52,748	19,904	3,696	18,702	42,302	39,694

(*) Corresponds mainly to: (i) the variation between the amortized cost of the loan at the beginning of the period and its amortized cost at the end of the period (variation in the provision recorded for partial amortizations which did not represent write offs or cancellation of loans); (ii) variations in credit risk that did not generate transfers to other stages; and (iii) the appropriation of contingent loans (conversion of indirect debt into direct debt).

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Notes to the Interim consolidated financial statements (continued)

7. Investment property

(a) This caption is made up as follows:

	30.09.2020	31.12.2019		
	S/(000)	S/(000)	Acquisition or construction year	Valuation methodology
Land -				
Miraflores - Lima	527,994	486,391	2010	Appraisal
San Martín de Porres - Lima	329,446	303,695	2015	Appraisal
San Isidro - Lima	239,506	239,152	2009	Appraisal
Ate Vitarte - Lima	114,574	114,574	2008	Appraisal
Others	247,926	267,706	-	Appraisal
	<u>1,459,446</u>	<u>1,411,518</u>		
Built investment property -				
"Real Plaza" Shopping Malls				
Puruchuco - Lima	565,129	543,464	2008	DCF
Chiclayo	183,677	178,551	2005	DCF
Primavera - Lima	176,476	177,527	2009	DCF
Centro Comercial San Isidro - Lima	165,162	159,961	2010	DCF
Trujillo	155,195	155,964	2007	DCF
Piura	134,662	135,869	2010	DCF
Pucallpa	72,106	72,439	2014	DCF
Cajamarca	71,226	71,762	2013	DCF
Pro - Lima	54,061	54,398	2008	DCF
Others	183,174	146,597		
	<u>1,726,677</u>	<u>1,696,532</u>		
Built on leased land -				
Salaverry - Lima	338,514	340,355	2014	DCF
Cuzco	191,649	167,208	2013	DCF
Centro Cívico - Lima	126,924	124,476	2007 / 2014	DCF
Huancayo	97,041	100,854	2008	DCF
Huánuco	59,506	60,043	2012	DCF
Villa María del Triunfo - La Curva - Lima	56,257	56,939	2013 / 2016	DCF
Juliaca	53,902	54,867	2010	DCF
Others	184,182	211,397	-	DCF
	<u>1,107,975</u>	<u>1,116,139</u>		
Buildings -				
Orquídeas - San Isidro - Lima	166,384	168,787	2017	DCF
Ate Vitarte - Lima	109,204	82,925	2006	DCF
Chorrillos - Lima	21,750	71,680	2017	DCF
Centro Urbano Nuevo Chimbote	32,518	49,898	2019	DCF
Others	147,607	112,869	-	
	<u>477,463</u>	<u>486,159</u>		
Total	<u>4,771,561</u>	<u>4,710,348</u>		

DCF: Discounted cash flow.

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

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

- (b) The net gain on investment property for the nine-month periods ended September 30, 2020 and 2019, consists of the following:

	30.09.2020 S/(000)	30.09.2019 S/(000)
Gain on valuation of investment property	63,919	47,232
Income from rental of investment property	183,911	264,413
Gain on sale of investment property	-	762
Total	<u>247,830</u>	<u>312,407</u>

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

	30.09.2020 S/(000)	30.09.2019 S/(000)
Beginning of period balances	4,710,348	4,072,977
Additions	64,932	236,095
Sales	-	(24,625)
Gain on valuation, net	63,919	47,232
Transfers to "Property, furniture and equipment, net"	(67,638)	(6,555)
Ending balances	<u>4,771,561</u>	<u>4,325,124</u>
Balance as of December 31, 2019		<u>4,710,348</u>

- (d) Fair value measurement – Investment property - Valuation techniques

The valuation techniques to estimate the fair value and the main assumptions used are described in Note 8 “Investment property” of the 2019 Annual Consolidated Financial Statements.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

8. Inventories, net

(a) This caption is made up as follows:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Inventories from retail activities, net (b)	2,665,891	2,376,636
Inventories from real estate activities, net	19,673	20,670
Total	2,685,564	2,397,306

(b) The table below presents the balance of inventories from retail activities:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Inventories	2,523,155	2,262,557
Finished goods	4	189
Raw material	19,679	15,204
In-transit inventories	149,251	111,347
Miscellaneous supplies	13,557	6,053
	2,705,646	2,395,350
Minus:		
Allowance for obsolescence of inventories (b.1)	(39,755)	(18,714)
	2,665,891	2,376,636

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Notes to the Interim consolidated financial statements (continued)

(b.1) The movement of the allowance for impairment of inventories by retail activities is as follows:

	30.09.2020 S/(000)	30.09.2019 S/(000)
Beginning of period balances	18,714	16,364
Provision for the period	32,253	17,598
Recoveries	(5,630)	(2,937)
Others	249	(3)
End of period balances	<u>39,755</u>	<u>26,744</u>
Balance as of December 31, 2019		<u>18,714</u>

The allowance for impairment of inventories is determined based on rotation levels, discounts for clearance sales and other characteristics based on periodical assessments performed by Management of Intercorp Peru and Subsidiaries. In Management's opinion, this provision covers adequately the risk of impairment of inventories as of September 30, 2020 and December 31, 2019.

9. Accounts receivable and other assets, net; accounts payable, provisions and other liabilities

(a) These captions are comprised of the following:

	30.09.2020 S/(000)	31.12.2019 S/(000)
Accounts receivable and other assets		
Financial instruments		
Trade accounts receivable, net	765,313	720,048
Accounts receivable related to derivative financial instruments (b)	731,481	351,689
Other accounts receivable	447,705	455,315
Accounts receivable from the sale of investments	154,390	74,373
Assets for technical reserves for claims and premiums by reinsurers	68,725	77,430
Operations in process	45,221	46,087
Others	42,955	43,861
Total	<u>2,255,790</u>	<u>1,768,803</u>
Non-financial instruments		
Recoverable taxes	373,499	159,513
Deferred charges	180,766	151,205
Value-Added Tax credit - IGV	96,150	62,960
Investments in associates	69,210	76,987
Public works tax deduction	375	7,178
Others	24,405	24,878
	<u>744,405</u>	<u>482,721</u>
Total	<u>3,000,195</u>	<u>2,251,524</u>

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Notes to the Interim consolidated financial statements (continued)

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Accounts payable, provisions and other liabilities		
Financial instruments		
Trade accounts payable	3,785,337	3,748,212
Liability for leases – IFRS 16	2,071,884	2,130,379
Liability for insurance contracts with investment component	561,752	465,542
Other accounts payable	485,349	460,308
Workers' profit sharing and salaries payable	396,438	384,384
Accounts payable related to derivative financial instruments (b)	414,000	222,752
Operations in process	178,525	134,837
Accounts payable for acquisitions of investments	263,499	95,486
Allowance for indirect loan losses, Note 6(d.2)	52,748	39,694
Accounts payable to reinsurers and coinsurers	5,604	7,326
	<u>8,215,136</u>	<u>7,688,920</u>
Non-financial instruments		
Taxes payable	459,173	496,840
Deferred income	118,336	121,854
Provision for other contingencies	61,024	61,300
Others	6,108	9,869
	<u>644,641</u>	<u>689,863</u>
Total	<u>8,859,777</u>	<u>8,378,783</u>

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

(b) The following table presents, as of September 30, 2020, and December 31, 2019, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts.

As of September 30, 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 interim consolidated statements of financial position
Derivatives held for trading -							
Forward exchange contracts	58,371	56,903	8,148,489	-	Between October 2020 and September 2021	n/a	n/a
Interest rate swaps	233,971	236,671	5,718,143	-	Between November 2020 and June 2036	n/a	n/a
Currency swaps	67,885	49,524	2,188,407	-	Between October 2020 and February 2027	n/a	n/a
Cross currency swaps	-	67,345	211,714	-	January 2023	n/a	n/a
Options	-	355	33,338	-	Between October 2020 and March 2021	n/a	n/a
	<u>360,227</u>	<u>410,798</u>	<u>16,300,091</u>	<u>-</u>			
Derivatives held as hedges -							
Cash flow hedges:							
Call Spreads (*)	109,921	-	1,439,600	(40,266)	May 2023	Senior note not guaranteed	Bonds, notes and other obligations
Call Spreads (*)	98,375	-	1,259,650	(73,354)	April 2028	Senior note not guaranteed	Bonds, notes and other obligations
Cross currency swaps (CCS)	129,318	-	1,586,277	(4,673)	January 2023	Senior bonds	Bonds, notes and other obligations
Cross currency swaps (CCS)	33,640	-	539,550	(893)	October 2027	Senior bonds	Bonds, notes and other obligations
Interest rate swaps (IRS)	-	1,542	143,880	786	November 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	831	89,925	321	December 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	829	89,925	321	December 2020	Due to banks	Due to banks and correspondents
	<u>371,254</u>	<u>3,202</u>	<u>5,148,807</u>	<u>(117,758)</u>			
	<u>731,481</u>	<u>414,000</u>	<u>21,448,898</u>	<u>(117,758)</u>			

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

As December 31, 2019	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 statements of financial position
Derivatives held for trading -							
Forward exchange contracts	95,961	45,723	9,306,501	-	Between January 2020 and January 2021	-	-
Interest rate swaps	81,517	75,071	4,238,142	-	Between November 2020 and December 2029	-	-
Currency swaps	30,438	36,428	1,727,922	-	Between January 2020 and September 2026	-	-
Cross currency swaps	-	50,523	195,056	-	January 2023	-	-
Options	34	126	22,153	-	Between January 2020 and December 2020	-	-
	<u>207,950</u>	<u>207,871</u>	<u>15,489,774</u>	<u>-</u>			
Derivatives held as hedges -							
Cash flow hedges:							
Call Spreads (*)	63,508	-	1,326,800	8,983	May 2023	Senior note not guaranteed	Bonds, notes and other obligations
Call Spreads (*)	67,405	-	1,160,950	19,135	April 2028	Senior note not guaranteed	Bonds, notes and other obligations
Cross currency swaps (CCS)	12,826	8,227	1,461,474	(31,211)	January 2023	Senior bonds	Bonds, notes and other obligations
Cross currency swaps (CCS)	-	2,821	497,100	(19,694)	October 2027	Senior bonds	Bonds, notes and other obligations
Interest rate swaps (IRS)	-	1,085	82,850	(287)	December 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	1,080	82,850	(289)	December 2020	Due to banks	Due to banks and correspondents
Interest rate swaps (IRS)	-	1,668	132,560	(285)	November 2020	Due to banks	Due to banks and correspondents
Cross currency swaps (CCS) (ii)	-	-	-	1,097	-	-	-
	<u>143,739</u>	<u>14,881</u>	<u>4,744,584</u>	<u>(22,551)</u>			
	<u>351,689</u>	<u>222,752</u>	<u>20,234,358</u>	<u>(22,551)</u>			

(*) The call spread contracts were settled during 2018 with JP Morgan Chase & Co. and Citibank N.A. for a total reference value of US\$350,000,000 and US\$400,000,000, respectively; and were agreed in order to reduce the exchange rate risk exposure caused by the part of foreign currency debt issued by InRetail Shopping Malls and InRetail Pharma S.A., in April and May 2018. In addition, the purchase price paid for such derivative financial instruments (premium) was financed in installments, generating a liability, whose total balance as of September 30, 2020, and December 31, 2019, amounts approximately to S/112,022,000 and S/114,577,000; respectively, see Note 11(a).

(i) As of September 30, 2020 and December 31, 2019, 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 in 2020 and 2019. During the year 2019, two hedges were discontinued for a total nominal value of US\$20,000,000 because of the early redemption of the senior bonds denominated "5.750% Senior Notes due 2020".

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

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Notes to the Interim consolidated financial statements (continued)

(c) Goodwill, trademark and other intangible assets, net is made up as follows:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Trademark and other intangible assets, net	1,903,807	1,864,106
Goodwill:		
Grupo InRetail Pharma - Quicorp	1,272,634	1,272,634
Grupo InRetail Pharma - Inkafarma	709,472	709,472
Seguros Sura	430,646	430,646
Others	228,847	272,740
	<u>2,641,599</u>	<u>2,685,492</u>
Total	<u>4,545,406</u>	<u>4,549,598</u>

10. Deposits and obligations

(a) This caption is made up as follows:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Saving deposits	16,065,949	11,384,464
Demand deposits	14,280,625	11,110,811
Time deposits	12,846,695	13,230,965
Compensation for service time	1,879,556	2,090,832
Other obligations	13,987	5,955
	<u>45,086,812</u>	<u>37,823,027</u>

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

(c) As of September 30, 2020, and December 31, 2019, out of total deposits and obligations, approximately S/13,864,035,000 and S/11,047,236,000, respectively, are covered by the Peruvian Deposit Insurance Fund.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

11. Due to banks and correspondents

(a) This caption is comprised of the following:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
By type		
BCRP (b), Note 4(b), 5(d)	8,341,071	1,897,568
Loans received from Peruvian entities	2,852,204	2,485,231
Promotional credit lines	1,430,310	1,422,067
Loans received from foreign entities	867,516	673,170
Loans for purchase of derivative financial instruments, Note 9(b)(*)	112,022	114,577
Loans received from third parties	96,438	76,956
	<u>13,699,561</u>	<u>6,669,569</u>
Interest and commissions payable	50,636	56,691
	<u>13,750,197</u>	<u>6,726,260</u>
By term		
Short term	4,065,758	3,545,597
Long term	9,684,439	3,180,663
	<u>13,750,197</u>	<u>6,726,260</u>
Total	<u>13,750,197</u>	<u>6,726,260</u>

- (b) Interbank took part in the auction of funds for the “Reactiva Perú” program, Note 1(b). As of September 30, 2020, the amount recorded as debt to the BCRP amounts to approximately S/6,709 millions.
- (c) As of September 30, 2020 and December 31, 2019, some of the Bank loans agreements include standard covenants regarding capital ratios, financial ratios, disposal of assets and transactions among companies under certain conditions, the use of funds and other issues administratives.

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

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Notes to the Interim consolidated financial statements (continued)

12. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued S/(000)	30.09.2020 S/(000)	31.12.2019 S/(000)
Local issuances							
Subordinated bonds							
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	137,106	136,908
						<u>228,106</u>	<u>227,908</u>
Subordinated bonds – second program							
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	149,867	149,827
Third (A series)	Interbank	7.50%	Semi-annually	2023	US\$50,000	179,603	165,426
						<u>329,470</u>	<u>315,253</u>
Subordinated bonds – third program							
First – single series	Interseguro	6.00%	Semi-annually	2029	US\$20,000	70,760	66,280
Second – single series	Interseguro	4.34%	Semi-annually	2029	US\$20,000	70,760	66,280
Third – single series (d)	Interseguro	4.84%	Semi-annually	2030	US\$25,000	89,925	-
						<u>233,805</u>	<u>132,560</u>
Corporate bonds – first program							
First (A series)	Financiera OH!	7.69%	Quarterly	2021	S/120,000	119,915	119,788
First (B series)	Financiera OH!	6.97%	Quarterly	2021	S/99,419	99,322	99,237
Second (A series)	Financiera OH!	6.28%	Quarterly	2021	S/100,000	99,861	99,777
Second (B series)	Financiera OH!	5.84%	Quarterly	2022	S/60,000	59,881	59,830
Third (A series)	Financiera OH!	6.41%	Quarterly	2023	S/95,885	95,639	95,575
						<u>474,618</u>	<u>474,207</u>
Corporate bonds – second program							
Fifth (A series)	Interbank	3.41% + VAC (*)	Semi-annually	2029	S/150,000	150,000	150,000
						<u>150,000</u>	<u>150,000</u>
Securitized bonds							
First issue (A and B series)	Colegios Peruanos	Between 3.25%-10%	Semi-annually	2035	S/66,000	36,412	32,992
Second issue (A series)	Colegios Peruanos	Between 4%-12%	Semi-annually	2035	S/50,000	45,654	47,000
Third issue (A series)	Colegios Peruanos	7.53%	Semi-annually	2037	S/70,000	69,468	69,427
Fourth issue (A series)	Colegios Peruanos	5.97%	Semi-annually	2034	S/230,000	227,218	226,992
First A class (1 series)	Homecenter Peruanos	6.59%	Quarterly	2025	S/100,000	89,112	95,055
						<u>467,864</u>	<u>471,466</u>

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Notes to the Interim consolidated financial statements (continued)

<u>Issuance</u>	<u>Issuer</u>	<u>Annual interest rate</u>	<u>Interest payment</u>	<u>Maturity</u>	<u>Amount issued</u>	<u>30.09.2020</u>	<u>31.12.2019</u>
					S/(000)	S/(000)	S/(000)
Negotiable certificates of deposit							
Negotiable certificates of deposit	Financiera OH!	3.50%	Annually	2021	S/170,000	169,970	-
Negotiable certificates of deposit	Financiera OH!	Between 3.50% and 5.10%	Annually	2020	S/281,300	-	271,887
Negotiable certificates of deposit	Interbank	4.28%	Annually	2020	S/150,000	-	148,603
						<u>169,970</u>	<u>420,490</u>
Total local issuances						<u>2,053,833</u>	<u>2,191,884</u>
International Issuances							
Corporate bonds	Interbank	3.38%	Semi-annually	2023	US\$484,895	1,698,353	1,549,877
Corporate bonds	Interbank	3.25%	Semi-annually	2026	US\$400,000	1,426,820	1,313,259
Senior notes not guaranteed	InRetail Pharma	5.38%	Semi-annually	2023	US\$400,000	1,425,730	1,310,706
Senior bonds	Intercorp Perú	3.88%	Semi-annually	2029	US\$325,000	1,098,920	1,010,136
Senior notes not guaranteed	InRetail Shopping Malls	5.75%	Semi-annually	2028	US\$350,000	1,184,900	1,087,035
Subordinated bonds (c)	Interbank	4.00%	Semi-annually	2030	US\$300,000	1,071,144	-
Subordinated bonds	Interbank	6.63%	Semi-annually	2029	US\$300,000	1,075,507	990,216
Senior bonds	Intercorp Financial Services	4.13%	Semi-annually	2027	US\$300,000	1,055,558	969,794
Senior notes not guaranteed	InRetail Pharma	6.44%	Semi-annually	2025	S/385,800	383,957	383,707
Corporate bonds	Interbank	5.00%	Semi-annually	2026	S/312,000	311,274	311,185
Senior notes not guaranteed	InRetail Shopping Malls	6.56%	Semi-annually	2028	S/313,500	306,785	306,718
Senior bonds	Intercorp Perú	7.66%	Semi-annually	2030	S/301,500	298,430	298,265
Senior bonds	Intercorp Perú	5.78%	Semi-annually	2029	S/300,000	296,280	296,045
Senior notes not guaranteed	InRetail Shopping Malls	7.88%	Semi-annually	2034	S/141,000	90,243	90,307
Junior subordinated notes	Interbank	8.50%	Semi-annually	2070	US\$200,000	-	660,992
Total International Issuances						<u>11,723,901</u>	<u>10,578,242</u>
Total local and International Issuances						<u>13,777,734</u>	<u>12,770,126</u>
Interest payable						<u>196,112</u>	<u>230,641</u>
Total						<u>13,973,846</u>	<u>13,000,767</u>

(*) The Spanish term "Valor de actualización constante" is referred indexed amounts.

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Notes to the Interim consolidated financial statements (continued)

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

As of September 30, 2020 and December 31, 2019, the international issuances maintain standard clauses mainly related to periodic reporting of financial information. In the opinion of Management and its legal advisors, these clauses have been met by the Group as of September 30, 2020 and December 31, 2019.

- (c) During the month of June 2020, Interbank issued subordinated bonds called “4.00% Subordinated Notes due 2030” for an amount of US\$300,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America.
- (d) On September 30, 2020, Interseguro issued subordinated bonds denominated “Third Issuance of the Third Program of Subordinated Bonds Interseguro (Single Serie)” for the amount of US\$25,000,000.

13. Insurance contract liabilities

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

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Technical reserves for insurance premiums (b)	11,577,661	11,135,635
Technical reserves for claim	215,593	203,175
	<u>11,793,254</u>	<u>11,338,810</u>
By term		
Short term	403,506	948,316
Long term	11,389,748	10,390,494
Total	<u>11,793,254</u>	<u>11,338,810</u>

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Notes to the Interim consolidated financial statements (continued)

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

	30.09.2020					30.09.2019				
	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life Insurance S/(000)	General Insurance S/(000)	Total S/(000)	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life Insurance S/(000)	General Insurance S/(000)	Total S/(000)
Beginning of period balances	9,653,420	779,455	661,687	41,073	11,135,635	8,665,894	715,217	586,166	39,683	10,006,960
Insurance subscriptions	150,647	-	1,597	31,885	184,129	228,127	-	3,116	36,729	267,972
Acquisition of Mapfre (*)	-	-	292,499	-	292,499	-	-	-	-	-
Interest rate effect	(142,974)	(46,597)	(15,296)	-	(204,867)	951,093	85,463	-	-	1,036,556
Time passage adjustments	(145,662)	(8,726)	68,425	(32,069)	(118,032)	(100,292)	(12,047)	95,917	(34,644)	(51,066)
Maturities and recoveries	-	-	(32,848)	-	(32,848)	-	-	(36,777)	-	(36,777)
Exchange differences	270,628	-	50,248	269	321,145	10,628	-	1,914	10	12,552
End of period balances	9,786,059	724,132	1,026,312	41,158	11,577,661	9,755,450	788,633	650,336	41,778	11,236,197
Balance as of December 31, 2019						9,653,420	779,455	661,687	41,073	11,135,635

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

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

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

Type	Mortality table	Technical rates	
		30.09.2020	31.12.2019
Annuities	SPP-S-2017, SPP-I-2017	4.09% in US\$	4.54% in US\$
	with improvement factor	2.33% in S/ VAC	1.89% in S/ VAC
	for mortality	5.50% in adjusted S/	5.10% in adjusted S/
Retirement, disability and survival	SPP-S-2017, SPP-I-2017	2.33% in S/ VAC	1.89% in S/ VAC
	with improvement factor		
	for mortality		
Individual life insurance contracts (included linked insurance contracts)	CSO 80 adjusted	4.00 - 5.00%	4.00 - 5.00%

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Notes to the Interim consolidated financial statements (continued)

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

Variables	30.09.2020			31.12.2019		
	Reserve S/(000)	Variation of the reserve		Reserve S/(000)	Variation of the reserve	
		Amount S/(000)	Percentage %		Amount S/(000)	Percentage %
Annuities						
Portfolio in S/ and US Dollars - Basis amount						
Changes in interest rate: + 100 bps	8,798,521	(987,539)	(10.09)	8,646,725	(1,006,695)	(10.43)
Changes in interest rate: - 100 bps	10,991,452	1,205,392	12.32	10,890,170	1,236,750	12.81
Changes in mortality table at 105%	9,684,014	(102,046)	(1.04)	9,554,268	(99,152)	(1.03)
Changes in mortality table at 95%	9,893,151	107,091	1.09	9,757,493	104,073	1.08
Retirements, disability and survival						
Portfolio in S/ - Basis amount						
Changes in interest rate: + 100 bps	642,811	(81,321)	(11.23)	687,451	(92,004)	(11.80)
Changes in interest rate: - 100 bps	824,987	100,856	13.93	894,614	115,159	14.77
Changes in mortality table at 105%	714,733	(9,398)	(1.30)	769,044	(10,411)	(1.34)
Changes in mortality table at 95%	734,004	9,873	1.36	790,403	10,948	1.40

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Notes to the Interim consolidated financial statements (continued)

14. Equity

(a) Capital stock and dividend distribution

As of September 30, 2020, and December 31, 2019, the Company's capital stock was represented by 14,901,892 Class A shares and 134,117,024 Class B shares. Both classes have the same economic rights. The difference between them is that Class A shares grant the right to choose the majority of the Board of Directors' members (5 directors), while Class B shares can choose one director.

The shareholding structure of the Company as of September 30, 2020, and December 31, 2019 is presented below:

Shareholder	Total ownership %
Class "A" shares:	
International Financial Holding Inc.	7.73
Southern Hill Corp.	2.27
Class "B" shares:	
Bank of New York-ADR Programs	39.78
International Financial Holding Inc.	21.79
Shetland Securities Inc.	16.37
Southern Hill Corp.	10.60
Others	1.46
	<hr/>
	100.00
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The General Shareholders' Meeting held on April 7, 2020, agreed to capitalize approximately S/1,045,516,000 charged to retained earnings. In the same meeting, the nominal value per share was modified from US\$10 to US\$12, while the number of shares was kept the same.

The General Shareholders' Meeting held on April 1, 2019, agreed to capitalize approximately S/491,465,000 charged to retained earnings. Likewise, it was agreed to distribute dividends for US\$30,000,000 (equivalent to S/98,940,000), which will be paid in four equal installments (US\$7,500,000) from June 2019 to March 2020. In the same meeting, the nominal value per share was modified from US\$9 to US\$10, while the number of shares was kept the same.

(b) Intercorp Group's regulatory capital –

Intercorp Perú must meet certain capital requirements as well as global and concentration limits set out by the Regulation on Consolidated Supervision of Financial and Mixed Conglomerates, approved on September 29, 2010, by the SBS through Resolution No. 11823-2010, as amended. As of September 30, 2020 and December 31, 2019, the Company has met the aforementioned requirements and supplementary requirements made by SBS at those dates.

(c) Reserves

The General Shareholders' Meeting held on April 7, 2020, agreed to constitute reserves for S/324,483,000 charged to retained earnings.

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Notes to the Interim consolidated financial statements (continued)

In accordance with agreements adopted in Board Sessions held on February 19, 2020 and March 16, 2020, the Company recorded reserves charged to retained earnings for S/200,000,000 and S/100,000,000, respectively.

The General Shareholders' Meeting held on April 1, 2019, agreed to constitute reserves for S/58,536,000 charged to retained earnings.

(d) Unrealized result

The unrealized results are derived from the fluctuation of financial instruments measured at fair value through other comprehensive income and from the exchange difference caused by transfers from subsidiaries located abroad, whose functional currency is different from that of the Company.

15. Tax situation

- (a) Intercorp Perú and its Subsidiaries incorporated and domiciled in The Bahamas and Republic of Panama (see Note 3), are not subject to any Income Tax or any taxes on capital gains, equity or property. The Subsidiaries of the Company incorporated and domiciled in countries different to the mentioned before are subject to the Tax legislation of the country where they operate; see paragraph (b).

On the other hand, Peruvian life insurance companies are exempted from income taxes when it comes to income from assets related to technical reserves for the payment of Annuities and Retirement, disability and survival annuities of the Private Pension Fund Management System.

In Peru, all gains from Peruvian sources are subject to income tax, which is directly obtained by the direct or indirect sale of shares or participations representing the capital of legal entities domiciled in the country. 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 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 Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the twelve (12) months prior to the sale, the market value of the shares or ownership interests of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or ownership interests of the non-domiciled legal entity. In addition, as a concurrent condition, it is also established that an indirect transfer occurs when, in any 12-month period, shares or ownership interests that represent 10 percent or more of the capital stock of a non-domiciled legal entity are transferred.

- (b) Intercorp Perú's Subsidiaries established in Peru are subject to Peruvian taxes, therefore, they must evaluate its tax burden based on their separate financial statements. The income tax rate as of September 30, 2020 and December 31, 2019, was 29.5 percent on the taxable income.

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Notes to the Interim consolidated financial statements (continued)

- (c) The Company's Subsidiaries are subject to the tax regime of the country in which they operate; and pay taxes on the basis of their separate financial statements. As of September 30, 2020 and December 31, 2019, the applicable Income Tax rates on the taxable income in the main countries where the Company and its Subsidiaries operate are presented below:

	Tax rates
	2020 - 2019
	%
Spain	25
Peru	29.5
Ecuador	25
Colombia	33
Mexico	30

According to current legislation as of September 30, 2020 and December 31, 2019, in some countries, cash dividends for non-domiciled shareholders are taxable for Income Tax with to the following rates:

	Tax rates
	2020 - 2019
	%
Spain (*)	-
Peru	5
Ecuador	10
Colombia	7.5

(*) The distribution of dividends from Spain to The Bahamas is not subjected to this tax.

- (d) The Tax Authority is legally entitled to review and dispute tax returns for up to four years subsequent to the date at which they are filed. It also has the legally entitled to challenge the income tax calculated for subsidiaries on their tax return.

Given the possible interpretations that the Tax Authority may have for the current legal regulations, it is not possible to determine as of the corresponding date if future revisions will result or not in additional liabilities for Subsidiaries of Intercorp Group, therefore, if eventual tax revisions result in higher taxes, they will be applied to the profit or loss of the fiscal year in which they are determined. However, Management and its legal advisors believe that the determination of higher taxes would not have a significant impact on the interim consolidated financial statements as of September 30, 2020 and December 31, 2019.

- (d.1) Financial and insurance entities -
Interbank -

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

Notes to the Interim consolidated financial statements (continued)

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

Notwithstanding the foregoing, in February 2018, the Third Transitory Chamber of Constitutional and Social Law of the Supreme Court issued a ruling regarding a third bank that impacted the original estimation regarding the degree of contingency for this discrepancy. Subsequently, in June 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court, in a case followed with another financial entity, ruled in favor of the tax treatment over the interest in suspense followed by said entity; which is consistent with the tax treatment followed by Interbank. On March 12, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court published on the website of the Judiciary its ruling regarding Interbank’s Income Tax for the year 2003, declaring groundless the cassation appeals filed by SUNAT and the Ministry of Economy and Finance (“MEF”, by its Spanish acronym), thus reaffirming the position held by the Bank regarding that interest in suspense does not constitute taxable income. Lastly, on July 6, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court has formally notified the aforementioned ruling.

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

The tax liability requested for this concept and other minor contingencies as of September 30, 2020, without considering the effects of the ruling by the Permanent Chamber of Constitutional and Social Law of the Supreme Court published on March 12, 2020, amounted to approximately S/310,000,000, out of which S/34,000,000 corresponded to taxes and the difference to fines and interest arrears (as of December 31, 2019 amounted to approximately S/303,000,000, out of which S/34,000,000 corresponded to taxes and the difference to fines and interest arrears); however, it is estimated that once SUNAT performs the resettlements of the Income Tax, including the effects of said ruling, the requested amount will diminish significantly.

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

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

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. The tax debt requested by SUNAT amounts to approximately S/50,000,000 (including taxes, penalties and moratorium interest). The main concept observed was the deduction of loan write-offs without proof by the SBS. As of September 30, 2020, the tax liability requested by SUNAT for this concept and other minor contingencies amounted to approximately S/41,000,000, out of which S/11,000,000 corresponded to taxes and the difference to fines and interest arrears (S/39,000,000 and S/11,000,000, respectively as of December 31, 2019).

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

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

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

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

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. The tax debt requested by SUNAT amounts to approximately S/13,000,000. The main concept observed was the deduction of expenses for income from foreign sources.

As of September 30, 2020, the tax liability requested for this concept and other minor contingencies amounts to approximately S/13,000,000 referred to fines and interest arrears.

Currently, SUNAT is auditing Interbank's 2014 taxable period. In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of September 30, 2020 and December 31, 2019.

Interseguro –

On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial audit of the Income Tax for non-domiciled entities for Sura corresponding to January 2015. The tax debt requested by SUNAT amounts to approximately S/19,000,000. On January 30, 2019, the Company filed an appeal against the Resolution of Determination claimed by SUNAT. Considering that this debt corresponds to a period prior to the acquisition of Seguros Sura by the Group and according to the conditions of the purchase and sale agreement of this entity, this debt, if confirmed after the legal actions that Management is to file, would be assumed by the sellers.

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

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(d.2) Retail and real estate -

Supermercados Peruanos S.A. has been audited by SUNAT on its Income Tax returns and its monthly IGV returns for the years 2004 to 2013. Said audits resulted in Determination Resolutions generating higher tax payments, fines and interest for an approximate total of S/139,236,000 as of September 30, 2020 (S/139,000,000 as of December 31, 2019). The resolutions issued for the years 2004 to 2013 have been challenged and these cases are pending resolution by the Tax Court.

During 2005 and 2006, Eckerd Amazonía S.A.C., was audited on its monthly IGV for taxable years from January 2003 to June 2005. The main objections are related to the lack of knowledge of the exoneration of the IGV provided by the Act of Promotion and Investment of the Amazon Region. In the opinion of Management and its legal advisors, the Company expects to obtain a favorable result in the appeal procedures it has filed. As of September 30, 2020 and December 31, 2019, the total contingency of the Company amounts to S/17,558,000.

Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.) filed an appeal against SUNAT for resolutions with alleged omissions in the determination of the tax base for the profits of 2001, 2003, 2008, 2009, 2011, 2012, 2013, 2014 and 2015, as well as the IGV of the year 2001, for a total of approximately S/28,154,000 as of September 30, 2020 and December 31, 2019. Management and its legal advisors do not consider it necessary to constitute additional provisions to those that are already recorded as of September 30, 2020, for these processes.

Química Suiza S.A.C. maintains claims for tax processes related to the Income Tax of the years 2012, 2013, 2014 and 2015, amounting to S/4,550,000. In the opinion of Management and its legal advisors, said processes should be solved favorably. Thus, in Management's opinion, it is not necessary to record additional liabilities for these concepts as of September 30, 2020, and December 31, 2019.

Albis S.A.C. maintains tax processes related to the Income Tax of the years 2002, 2005, 2009, 2010 and 2011, amounting to de S/5,799,000. In the opinion of Management and its legal advisors, said processes should be solved favorably. Thus, in Management's opinion, it is not necessary to record additional liabilities for these concepts as of September 30, 2020, and December 31, 2019.

- (e) Regarding the determination of the Income Tax, transfer prices of transactions with related companies and companies located in non-cooperating countries or territories or with low or zero taxation, or with legal persons or permanent establishments whose profits, income or earnings from such contracts are subject to a preferential fiscal regime, must be supported with documentation and information about valuation methods and criteria considered for its determination. Based on the analysis of the Company's and its Subsidiaries' operations, Management and its legal advisors believe that, as a result of the application of these standards, there will not be significant contingencies for the Subsidiaries domiciled in Peru as of September 30, 2020 and December 31, 2019.

Through Legislative Decree No. 1312, published on December 31, 2016, the formal obligations for entities included within the scope of application of transfer pricing were modified, thus incorporating three new informative affidavits: (i) Local Report; (ii) Master Report; and (iii) Country Report. The first went into effect from 2017 for the operations that occurred during 2016, while the validity of the latest two started in 2018 for the operations occurred since the fiscal year 2017.

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- (f) Through Legislative Decree No. 1381, published on August 24, 2018, it was incorporated in the Income Tax Act the concept of “non-cooperating” countries or territories and preferential tax regimes to which are imposed the defensive measures already existing for countries and territories with low or zero taxation.

In this regard, it is important to emphasize that, at present, Interbank maintains a branch in Panama, a country that is considered “non-cooperating”, in accordance with the Legislative Decree No. 1381. Notwithstanding the aforementioned, as detailed in Note 3.1(a) to the date of this report, said branch is under voluntary closing and liquidation process.

- (g) In July 2018, Act No. 30823 was published, whereby the Congress delegated power to the Executive Branch to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:
- (i) Beginning on January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the Income Tax is withheld at the payment or accreditation of the compensation. In order for said cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the filing date of the annual tax return for the Income Tax (Legislative Decree No. 1369).
 - (ii) The rules that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Act, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the natural or juridical person who manages the autonomous patrimony or the investment funds from abroad, or the natural or juridical person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be fulfilled through the presentation to SUNAT of an informative report, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by Superintendence Resolution issued by SUNAT.
 - (iii) The Tax Code was amended regarding the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code - Legislative Decree No. 1422).

As part of this amendment, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of actions or situations or economic relations viewed as evasion in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of actions, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The actions, situations and economic relations carried out within the framework of tax planning and implemented at the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until

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March 29, 2019, without prejudice to the fact that the management or other administrators of the Company and its Subsidiaries have approved the aforementioned actions, situations and economic relations.

Likewise, it has been established that the application of Rule XVI, regarding the re-characterization of tax evasion cases, will take place in the final inspection procedures in which actions, events or situations produced since July 19, 2012, are reviewed.

(iv) Amendments to the Income Tax Act were included, effective as of January 1, 2019, to improve the tax treatment applicable to the following (Legislative Decree No. 1424):

- Income from the indirect transfer of shares representing participations of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new indirect sale assumption, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or higher than 40,000 Tax Units.
- Permanent establishments of sole proprietorship, companies and entities of any nature incorporated abroad. For this purpose, new cases of permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any 12-month period.
- The regime of credits against Income Tax for taxes paid abroad, to be included in the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, in order to avoid the double economic imposition.
- The deduction of interest expenses for the determination of corporate Income Tax. In the years 2019 and 2020, it shall be applicable the debt limit set at up to three times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. Beginning in 2021, the limit for the deduction of financial expenses shall be equivalent to 30 percent of the entity's EBITDA.

(v) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018, there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for the purpose of determining the Income Tax, it shall be considered whether the substantial events for the generation of the income or expense agreed upon by the parties have occurred, provided they are not subject to a subsequent condition, in which case the recognition shall take place when it is fulfilled and when collection or payment established is to take place shall not be taken into account; and, if the determination of the consideration depends on a future action or event, the total or part of the corresponding income or expense will be deferred until that action or event occurs.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

- (h) Intercorp Group's Subsidiaries calculate the period's Income Tax expense using the best estimate of the weighted average tax rate. The table below presents the amounts reported in the Interim consolidated statements of income for the nine month periods ended September 30, 2020 and 2019:

	For the nine-month periods ended September 30	
	2020	2019
	S/(000)	S/(000)
Current - Expense	315,611	594,383
Deferred - (Income)	(313,883)	(14,939)
	<u>1,728</u>	<u>579,444</u>

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

16. Interest and similar income; Interest and similar expenses

(a) This caption is comprised of the following:

	For the nine-month periods ended September 30	
	2020 S/(000)	2019 S/(000)
Interest and similar income		
Interest on loan portfolio	3,251,374	3,261,114
Interest on investments at fair value through other comprehensive income	566,057	546,130
Interest on investments at amortized cost	84,719	67,903
Dividends on financial instruments	63,343	54,522
Interest on due from banks and inter-bank funds	33,530	105,121
Others	729	1,979
	<u>3,999,752</u>	<u>4,036,769</u>
One-off impact from the modification of contractual cash flows due to the loan rescheduling schemes (*)		
	<u>(173,643)</u>	<u>-</u>
	<u>(173,643)</u>	<u>-</u>
Interest and similar expenses		
Interest and fees on deposits and obligations	(558,034)	(601,890)
Interest on bonds, notes and other obligations	(442,128)	(488,414)
Interest and fees on obligations with financial institutions	(275,144)	(291,123)
Interest on leases	(108,468)	(113,731)
Deposit insurance fund premium	(42,311)	(33,967)
Time value of Call Spreads premium	(20,345)	(11,415)
Result from hedging transactions	(6,938)	(6,912)
Premium for early cancellation of bonds, notes and other obligations	-	(36,027)
Others	(57,890)	(48,196)
	<u>(1,511,258)</u>	<u>(1,631,675)</u>
Interest and similar income, net of expenses	<u>2,314,851</u>	<u>2,405,094</u>

(*) Corresponds to lower income generated by rescheduling of customer loans carried out by Interbank and Financiera Oh, see Note 3.3.1.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

17. Fee income from financial services, net

This caption is comprised of the following:

	For the nine-month periods ended September 30	
	2020 S/(000)	2019 S/(000)
Income		
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card	387,479	509,232
Commissions for banking services	137,205	158,481
Funds management	112,986	104,293
Fees from indirect loans	37,524	42,421
Collection services fees	28,494	28,971
Brokerage and custody services fees	4,863	6,168
Others	29,605	32,204
Total	738,156	881,770
Expenses		
Credit cards	(80,422)	(87,750)
Debtor's life insurance premiums	(43,102)	(37,273)
Fees paid to foreign banks	(10,223)	(12,748)
Brokerage and custody services	(469)	(467)
Others	(30,507)	(36,911)
Total	(164,723)	(175,149)
Net	573,433	706,621

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

18. Other income and expenses

This caption is comprised of the following:

	For the nine-month periods ended September 30	
	2020 \$/ (000)	2019 \$/ (000)
Other income		
Income from lease	29,576	30,005
Other technical income from insurance operations	8,582	9,766
Services rendered to third parties	6,305	2,455
Income from investments in associates	2,947	12,912
Others	52,213	22,130
Total other income	99,623	77,268
Other expenses		
Provision for accounts receivable	(97,647)	(48,612)
Commissions from insurance activities	(14,919)	(8,702)
Donations	(21,402)	(3,982)
Sundry technical insurance expenses	(16,370)	(31,519)
Provision for sundry risks	(5,763)	(5,713)
Expenses related to rental income	(926)	(1,020)
Others	(61,092)	(41,137)
Total other expenses	(218,119)	(140,685)

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

19. Net premiums earned

(b) For the nine-month periods ended September 30, 2020, and 2019, this caption is comprised of the following:

	Premiums assumed		Adjustment of technical reserves		Gross premiums earned (*)		Premiums ceded to reinsurers		Net premiums earned	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Life insurance										
Annuities	148,933	214,137	(4,984)	(41,756)	143,949	172,381	-	-	143,949	172,381
Group life	105,703	100,696	265	(417)	105,968	100,279	(3,595)	(3,901)	102,373	96,378
Individual life	100,349	100,436	(38,582)	(58,843)	61,767	41,593	(3,372)	(3,319)	58,395	38,274
Retirement (disability and survival)	6,063	10,476	8,726	(74,031)	14,789	(63,555)	(391)	(2,812)	14,398	(66,367)
Others	1	2	1,148	(2,994)	1,149	(2,992)	-	-	1,149	(2,992)
Total life insurance	361,049	425,747	(33,427)	(178,041)	327,622	247,706	(7,358)	(10,032)	320,264	237,674
Total general insurance	67,594	77,512	(171)	(2,690)	67,423	74,822	(130)	(156)	67,293	74,666
Total general	428,643	503,259	(33,598)	(180,731)	395,045	322,528	(7,488)	(10,188)	387,557	312,340

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

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

	Gross claims and benefits		Ceded claims and benefits		Net insurance claims and benefits	
	2020	2019	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Life insurance						
Annuities	(460,180)	(439,608)	-	-	(460,180)	(439,608)
Group life	(59,280)	(38,506)	7,186	3,294	(52,094)	(35,212)
Individual life	(12,576)	(6,409)	1,374	2,962	(11,202)	(3,447)
Retirement (disability and survival)	(31,324)	(15,410)	4,625	(4,869)	(26,699)	(20,279)
Others	(9,246)	(1,621)	(304)	244	(9,550)	(1,377)
General insurance	(12,906)	(14,067)	(4)	(216)	(12,910)	(14,283)
	(585,512)	(515,621)	12,877	1,415	(572,635)	(514,206)

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

20. Gross profit from retail business

(a) This caption is comprised of the following:

	For the nine-month periods ended September 30	
	2020	2019
	S/(000)	S/(000)
Net sales	11,430,148	10,864,764
Cost of sales	(8,363,820)	(7,885,377)
Gross profit	3,066,328	2,979,387

21. (Loss) 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	Shares used in calculation	Effective days in the year	Weighted average number of shares
	(in thousands)	(in thousands)		(in thousands)
2019				
Balance as of January 1	149,019	149,019	270	149,019
Balance as of September 30	149,019	149,019		149,019
Net earnings attributable to Intercorp Perú S/(000)				755,610
Basic and diluted net earnings per share attributable to Intercorp (Soles)				5.07
2020				
Balance as of January 1	149,019	149,019	270	149,019
Balance as of September 30	149,019	149,019		149,019
Net loss attributable to Intercorp Perú S/(000)				(206,268)
Basic and diluted net loss per share attributable to Intercorp (Soles)				(1.38)

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

22. 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 September 30, 2020 and December 31, 2019:

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Assets		
Financial Instruments at fair value through profit or loss		
Investment funds - NG Capital Partners II	330,504	320,126
Mutual funds - Interfondos S.A.	36,970	7,379
Participations - Royalty Pharma	111,900	117,682
Investment funds - NG Capital Partners I	21,383	19,717
Corporate bonds - San Miguel Industrias Pet	-	270
Loans, net (c)	263,922	266,192
Accounts receivable related to derivative financial instruments	4,040	817
Liabilities		
Deposits and obligations	51,517	222,322
Loans payable (b)	73,000	19,000
Accounts payable related to derivative financial instruments	-	344
Off-balance sheet accounts		
Indirect loans (c)	58,983	93,779
	For the nine-month periods ended September 30	
	2020	2019
	S/(000)	S/(000)
Income (expenses)		
Interest and similar income	14,511	19,206
Interest and similar expenses	(800)	(2,129)
Income from investment property rental	11,336	24,081
Administrative expenses	(22,402)	(22,124)
Others	31,533	28,450

- (b) As of September 30, 2020 and December 31, 2019, Colegios Peruanos has payable loans with mutual funds managed by Interfondos SAFM, a related company, which accrue interest at market rates and have current maturities.

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Notes to the Interim consolidated financial statements (continued)

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

	2020			2019		
	Direct	Indirect	Total	Direct	Indirect	Total
	Loans	Loans		Loans	Loans	
S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	
Affiliated entities	263,922	58,983	322,905	266,192	93,779	359,971
	263,922	58,983	322,905	266,192	93,779	359,971

- (d) As of September 30, 2020 and December 31, 2019, the directors, executives and employees of the Intercorp Group have been involved, directly and indirectly, in credit transactions with certain Subsidiaries of the Group, as permitted by Peruvian law, which regulates and limits on certain transactions with employees, directors and officers of financial entities. As of September 30, 2020 and December 31, 2019, direct loans to employees, directors and officers amounted to S/215,569,000 and S/236,937,000, respectively; said loans are repaid monthly and bear interest at market rates.

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

- (e) The Group's key personnel compensations for the nine-month periods ended September 30, 2020 and 2019, are presented below:

	For the nine-month periods ended September 30	
	2020	2019
	S/(000)	S/(000)
Salaries	97,679	88,330
Board of Directors' compensation	4,394	2,250
Total	102,073	90,580

- (f) In Management's opinion, transactions with related companies have been performed under standard 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)

23. Business segments

The Chief Operating Decision Maker (CODM) of Intercorp Group is the General Manager (CEO). The Group has six operating segments: (i) Banking, (ii) Insurance, (iii) Wealth management, (iv) Food retail, (v) Pharma and (vi) Shopping malls, based on products and services.

Banking -

Mainly loans, credit facilities, deposits and demand deposits.

Insurance -

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

Wealth management -

Provides brokerage and investment management services. Inteligo serves mainly Peruvian citizens.

Food retail -

Engaged in the retail sale of consumer products, through chain stores at a national level.

Pharma -

Provides pharmaceutical products, cosmetics, nutritional medical products and other items intended for the protection and recovery of health through its chain of drugstores. Also provides manufacturing, distribution and marketing services to the drugstores.

Shopping malls -

It is engaged in the management and administration of shopping malls consisting of department stores, medium stores and sales booths; some shopping malls include cinema complexes and entertainment areas.

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

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

No revenue from transactions with a single external customer or counterparty exceeded 10 percent of the Company's total revenues in the nine-month periods ended September 30, 2020 and 2019.

Translation of consolidated financial statements originally issued in Spanish – Note 28

Notes to the Interim consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the nine-month periods ended September 30, 2020 and 2019:

	30.09.2020							Total consolidated
	Banking	Insurance	Wealth management	Shopping Malls	Food retail	Pharma	Holding, others and consolidation adjustments	
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total Income (**)								
Third party	3,665,387	1,006,150	235,453	154,971	1,293,322	1,626,313	1,303,237	9,284,833
Inter-segment	(42,600)	-	(2,216)	(122,074)	(48,600)	(4,892)	220,382	-
Total Income	3,622,787	1,006,150	233,237	32,897	1,244,722	1,621,421	1,523,619	9,284,833
Interest and similar income	3,028,352	479,005	112,280	21,621	1,852	7,621	349,021	3,999,752
One-off impact from the modification of contractual cash flows due to the loan rescheduling schemes	(151,143)	-	-	-	-	-	(22,500)	(173,643)
Interest and similar expenses (**)	(821,469)	(65,606)	(40,899)	(112,622)	(108,342)	(143,859)	(218,461)	(1,511,258)
Net Interest and similar Income	2,055,740	413,399	71,381	(91,001)	(106,490)	(136,238)	108,060	2,314,851
Impairment loss on loans, net of recoveries	(2,066,356)	-	(69)	-	-	-	(279,320)	(2,345,745)
Recovery (Loss) due to impairment on financial investments	(165)	(47,715)	(7,315)	-	-	-	-	(55,195)
Net interest and similar income after impairment loss	(10,781)	365,684	63,997	(91,001)	(106,490)	(136,238)	(171,260)	(86,089)
Net sales from retail business	-	-	-	99,409	4,954,275	5,215,693	1,160,771	11,430,148
Cost of sales from retail business	-	-	-	(102,963)	(3,698,998)	(3,665,102)	(896,757)	(8,363,820)
Fee income from financial services, net	456,511	(3,826)	123,513	-	-	-	(2,765)	573,433
Net gain on foreign exchange transactions	248,697	-	-	-	-	-	2	248,699
Net gain on sale of financial investments	96,087	83,887	(46,769)	-	-	-	2	133,207
Net gain (loss) on financial assets at fair value through profit or loss	(47,740)	8,843	50,346	437	97	-	50,252	62,235
Income from educational services	-	-	-	-	-	-	639,812	639,812
Net gain on investment property (***)	-	41,208	-	136,463	32,831	63,516	(26,188)	247,830
Other income (**)	34,623	9,450	(3,917)	4	3,265	4,585	51,613	99,623
	788,178	139,562	123,173	133,350	1,291,470	1,618,692	976,742	5,071,167
Insurance premiums and claims								
Net premiums earned	-	387,583	-	-	-	-	(26)	387,557
Net claims and benefits incurred for life insurance contracts and others	-	(572,635)	-	-	-	-	-	(572,635)
	-	(185,052)	-	-	-	-	(26)	(185,078)
Other expenses								
Salaries and employee benefits	(424,328)	(53,687)	(51,085)	(17,642)	(330,244)	(576,298)	(542,948)	(1,996,232)
Selling and administrative expenses	(493,225)	(27,272)	(26,743)	(6,361)	(469,537)	(312,102)	(333,206)	(1,668,446)
Depreciation and amortization	(170,096)	(19,182)	(10,901)	(10,260)	(194,336)	(262,951)	(153,080)	(820,806)
Other expenses	(31,755)	(91,876)	(93)	(6,283)	(8,296)	(4,848)	(74,968)	(218,119)
	(1,119,404)	(192,017)	(88,822)	(40,546)	(1,002,413)	(1,156,199)	(1,104,202)	(4,703,603)
Income before translation result and Income Tax	(342,007)	128,177	98,348	1,803	182,567	326,255	(298,746)	96,397
Translation result	(4,798)	(24,731)	(5,795)	(14,468)	(65,304)	(33,912)	(101,243)	(250,251)
Income Tax	147,299	-	(4,088)	3,082	(40,803)	(97,535)	(9,683)	(1,728)
Net profit for the period	(199,506)	103,446	88,465	(9,583)	76,460	194,808	(409,672)	(155,582)
Attributable to:								
Intercorp Perú shareholders	(199,506)	103,446	88,465	(9,583)	76,460	194,808	(460,358)	(206,268)
Non-controlling interest	-	-	-	-	-	-	50,686	50,686
	(199,506)	103,446	88,465	(9,583)	76,460	194,808	(409,672)	(155,582)

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Notes to the Interim consolidated financial statements (continued)

	30.09.2019							
	Banking	Insurance	Wealth management	Shopping Malls	Food retail	Pharma	Holding, others and consolidation adjustments	Total consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total income (**)								
Third party	3,956,643	884,529	272,758	310,161	1,136,339	1,590,518	1,256,729	9,407,677
Inter-segment	(62,878)	-	(1,420)	(126,290)	(55,220)	(52,409)	298,217	-
Total income	3,893,765	884,529	271,338	183,871	1,081,119	1,538,109	1,554,946	9,407,677
Interest and similar income	3,022,293	456,941	126,999	22,337	2,088	12,490	393,621	4,036,769
Interest and similar expenses (**)	(936,848)	(54,984)	(45,201)	(108,224)	(106,834)	(151,710)	(227,874)	(1,631,675)
Net interest and similar income	2,085,445	401,957	81,798	(85,887)	(104,746)	(139,220)	165,747	2,405,094
Impairment loss on loans, net of recoveries	(602,908)	-	(49)	-	-	-	(161,020)	(763,977)
Recovery (Loss) due to impairment on financial investments	42	2,133	(646)	-	-	-	-	1,529
Net interest and similar income after impairment loss	1,482,579	404,090	81,103	(85,887)	(104,746)	(139,220)	4,727	1,642,646
Net sales from retail business	-	-	-	119,961	4,135,436	5,062,640	1,546,727	10,864,764
Cost of sales from retail business	-	-	-	(120,478)	(3,097,735)	(3,534,737)	(1,132,427)	(7,885,377)
Fee income from financial services, net	607,346	(3,148)	117,314	225	37,048	2,792	(54,956)	706,621
Net gain on foreign exchange transactions	191,542	-	-	-	-	-	-	191,542
Net gain on sale of financial investments	28,739	25,767	42,317	-	-	-	(2)	96,821
Gain from derecognition of financial assets at amortized cost	8,474	-	-	-	-	-	-	8,474
Net gain (loss) on financial assets at fair value through profit or loss	(3,257)	6,286	(9,592)	-	-	-	10,399	3,836
Income from educational services	-	-	-	-	-	-	682,212	682,212
Net gain on investment property (***)	-	75,192	-	288,116	61,897	48,603	(161,401)	312,407
Other income (**)	101,506	11,139	(4,280)	-	(2,395)	(1,270)	(27,432)	77,268
	934,350	115,236	145,759	287,824	1,134,251	1,578,028	863,120	5,058,568
Insurance premiums and claims								
Net premiums earned	-	312,352	-	-	-	-	(12)	312,340
Net claims and benefits incurred for life insurance contracts and others	-	(514,207)	-	-	-	-	1	(514,206)
	-	(201,855)	-	-	-	-	(11)	(201,866)
Other expenses								
Salaries and employee benefits	(495,431)	(53,998)	(46,985)	(18,900)	(288,143)	(558,039)	(546,000)	(2,007,496)
Selling and administrative expenses	(507,937)	(38,305)	(29,210)	(6,908)	(476,047)	(328,608)	(414,873)	(1,801,888)
Depreciation and amortization	(168,727)	(16,677)	(13,721)	(8,675)	(178,022)	(253,110)	(134,306)	(773,238)
Other expenses	(26,282)	(110,875)	(245)	896	(7,774)	(3,628)	7,223	(140,685)
	(1,198,377)	(219,855)	(90,161)	(33,587)	(949,986)	(1,143,385)	(1,087,956)	(4,723,307)
Income before translation result and Income Tax	1,218,552	97,616	136,701	168,350	79,519	295,423	(220,120)	1,776,041
Translation result	(2,272)	(1,888)	(912)	(738)	(556)	825	4,658	(883)
Income Tax	(325,209)	-	(5,159)	(50,250)	(35,794)	(97,277)	(65,755)	(579,444)
Net profit for the period	891,071	95,728	130,630	117,362	43,169	198,971	(281,217)	1,195,714
Attributable to:								
Intercorp Perú shareholders	891,071	95,728	130,630	117,362	43,169	198,971	(721,321)	755,610
Non-controlling interest	-	-	-	-	-	-	440,104	440,104
	891,071	95,728	130,630	117,362	43,169	198,971	(281,217)	1,195,714

Notes to the Interim consolidated financial statements (continued)

	30.09.2020							
	Banking	Insurance	Wealth management	Food retail	Pharma	Shopping Malls	Holding, others and consolidation adjustments	Total Consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total assets	66,618,530	14,636,151	4,410,336	5,198,789	5,687,182	5,398,132	6,944,373	108,893,493
Total liabilities	60,702,596	13,813,032	3,516,419	4,036,012	4,923,038	2,953,647	4,224,332	94,169,076

	31.12.2019							
	Banking	Insurance	Wealth management	Food retail	Pharma	Shopping Malls	Holding, others and consolidation adjustments	Total Consolidated
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total assets	53,019,361	13,917,641	4,098,057	5,003,156	5,611,798	5,223,750	6,608,356	93,482,119
Total liabilities	46,676,473	12,943,718	3,244,210	3,916,840	4,835,298	2,699,124	3,983,328	78,298,991

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

(**) For corporate purposes, interest expenses from the food retail, pharma and shopping malls, that represents the finance cost of each non-financial segment, are presented in this caption.

(***) For corporate purposes, income from investment property income are presented in the caption "net gain on investment property". As September 30, 2020, includes income for rental of investment property for S/168,398,000, S/38,023,000, S/63,516,000 from the shopping malls, food retail and pharma segments, respectively (as September 30, 2019, amounts to S/269,010,000, S/54,111,000 and S/48,603,000 from the shopping malls, food retail and pharma segments, respectively).

(i) The distribution of the Group's total income based on the location of its customers and its assets, for the nine-month period ended September 30, 2020, amounts to S/8,426,197,000 in Peru and S/881,136,000 in Panama and other countries (S/8,490,883,000 in Peru and S/916,795,000 in Panama and other countries as of September 30, 2019). The distribution of the Group's total assets based on the location of the customer and its assets, as of September 30, 2020 is S/103,958,878,000 in Peru and S/4,934,615,000 in Panama and other countries (S/89,001,361,000 in Peru and S/4,480,758,000 in Panama and other countries as of December 31, 2019). It should be noted that both income and assets located in Panama correspond mainly to Peruvian citizens.

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Notes to the Interim consolidated financial statements (continued)

24. Financial instruments classification

The financial assets and liabilities of the Interim consolidated statements of financial position as of September 30, 2020 and December 31, 2019, are presented below:

	As of September 30, 2020				
	At fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Amortized cost	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Financial assets					
Cash and due from banks	-	-	-	18,674,799	18,674,799
Financial investments	2,732,456	17,044,055	977,532	2,671,524	23,425,567
Loans, net	-	-	-	40,991,875	40,991,875
Due from customers on acceptances	-	-	-	15,693	15,693
Accounts receivable and other assets, net	731,481	-	-	1,524,309	2,255,790
	<u>3,463,937</u>	<u>17,044,055</u>	<u>977,532</u>	<u>63,878,200</u>	<u>85,363,724</u>
Financial liabilities					
Deposits and obligations	-	-	-	45,086,812	45,086,812
Due to banks and correspondents	-	-	-	13,750,197	13,750,197
Bonds, notes and other obligations	-	-	-	13,973,846	13,973,846
Due from customers on acceptances	-	-	-	15,693	15,693
Insurance contract liabilities	-	-	-	11,793,254	11,793,254
Accounts payable, provisions and other liabilities	414,000	-	-	7,801,136	8,215,136
	<u>414,000</u>	<u>-</u>	<u>-</u>	<u>92,420,938</u>	<u>92,834,938</u>

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Notes to the Interim consolidated financial statements (continued)

	As of December 31, 2020				
	At fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Amortized cost	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Financial assets					
Cash and due from banks	-	-	-	11,820,638	11,820,638
Inter-bank funds	-	-	-	85,006	85,006
Financial investments	2,044,738	14,106,919	839,762	2,206,986	19,198,405
Loans, net	-	-	-	37,774,580	37,774,580
Due from customers on acceptances	-	-	-	139,685	139,685
Accounts receivable and other assets, net	351,689	-	-	1,417,114	1,768,803
	<u>2,396,427</u>	<u>14,106,919</u>	<u>839,762</u>	<u>53,444,009</u>	<u>70,787,117</u>
Financial liabilities					
Deposits and obligations	-	-	-	37,823,027	37,823,027
Inter-bank funds	-	-	-	169,138	169,138
Due to banks and correspondents	-	-	-	6,726,260	6,726,260
Bonds, notes and other obligations	-	-	-	13,000,767	13,000,767
Due from customers on acceptances	-	-	-	139,685	139,685
Insurance contract liabilities	-	-	-	11,338,810	11,338,810
Accounts payable, provisions and other liabilities	222,752	-	-	7,466,168	7,688,920
	<u>222,752</u>	<u>-</u>	<u>-</u>	<u>76,663,855</u>	<u>76,886,607</u>

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Notes to the Interim consolidated financial statements (continued)

25. Financial risk management

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

In order to manage this risk, every Subsidiary of the Group has a specialized structure and organization in their management, measurement systems, mitigation and coverage processes that considers the specific needs and regulatory requirements to develop its business. The Group and its Subsidiaries, mainly Interbank, Interseguro and Inteligo Bank, operate independently but in coordination with the general provisions issued by the Board of Directors and the Management of Intercorp.

A full description of the Group's financial risk management is presented in Note 34 "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

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 34.1(d) of the Annual Consolidated Financial Statements.

The information that shows the credit quality and maximum exposure to credit risk of direct loans based on the Group's internal credit rating as of September 30, 2020 and December 31, 2019, are presented in Note 6.

(b) Offsetting of financial assets and liabilities

The information contained in the tables below includes financial assets and liabilities that (i) are offset in the statement of financial position of the Group; or (ii) 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 interim consolidated 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.

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Notes to the Interim consolidated financial statements (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of September 30, 2020 and December 31, 2019, is presented below:

	Gross amounts of recognized financial instruments S/(000)	Gross amounts of recognized financial instruments and offset in the Interim consolidated statements of financial position S/(000)	Net amounts of financial instruments presented in the Interim consolidated statements of financial position S/(000)	Related amounts not offset in the Interim consolidated statements of financial position		Net amount S/(000)
				Financial instruments (including non-cash collateral) S/(000)	Cash collateral received (pledged) S/(000)	
Assets						
As of September 30, 2020						
Derivatives, Note 9(b)	731,481	-	731,481	(297,219)	(54,002)	380,260
Total assets	731,481	-	731,481	(297,219)	(54,002)	380,260
As of December 31, 2019						
Derivatives, Note 9(b)	351,689	-	351,689	(134,103)	(42,351)	175,235
Total assets	351,689	-	351,689	(134,103)	(42,351)	175,235
Liabilities						
As of September 30, 2020						
Derivatives, Note 9(b)	414,000	-	414,000	(297,219)	(92,608)	24,173
Total liabilities	414,000	-	414,000	(297,219)	(92,608)	24,173
As of December 31, 2019						
Derivatives, Note 9(b)	222,752	-	222,752	(134,103)	(57,816)	30,833
Total liabilities	222,752	-	222,752	(134,103)	(57,816)	30,833

(c) Foreign exchange risk

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

As of September 30, 2020, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.592 per US\$1 bid and S/3.597 per US\$1 ask (S/3.311 and S/3.317 as of December 31, 2019, respectively). As of September 30, 2020, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.597 per US\$1 (S/3.314 as of December 31, 2019).

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Notes to the Interim consolidated financial statements (continued)

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

	As of September 30, 2020				As of December 31, 2019			
	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	9,383,024	8,750,864	540,911	18,674,799	9,374,899	1,999,013	446,726	11,820,638
Inter-bank funds	-	-	-	-	-	85,006	-	85,006
Financial investments	8,859,429	14,534,014	32,124	23,425,567	6,974,685	12,211,104	12,616	19,198,405
Loans, net	10,054,850	30,937,025	-	40,991,875	10,913,192	26,861,388	-	37,774,580
Due from customers on acceptances	15,693	-	-	15,693	128,397	-	11,288	139,685
Accounts receivable and other assets, net	782,826	1,442,834	30,130	2,255,790	506,394	1,227,026	35,383	1,768,803
	29,095,822	55,664,737	603,165	85,363,724	27,897,567	42,383,537	506,013	70,787,117
Liabilities								
Deposits and obligations	16,012,345	28,688,800	385,667	45,086,812	13,840,447	23,617,852	364,728	37,823,027
Inter-bank funds	-	-	-	-	149,137	20,001	-	169,138
Due to banks and correspondents	1,233,033	12,513,778	3,386	13,750,197	1,108,478	5,614,847	2,935	6,726,260
Bonds, notes and other obligations	10,593,480	3,380,366	-	13,973,846	9,282,689	3,718,078	-	13,000,767
Due from customers on acceptances	15,693	-	-	15,693	128,397	-	11,288	139,685
Insurance contract liabilities	4,643,337	7,149,917	-	11,793,254	4,234,216	7,104,594	-	11,338,810
Accounts payable, provisions and other liabilities	2,518,080	5,652,996	44,060	8,215,136	1,593,620	6,062,918	32,382	7,688,920
	35,015,968	57,385,857	433,113	92,834,938	30,336,984	46,138,290	411,333	76,886,607
Forwards position, net	(253,130)	355,666	(102,536)	-	(2,734,667)	2,793,451	(58,784)	-
Currency swaps position, net	110,153	(110,153)	-	-	138,676	(138,676)	-	-
Cross currency swaps position, net	1,914,114	(1,914,114)	-	-	1,763,518	(1,763,518)	-	-
Options position, net	49	(49)	-	-	(37)	37	-	-
"Call Spreads" position (*)	2,699,250	(2,699,250)	-	-	2,483,250	(2,483,250)	-	-
Monetary position, net	(1,449,710)	(6,089,020)	67,516	(7,471,214)	(788,677)	(5,346,709)	35,896	(6,099,490)

(*) These call spread agreements were entered into during 2018 with JP Morgan Chase & Co. and Citibank N.A. for a total reference value of US\$350,000,000 and US\$400,000,000, respectively, agreed with the purpose of reducing the exposure to foreign currency risk originated by foreign currency debts issued by InRetail Shopping Malls and InRetail Pharma SA, in April and May 2018, respectively, see Note 9 (b).

As of September 30, 2020, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$605,693,000, equivalent to S/2,337,307,000 (US\$683,214,000, equivalent to S/2,264,171,000 as of December 31, 2019).

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Notes to the Interim consolidated financial statements (continued)

26. Fair value

(a) Financial instruments measured at their fair value

The following table presents an analysis of the financial instruments that are measured at their fair value. The amounts are based on the balances presented in the Interim consolidated statements of financial position:

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Financial assets		
Financial investments		
At fair value through profit or loss (*)	2,732,456	2,044,738
Debt instruments at fair value through other comprehensive income	16,866,307	13,930,357
Equity instruments at fair value through other comprehensive income	977,532	839,762
Derivatives receivable	<u>731,481</u>	<u>351,689</u>
	<u>21,307,776</u>	<u>17,166,546</u>
Accrued interest	<u>177,748</u>	<u>176,562</u>
	<u>21,485,524</u>	<u>17,343,108</u>
Financial liabilities		
Derivatives payable	<u>414,000</u>	<u>222,752</u>

(*) As of September 30, 2020, and December 31, 2019, correspond mainly to participations in mutual funds and investment funds.

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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:

	As of September 30, 2020		As of December 31, 2019	
	Fair value S/(000)	Book value S/(000)	Fair value S/(000)	Book value S/(000)
Assets				
Cash and due from banks	18,674,799	18,674,799	11,820,638	11,820,638
Inter-bank funds	-	-	85,006	85,006
Investments at amortized cost	2,890,136	2,671,524	2,328,303	2,206,986
Loans, net	42,389,353	40,991,875	38,753,289	37,774,580
Due from customers on acceptances	15,693	15,693	139,685	139,685
Accounts receivable and other assets, net	1,524,309	1,524,309	1,417,114	1,417,114
Total	65,494,290	63,878,200	54,544,035	53,444,009
Liabilities				
Deposits and obligations	45,097,588	45,086,812	37,829,444	37,823,027
Inter-bank funds	-	-	169,138	169,138
Due to banks and correspondents	13,843,836	13,750,197	6,844,520	6,726,260
Bonds, notes and notes issued	14,847,160	13,973,846	13,403,822	13,000,767
Due from customers on acceptances	15,693	15,693	139,685	139,685
Insurance contract liabilities	11,793,254	11,793,254	11,338,810	11,338,810
Accounts payable and other liabilities	7,801,136	7,801,136	7,466,168	7,466,168
Total	93,398,667	92,420,938	77,191,587	76,663,855

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

- (i) Long-term fixed-rate and variable-rate loans are assessed by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these loans. As of September 30, 2020, and December 31, 2019, 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.

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Notes to the Interim consolidated financial statements (continued)

- (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.

27. Fiduciary activities and management of funds

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

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

	30.09.2020	31.12.2019
	S/(000)	S/(000)
Investment funds	14,332,714	13,243,888
Mutual funds	5,547,193	5,049,034
Total	19,879,907	18,292,922

28. Additional explanation for English translation

The accompanying financial statements are presented on the basis of the IFRS. In the event of any discrepancy, the Spanish language version prevails.