

Translation of separate financial statements originally issued in Spanish – Note 18

Intercorp Perú Ltd.

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

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Intercorp Perú Ltd.

Separate statements of financial position

As of September 30, 2020 and December 31, 2019

	Note	30.09.2020 S/(000)	31.12.2019 S/(000)
Assets			
Cash and due from banks	14(a)	314,869	217,450
Accounts receivable from Subsidiaries and related entities	4	10,729	9,497
Financial investments at fair value through profit or loss	5	353,199	153,403
Total current assets		678,797	380,350
Investment property	6	176,585	162,782
Investments in Subsidiaries	7	11,047,047	11,534,417
Other assets		3,587	13,338
Total no current assets		11,227,219	11,710,537
Total assets		11,906,016	12,090,887
Liabilities and equity			
Liabilities			
Accounts payable to Subsidiaries	14(b)	1,225	3,202
Interest, provisions and other accounts payable	8	16,344	62,796
Total current liabilities		17,569	65,998
Corporate bonds	9	1,693,630	1,604,447
Total liabilities		1,711,199	1,670,445
Equity, net	10		
Capital stock		5,547,671	4,502,155
Reserves		4,493,142	3,868,659
Unrealized results		140,601	113,207
Retained earnings		13,403	1,936,421
Total equity, net		10,194,817	10,420,442
Total liabilities and equity, net		11,906,016	12,090,887

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

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Intercorp Perú Ltd.

Separate income statements

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

	Note	30.09.2020 S/(000)	30.09.2019 S/(000)
Participation in (loss) profit of Subsidiaries	7(c)	(61,966)	939,866
Income (expenses)			
Gain on Initial Public Offering of Subsidiary	1.2	-	207,454
Financial income	12	1,572	2,012
Financial expenses	12	(67,687)	(99,364)
General expenses	13.1	(24,807)	(36,061)
Loss on derivative financial instruments	17(c)(i)	(165)	(1,685)
Valuation gain (loss) from investments at fair value through profit or loss	5(g)	17,434	(17,297)
Other income (expenses), net	13.2	6,009	(28,628)
Exchange difference, net		<u>(76,658)</u>	<u>(3,233)</u>
		<u>(144,302)</u>	<u>23,198</u>
Net (loss) profit for the period		<u>(206,268)</u>	<u>963,064</u>
(Loss) earnings per share basic and diluted (stated in Soles) – Shares A and B classes	15	<u>(1.38)</u>	<u>6.46</u>
Weighted average number of outstanding shares (A and B classes) (in thousand)	15	<u>149,019</u>	<u>149,019</u>

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Separate 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	(206,268)	963,064
Other comprehensive (loss) income that will not be reclassified to the separate income statements in subsequent periods		
Unrealized (loss) gain on equity instruments at fair value through other comprehensive income of Subsidiaries	<u>(21,735)</u>	<u>23,844</u>
Other comprehensive income to be reclassified to the separate income statements in subsequent periods		
Unrealized results on financial instruments of Subsidiaries	(140,201)	913,014
Insurance premiums reserve	144,446	(756,038)
Exchange difference on translation of foreign operations of Subsidiaries	<u>44,884</u>	<u>(5,381)</u>
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	<u>49,129</u>	<u>151,595</u>
Total other comprehensive (loss) income for the period	<u>(178,874)</u>	<u>1,138,503</u>

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Intercorp Perú Ltd.

Separate statements of changes in equity

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

	Unrealized results, net								
	Number of shares	Capital stock S/(000)	Reserves S/(000)	Instruments that will not be reclassified to the separate income statements	Instruments that will be reclassified to the separate income statements			Retained earnings S/(000)	Total S/(000)
				Equity instruments at fair value of Subsidiaries S/(000)	Insurance premiums reserves of Subsidiaries S/(000)	Financial instruments of Subsidiaries S/(000)	Foreign currency translation S/(000)		
(in thousands)									
Balances as of January 1, 2019	149,019	4,010,690	3,740,123	(7,530)	57,395	(174,244)	21,903	1,063,864	8,712,201
Net profit for the period	-	-	-	-	-	-	-	963,064	963,064
Other comprehensive income	-	-	-	23,844	(756,038)	913,014	(5,381)	-	175,439
Total other comprehensive income	-	-	-	23,844	(756,038)	913,014	(5,381)	963,064	1,138,503
Capitalization of profits, Note 10(a)	-	491,465	-	-	-	-	-	(491,465)	-
Constitution of reserves, Note 10(c)	-	-	58,536	-	-	-	-	(58,536)	-
Dividends declared, Note 10(a)	-	-	-	-	-	-	-	(98,940)	(98,940)
Acquisition of non controlling interest, Note 7(c)	-	-	-	-	-	-	-	(131,819)	(131,819)
Initial Public Offering of Subsidiary, Note 1.3	-	-	-	-	-	-	-	287,995	287,995
Others	-	-	-	-	-	-	-	(845)	(845)
Balances as of September 30, 2019	149,019	4,502,155	3,798,659	16,314	(698,643)	738,770	16,522	1,533,318	9,907,095
Balances as of January 1, 2020	149,019	4,502,155	3,868,659	35,008	(652,426)	723,376	7,249	1,936,421	10,420,442
Net loss for the period	-	-	-	-	-	-	-	(206,268)	(206,268)
Other comprehensive income	-	-	-	(21,735)	144,446	(140,201)	44,884	-	27,394
Total other comprehensive income	-	-	-	(21,735)	144,446	(140,201)	44,884	(206,268)	(178,874)
Capitalization of profits, Note 10(a)	-	1,045,516	-	-	-	-	-	(1,045,516)	-
Constitution of reserves, Note 10(c)	-	-	624,483	-	-	-	-	(624,483)	-
Others	-	-	-	-	-	-	-	(46,751)	(46,751)
Balances as of September 30, 2020	149,019	5,547,671	4,493,142	13,273	(507,980)	583,175	52,133	13,403	10,194,817

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Separate statements of cash flows

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

	30.09.2020 S/(000)	30.09.2019 S/(000)
Reconciliation of net profit for the period with cash used in operating activities		
Net (loss) profit for the period	(206,268)	963,064
Plus (minus) adjustments to net income		
Loss (gain) from participation in income of Subsidiaries, net	61,966	(939,866)
Gain on Initial Public Offering of Subsidiary	-	(207,454)
Loss on valuation of trading derivative financial instruments	165	1,685
(Gain) loss on valuation of investments at fair value through profit or loss	(17,434)	17,297
Changes in fair value of investment property	(13,534)	(743)
Exchange difference and other cost related to Bonds	84,780	22,367
Net changes in other assets and liabilities		
Decrease (Increase) of other accounts receivable	8,085	(22,198)
Decrease of sundry accounts payable	(27,642)	(66,886)
Net cash (used in) provided by operating activities	<u>(109,882)</u>	<u>(232,734)</u>
Investing activities		
Dividends received	574,366	559,806
Sale of Subsidiary shares, net of commissions	-	368,256
Financial investments net of amortization	(182,362)	(69,470)
Capital contribution to Subsidiaries	(153,148)	(472,174)
Acquisition of subsidiary's shares	(5,271)	-
Net cash provided by investing activities	<u>233,585</u>	<u>386,418</u>
Financing activities		
Issuance of corporate bonds	-	1,371,525
Amortization of bonds	-	(833,017)
Loans paid to third parties, net	-	(153,000)
Payment of dividends	(26,284)	(74,691)
Loans paid to Subsidiaries	-	(65,264)
Net cash used in financing activities	<u>(26,284)</u>	<u>245,553</u>
Net increase in cash	97,419	399,237
Balance of cash at the beginning of period	<u>217,450</u>	<u>7,468</u>
Balance of cash at the end of period	<u>314,869</u>	<u>406,705</u>

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Intercorp Perú Ltd.

Notes to the separate 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 performs as a holding of the group of Subsidiaries of the denominated “Intercorp Group” (or “the Group”), thus coordinating their policies and management. Intercorp Perú also operates as an investment company, investing 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. The Group additionally maintains operations in The Bahamas, Panama, Ecuador, Colombia, Mexico and Spain. The most important activities and data of the Subsidiaries as of September 30, 2020 and December 31, 2019 are disclosed in Notes 2 and 7.

These separate financial statements were approved by Management on November 2, 2020, and the audited separate financial statements as of December 31, 2019 and 2018, were approved by the General Shareholders’ Meeting held on April 7, 2020.

The accompanying separate financial statements reflect unconsolidated activities of Intercorp Perú, not including the effect of the consolidation with its Subsidiaries, pursuant the legal rules in Peru and in accordance with the International Financial Reporting Standards (henceforth “IFRS”) issued by the International Accounting Standards Board (henceforth “IASB”).

1.2 Global pandemic Covid-19 –

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

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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.

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.

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 are subject to specific safety protocols which include social distancing, hygiene practices, health monitoring, home office implementation and strong communication.

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

Financial business –

The main measures implemented in the financial system are related to facilities for loan rescheduling (payment deferrals), suspension of counting of past due days, partial withdrawal of severance indemnities and launching of credit programs guaranteed by the Peruvian Government, such as “Reactiva Perú”.

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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.

The impact of Covid-19 on the Subsidiaries of Intercorp Perú is reflected in their results and, as consequence of the application of the equity method, is recorded in the caption “Investments in Subsidiaries” of the separate statements of financial position of Intercorp Perú. See Note 7(c).

1.3 Initial Public Offering of Intercorp Financial Services Inc. -

On July 3, 2019, the Board of Intercorp Financial Services Inc. (henceforth “IFS”) approved the filing with the Securities and Exchange Commission of the United States of America (henceforth “SEC”), of 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 (henceforth “Offering”) of IFS’s common shares.

On July 18, 2019, IFS announced the placement of the Offering for approximately 9,000,000 common shares at a price of US\$46.00 per common share. The sale was performed by (i) IFS, (ii) Interbank, (iii) Intercorp Perú; and (iv) a non-related shareholder. Additionally, IFS granted the Offering placers a 30-day call option for up to 1,350,000 new common shares, as an additional initial issuance.

As result of said Offering, IFS sold 2,418,754 common shares held as treasury stock (including shares sold by Interbank), as well as approximately 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. Additionally, the placers exercised the call option regarding 1,186,841 new common shares.

In this sense, Intercorp Perú and Subsidiaries combined, 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 net equity, net of the issuance expenses, amounted to S/495,013,000, which is mainly explained by:

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- Effects recorded in the separate statements of changes in equity of the Company for S/287,559,000 recognized through the application of the equity method in the Subsidiaries explained by:
 - (i) Issuance of 2,336,841 shares by IFS for an amount of S/336,950,000, whose effect through the equity method amounts to S/237,964,000 and was recorded by increasing the caption “Retained earnings”.
 - (ii) Sale of 2,418,754 shares by IFS held as treasury stock, including shares sold by Interbank, for a total amount of S/347,175,000, whose effect through the equity method amounts to S/245,185,000 and was recorded by increasing the caption “Retained earnings”.
 - (iii) Dilution of Intercorp Perú Ltd.’s direct and indirect participation in IFS due to effects resulting from the Offering, whose recognized effect through the equity method amounts to S/195,590,000 and was recorded by reducing the caption “Retained earnings”.
- Effects on the Company's separate income statement, caused by the sale of shares on IFS:
 - (iv) Sale of 2,531,246 shares, which generated a profit net of investment cost (S/160,802,000) amounts to S/207,454,000, which was recorded in the caption "Gains from sale of shares of Subsidiary" in the separate income statements.

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 Corporación Educativa Hispanoamericana S.C. was recorded in Subsidiary Intercorp Education Services S.L., according to IFRS 3 “Business Combinations”, by applying the purchase accounting method. Said acquisition did not have any significant effects on the Company's separate financial statements.

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2. Organization of Intercorp Perú Group

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

2.1. Financial and insurance entities

Intercorp Financial Services Inc.- IFS (henceforth “IFS”) .-

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.

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.	Manages securitization funds.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand “American Express”.

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Entity	Activity
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 holds participations in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth “Patrimonio Fideicometido – Interproperties Perú”), 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. The fair values of the properties contributed by Interseguro, which were included in this structured entity as of September 30, 2020 and December 31, 2019, amounted to S/118,843,000 and S/114,058,000, respectively. Interseguro has ownership and decision-making power over these properties and IFS has the exposure or rights to their returns; therefore, Interseguro consolidates the silos containing the investment properties that it controls.

- (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 Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services, mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Inteligo 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.

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Entity	Activity
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.

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.

In June 2019, Intercorp Retail Inc. acquired shares from HPSA Corp. for approximately US\$24,000,000 and from IFH Retail Corp. for approximately US\$34,000,000. 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

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Entity	Activity
	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 Vea”, “Plaza Vea 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. acquired the 100 percent of Quicorp S.A. and Subsidiaries, which operate under the trademarks “Mifarma” and “BTL”.
	(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.

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- (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.

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

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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 shopping malls are located in different cities of Perú.

(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 this Subsidiary's capital stock.

NG Education Holdings Corp. mainly holds the following Subsidiaries:

Entity	Activity
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).	As of September 30, 2020, it operates 63 schools under the trademark “Innova Schools” (54 schools as of December 31, 2019).
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)	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: (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:

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- i. Corriente Alterna S.A.C.: School of artistic education that provides the career of Visual Arts and has 1 premise in Lima.
- ii. Instituto Superior Tecnológico Corriente Alterna S.A.C.: As of the date of this report, it is not operating.
- 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.

(b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: Incorporated in Perú, as of September 30, 2020 and December 31, 2019, it is not operating.

(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 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).</p>

(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.

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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.

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	Constitution
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	Republic of Panama
Centro Cívico S.A.	Real estate business	Peru
La Punta Global Opportunities Corp.	Specialized investments	Republic of Panama
Urbi Proyectos S.A.	Real estate projects	Peru
Beacon Healthcare S.A.C.	Holding	Peru
Centros de Salud Peruanos S.A.C.	Health sector	Peru
Escuela Peruana de Educación S.A.C.	Education	Peru
Colectivo 23 S.A.C.	Education	Peru
IFH Capital Corp.	Financial Intermediation	Republic of Panama
Intercorp Capital Investment Inc.	Financial Intermediation	Republic of Panama

3. Significant accounting principles and practices

3.1 Basis of presentation -

The accompanying separate financial statements have been prepared based on accounting records of Intercorp, in accordance with the IFRS as issued by the International Accounting Standards Board (henceforth "IASB"). The interim separate financial statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the Group's audited financial statements as of December 31, 2019 and 2018 (Annual Separate Financial Statements).

Although, according to IFRS, there is no obligation to prepare separate financial statements; this is required in Peru by the Superintendencia of the Securities Market ("SMV", by its Spanish acronym). Because of this, the Company has prepared separate financial statements in accordance with IAS 27 "Separate Financial Statements". The Company also prepares consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements". For a

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Notes to the separate financial statements (continued)

correct interpretation of the separate financial statements, these must be read together with the consolidated financial statements of the Company and its Subsidiaries, which are presented separately.

The interim separate financial statements have been prepared on a historical cost basis, except for investment property and financial investments at fair value through profit or loss which have been measured at fair value. The interim separate 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.

On the other hand, the preparation of the interim separate financial statements, 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 separate financial statements. The final results may differ from these estimates. The most significant estimates comprised in the accompanying separate financial statements are related to the measurement of the fair value of investments at fair value through profit or loss and investment property, and those performed by each Subsidiary in the preparation of their separate financial statements that are the basis for the application of the equity method by the Company.

3.2 Adoption of new IFRS and disclosures –

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual separate financial statements.

4. Accounts receivable from Subsidiaries and related entities

This caption is made up as follows:

	30.09.2020 S/(000)	31.12.2019 S/(000)
Subsidiaries	9,640	7,930
Related entities	<u>1,089</u>	<u>1,567</u>
	<u>10,729</u>	<u>9,497</u>

As of September 30, 2020 and December 31, 2019, it mainly corresponds to loans denominated in US Dollars, which accrue interest at market rates, with short-term maturities and without specific guarantees. See Note 14(f).

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5. Financial investments at fair value through profit or loss

(a) This caption is made up as follows:

	Fair value	
	30.09.2020 S/(000)	31.12.2019 S/(000)
Viasat Inc. (h)	94,755	-
Mutual funds - Interfondos S.A. (c)	90,089	-
LendUp - Non-listed shares (d)	66,846	56,631
Credit Karma (e)	54,444	43,082
NG Capital Partners I - Investment fund (g)	21,383	19,717
Arias Resource Capital Fund II L.P.- Foreign mutual fund (f)	25,682	33,973
	353,199	153,403

(b) The movement of this caption is as follows:

	30.09.2020 S/(000)	30.09.2020 S/(000)
Balance at the beginning of the period	153,403	105,885
Subscription (c), (h)	195,060	99,769
Amortization of capital	(12,698)	(30,299)
Fair value adjustment	17,434	(17,297)
Balance at the end of period	353,199	158,058
Balances as of December 31, 2019		153,403

(c) As of September 30, 2020, it corresponds to ownership interests acquired during the third quarter of this year.

(d) Corresponds to a private financial technology company that offers loans and credit cards, as well as financial education, access to credit reports, among others.

(e) Corresponds to a company dedicated to personalized financial advice.

(f) It corresponds to ownership interests in Arias Resource Capital Fund II. L.P., which is a private fund located in the Cayman Islands.

(g) It corresponds to the interest in NG Capital Partners I, an investment fund domiciled in Canada and dedicated to investing particularly in related entities established in Peru.

(h) As of September 30, 2020, it corresponds to ownership interests acquired in Viasat Inc., a private telecommunications company.

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Notes to the separate financial statements (continued)

6. Investment property

Corresponds to a land lot acquired from third parties in the year 2015, located in the district of San Martín de Porres, Lima, whose ownership is represented by certificates of participation issued by Interproperties Perú.

The fair value of the land lot is determined on the basis of the value assigned by an external appraiser. The external appraiser uses the comparable market method, whereby the fair value of a property is estimated on the basis of comparable transactions. As of September 30, 2020, Intercorp had recognized a gain for the change in fair value amounting to S/13,534,000 (S/743,000 as of September 30, 2019) which is presented as a part of “Valuation of investment property” in the caption “Other expenses, net” of the separate income statements, see Note 13.2.

7. Investments in Subsidiaries

(a) As of September 30, 2020 and December 31, 2019, the detail of this item is as follows:

Subsidiary	Ownership	Equity value	
	30.09.2020 and 31.12.2019 %	30.09.2020 S/(000)	31.12.2019 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	70.62%	5,606,120	6,010,887
Intercorp Retail Inc. and Subsidiaries	100.00%	3,920,351	4,031,460
Urbi Propiedades S.A. and Subsidiaries	100.00%	408,416	357,994
La Punta Global Opportunities Corp.	100.00%	333,146	322,679
NG Education Holdings Corp. and Subsidiaries	68.51%	231,941	246,324
Callao Global Opportunities Corp.	100.00%	100,962	116,234
Intercorp Investments Perú Inc. and Subsidiaries	100.00%	103,413	100,153
San Miguel Global Opportunies S.A.C	100.00%	102,841	97,885
Beacon Healthcare S.A.C. and Subsidiary	100.00%	62,718	60,119
NG Education Holdings II Corp. and Subsidiaries	50.00%	54,958	60,445
Intercorp Education Services, S.L. and Subsidiaries	100.00%	43,941	48,494
NG Education Holdings III Corp.	85.31%	41,685	48,198
Others	-	36,555	33,545
		<u>11,047,047</u>	<u>11,534,417</u>

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Notes to the separate financial statements (continued)

(b) The table below presents the financial information of the main Subsidiaries:

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	28,207	21,369	10,324	8,562	17,883	12,807	(46,172)	(29,700)

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Notes to the separate financial statements (continued)

- (c) The table below presents the movement of the investments in Subsidiaries for the nine-month periods ended September 30, 2020 and 2019:

	30.09.2020	30.09.2019
	S/(000)	S/(000)
Beginning of the period	11,534,417	9,879,979
Net (loss) gain arising from participation in income of Subsidiaries	(61,966)	939,866
Capital contribution in Subsidiaries (i)	153,148	472,174
Effect of Public Offering of Subsidiary shares, Note 1.3	-	287,995
Net variation of unrealized results on financial instruments of Subsidiaries	(161,936)	936,858
Net variation of Insurance premiums reserves of Subsidiaries	144,446	(756,038)
Sale of shares of Subsidiary, Note 1.3	-	(160,802)
Dividends received from Subsidiaries (ii)	(574,366)	(559,806)
Exchange difference of foreign operations	44,884	(5,381)
Purchase of subsidiary shares (iv)	2,130	-
Acquisition of non-controlling interest (iii)	-	(131,819)
Others, net	(33,710)	1,355
End of the period	<u>11,047,047</u>	<u>10,904,381</u>

- (i) As of September 30, 2020 and 2019, the Company made capital contributions, in cash, to the following subsidiaries:

	30.09.2020	30.09.2019
	S/(000)	S/(000)
Callao Global Opportunities Corp.	63,169	-
Intercorp Management S.A.C.	33,963	24,402
Urbi Propiedades S.A.	19,873	193,541
Beacon Healthcare S.A.C.	11,615	23,563
Intercorp Retail Inc.	-	177,936
NG Education Holdings II Corp.	-	19,957
Others	24,528	32,775
	<u>153,148</u>	<u>472,174</u>

- (ii) During for the nine-month periods ended September 30, 2020 and 2019, the company received dividends from the following Subsidiaries:

	30.09.2020	30.09.2019
	S/(000)	S/(000)
Intercorp Financial Services Inc.	493,109	488,264
Intercorp Retail Inc.	61,308	60,084
Others	19,949	11,458
	<u>574,366</u>	<u>559,806</u>

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- (iii) In June 2019, Intercorp Retail Inc., a Subsidiary of Intercorp Perú, acquired shares from HPSA Corp. for approximately US\$24,000,000 and from IFH Retail Corp. for approximately US\$34,000,000. 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. It is worth mentioning that Intercorp Retail Inc. increased the participation in IFH Retail Corp. class A shares from 63.54 percent to 73.53 percent.
- (iv) In May 2020, Intercorp Perú acquired shares from its Subsidiary InRetail Perú Corp., for an amount of S/5,271,000. The cost of the operation amounted to S/2,130,000, which was recorded as part of the investment, and the higher value paid, amounting to S/3,141,000, is presented as part of the retained earnings.

8. Loans payable, interest, provisions and other accounts payable

The composition of interest, provisions and other accounts payable as of September 30, 2020 and December 31, 2019, is presented below:

	30.09.2020 S/(000)	31.12.2019 S/(000)
Interest payable on corporate bonds, Note 9	11,952	34,098
Other accounts payable and provisions	4,392	3,805
Dividends payable, Note 10(a)	-	24,893
	16,344	62,796

9. Corporate bonds

(a) This caption is made up as follows:

Issuance	Annual interest rate %	Interest payment (*)	Maturity	Issuance amount (000)	30.09.2020 S/(000)	31.12.2019 S/(000)
Senior bonds (i)	3.875	Semiannually	2029	US\$ 325,000	1,098,920	1,010,137
Senior bonds (i)	5.781	Semiannually	2029	S/ 300,000	296,280	296,045
Senior bonds (ii)	7.656	Semiannually	2030	S/ 301,500	298,430	298,265
					1,693,630	1,604,447

- (i) In July 2019, the Company performed a private offering abroad and on the local market of bonds denominated “3.875 Senior Notes due 2029” and “5.78125 Senior Notes due 2029” for US\$325,000,000 and S/300,000,000, respectively. The bonds were issued under Rule 114A and Regulation S of the U.S. Securities Act of 1993 of the United States of America. The issuance expenses (structuring costs, exchange premium, among others) amounted approximately to S/73,411,000, which are presented by reducing the nominal value of the issued bonds; as of September 30, 2020 were accrued approximately S/5,402,000 (S/918,000 as of December 31, 2019). The proceeds from these issuances were used mainly for:

- Repurchase and redemption of corporate bonds “5.875 Secured Notes due 2025” issued by Intercorp Perú and payment of the premium for the repurchase of said bonds.

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- Payment of other financial obligations.
- General corporate purposes.

Additionally, as part of the repurchase and redemption of the above-mentioned bonds, Intercorp Perú exchanged bonds for US\$60,654,000, which generated an exchange premium of US\$2,805,000 that is presented as part of the corporate bonds named “3.7875 Senior Notes due 2029”.

Intercorp Perú concluded that the aforementioned exchange did not generate a substantial modification in the terms and conditions of the financial liability; therefore, it did not recognize a new financial liability. In addition, in accordance with the IFRS 9, Intercorp Perú recognized gains of approximately US\$7,037,000 (equivalent to S/24,470,000) as a result of the difference between the present values of both obligations, which were discounted at the effective interest rate of the original financial liability and are included in “Financial expenses” of the separate income statements, decreasing the interest expenses generated by these issuances; see paragraph (b).

(ii) In February 2015, the Company performed a private offering abroad and on the local market of bonds denominated “Senior Notes due 2025” and “Senior Notes due 2030” for US\$250,000,000 and S/301,500,000, respectively. The issuance expenses amounted approximately to S/18,800,000, which are presented by reducing the nominal value of the issued bonds. The issue expenses related to the issue in soles “Senior Notes due 2030”, amounted to approximately S/4,087,000, which are presented deducting the nominal value of the bonds issued; As of September 30, 2020 and December 31, 2019, have been accrued approximately S/1,036,000 and S/871,000, respectively. The proceeds from these issuances were used mainly for:

- Redemption of corporate bonds “8.625 Secured Notes due 2019”, issued by Intercorp Perú, and payment of the repurchase premium of said bonds.
- Payment of other financial obligations.

As indicated in (i), in July 2019, Intercorp Perú performed the repurchase and redemption of the corporate bonds named “5.875 Senior Notes due 2025”, which gave rise to the payment of a premium of US\$11,400,000 (equivalent to S/37,586,000), of which US\$8,595,000 (equivalent to S/28,191,000) are presented in “Financial expenses” of the separate income statements in July 2019, and US\$2,805,000 (equivalent to S/9,625,000) are presented as part of the corporate bonds named “3.875 Senior Notes due 2029”.

- (b) As of September 30, 2020, the Company recorded interest expenses for approximately S/67,276,000 (approximately S/56,104,000 as of September 30, 2019), which are recorded in the caption “Financial expenses” of the separate income statements; see Note 12. Likewise, as of September 30, 2020 and December 31, 2019, interest payable is presented in the caption “Interest, provisions and other accounts payable”; see Note 8.
- (c) As consequence of these issuances, the Company, until their maturity and settlement, must comply with certain covenants (mainly financial ratios), which, in Management’s opinion, do not limit its operations and have been complied with as of September 30, 2020 and December 31, 2019.

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Notes to the separate financial statements (continued)

10. Equity, net

(a) Capital stock and dividends -

As of September 30, 2020 and December 31, 2019, the 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	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

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 complementary provisions established by the SBS at those dates.

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(c) Reserves –

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

In accordance with agreements adopted in Board Sessions held on February 19 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 results -

The unrealized results are derived from the fluctuation of financial instruments measured at fair value through other comprehensive income, which are held by subsidiaries by applying the equity method to record investments, and from the exchange difference from subsidiaries located abroad, whose functional currency is different from that of the Company.

11. Tax situation

- (a) Intercorp Perú is incorporated and domiciled in The Bahamas; therefore, is not subject to any Income Tax or any taxes on capital gains, equity or property. The Subsidiaries of the Company incorporated and domiciled in Perú (see Note 2) are subject to the peruvian Tax legislation; see paragraph (b).

On the other hand, Peruvian life insurance companies are exempted from income taxes when it comes 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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- (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 existing 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 separate financial statements as of September 30, 2020 and December 31, 2019.

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(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.

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,

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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.

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 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, Interbank's 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.

Lastly, to date, 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

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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.

(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.

Eckerd Amazonía S.A.C., during 2005 and 2006, 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.

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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.

- (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 “non-cooperating” country as defined by the Legislative Decree No. 1381. Notwithstanding the aforementioned, as detailed in Note 2.1(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).

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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 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 obtained 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

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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.

12. Financial income and expenses

The table below presents the movement for the nine-month periods ended September 30, 2020 and 2019:

	30.09.2020 S/(000)	30.09.2019 S/(000)
Financial income		
Interest on current account deposits	1,354	1,749
Interest and dividends from financial investments	-	226
Interest from loans granted to Subsidiaries	218	37
Total financial income	<u>1,572</u>	<u>2,012</u>
Financial expenses		
Interest on corporate bonds, Note 8	(67,276)	(56,104)
Bond premium expenses and fees for early bond redemption, Note 9(a)	-	(36,027)
Interest on loans and others	(411)	(7,233)
Total financial expenses	<u>(67,687)</u>	<u>(99,364)</u>
Financial expenses, net	<u>(66,115)</u>	<u>(97,352)</u>

13. General expenses and other expenses, net

13.1 General expenses

Below is the detail of general expenses:

	30.09.2020 S/(000)	30.09.2019 S/(000)
Operating expenses	(11,063)	(29,788)
Services provided by third parties	(12,439)	(4,986)
Others	(1,305)	(1,287)
	<u>(24,807)</u>	<u>(36,061)</u>

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13.2 Other expenses, net

Below is the detail of general expenses:

	30.09.2020 S/(000)	30.09.2019 S/(000)
Other income		
Valuation of investment property, Note 6	13,534	743
Other income	-	1,009
Total other income	<u>13,534</u>	<u>1,752</u>
Other expenses		
Board compensation	<u>(7,525)</u>	<u>(30,380)</u>
Total other expenses	<u>(7,525)</u>	<u>(30,380)</u>
Other income (expenses), net	<u>6,009</u>	<u>(28,628)</u>

14. Transactions with Subsidiaries and related entities

- (a) As of September 30, 2020 and December 31, 2019, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	30.09.2020 S/(000)	31.12.2019 S/(000)
Banco Internacional del Perú S.A.A. – Interbank	188,733	128,808
Inteligo Bank Ltd.	<u>126,136</u>	<u>88,642</u>
	<u>314,869</u>	<u>217,450</u>

- (b) As of September 30, 2020 and December 31, 2019, the balance of accounts payable to Subsidiaries are the following:

	30.09.2020 S/(000)	31.12.2019 S/(000)
Accounts payable to Subsidiaries		
Indigital S.A.C.	-	1,991
Intercorp Retail Inc.	1,181	1,181
Other Subsidiaries	<u>44</u>	<u>30</u>
	<u>1,225</u>	<u>3,202</u>

- (c) As of September 30, 2020 and December 31, 2019, the Company holds participations in the investment fund NG Capital Partners I, classified as investments at fair value through profit or loss for S/21,383,000 and S/19,717,000, respectively, see Note 5(a).

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- (d) For the nine-month periods ended September 30, 2020 and 2019, the Company recorded the following income (expenses) from operations with its Subsidiaries and related entities:

	30.09.2020 S/(000)	30.09.2019 S/(000)
Loss (net) on derivative financial instruments		
Banco Internacional del Perú S.A.A. - Interbank	(165)	(1,685)
Financial income		
Banco Internacional del Perú S.A.A. - Interbank	1,022	1,282
Inteligo Bank	332	467
Other Subsidiaries and related entities	218	37
General expenses		
Inteligo Sociedad Agente de Bolsa S.A.	(509)	(697)
Inteligo Bank	(460)	(517)
Financial expenses		
Banco Internacional del Perú S.A.A. - Interbank	-	(3,298)
Other Subsidiaries	-	(25)

- (e) As of September 30, 2020 and December 31, 2019, the Company had no employees, and therefore its operations and administration are carried out through its Subsidiaries.

- (f) As of September 30, 2020 and December 31, 2019 the balances of account receivable from Subsidiaries and related entities are the following:

	30.09.2020 S/(000)	31.12.2019 S/(000)
Accounts receivable from Subsidiaries and related entities		
Indigital S.A.C.	1,819	6,748
NG Education S.A.C.	1,249	-
NG Management II S.A.	1,086	-
Others	6,575	2,749
Total	<u>10,729</u>	<u>9,497</u>

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15. (Loss) Earnings per share

The table below presents the calculation of the weighted average of shares and the earnings per share (basic and diluted):

	Outstanding shares (in thousand)	Shares considered in computation (in thousand)	Effective days in the year	Weighted average number of shares (in thousand)
Period 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 profit of the period S/(000)				963,064
Earnings per share, in Soles				6.46
Period 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 of the period S/(000)				(206,268)
Loss per share, in Soles				(1.38)

16. Financial instruments classification

The financial assets and liabilities of the separate statements of financial position as of September 30, 2020 and December 31, 2019:

	As of September 30, 2020			
	At fair value through profit and loss S/(000)	Amortized Cost S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets				
Cash and due from banks	-	314,869	-	314,869
Accounts receivable from Subsidiaries and related entities	-	10,729	-	10,729
Investments at fair value through profit or loss	353,199	-	-	353,199
	353,199	325,598	-	678,797
Financial liabilities				
Accounts payable to Subsidiaries	-	-	1,225	1,225
Interest, provisions and other accounts payable	-	-	13,563	13,563
Corporate bonds	-	-	1,693,630	1,693,630
	-	-	1,708,418	1,708,418

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	As of December 31, 2019			
	At fair value through profit and loss	Amortized Cost	Financial liabilities at amortized cost	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Financial assets				
Cash and due from banks	-	217,450	-	217,450
Accounts receivable from Subsidiaries and related entities	-	9,497	-	9,497
Investments at fair value through profit or loss	153,403	-	-	153,403
	<u>153,403</u>	<u>226,947</u>	<u>-</u>	<u>380,350</u>
Financial liabilities				
Accounts payable to Subsidiaries	-	-	3,202	3,202
Interest, provisions and other accounts payable	-	-	60,337	60,337
Corporate bonds	-	-	1,604,447	1,604,447
	<u>-</u>	<u>-</u>	<u>1,667,986</u>	<u>1,667,986</u>

17. Risk management

It comprises the management of the main risks, that due to the nature of their operations, Intercorp is exposed to; and correspond to: credit risk, liquidity risk and market risk.

(a) Credit risk -

Credit risk arises from the inability of debtors to comply with the payment of their obligations as they mature. As of September 30, 2020 and December 31, 2019, the assets that are potentially exposed to concentrations of credit risk correspond to cash, due from banks, accounts receivable from Subsidiaries and related entities, and investments at fair value through profit or loss; however, Management deems that said financial instruments are not exposed in a significant manner to credit risk due to the following reasons:

- Cash and due from banks correspond to time deposits and checking accounts maintained in Interbank and Inteligo Bank, both Subsidiaries of the Company.
- Accounts receivable are mainly from Subsidiaries.
- Investments at fair value through profit or loss include mutual funds, investment funds and shares, which are instruments issued by renowned entities.

(b) Liquidity risk -

Liquidity risk arises from the inability to obtain the funds needed to comply with the commitments agreed upon. As of September 30, 2020 and December 31, 2019, the Company is exposed mainly to payment requirements of interest and principal of loans, issued corporate bonds, and accounts payable to Subsidiaries. In order to pay said financial obligations, the Company solely depends on the distribution of dividends from its Subsidiaries.

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The following table shows the changes in liabilities arising from financing activities according to IAS 7, as of September 30, 2020 and 2019:

	2020				
	Balance as of January 1	Dividends payable	Cash flow	Others	Balance as of June 30
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Accounts payable to Subsidiaries	3,202	-	-	(1,977)	1,225
Dividends payable	25,275	-	(26,284)	1,009	-
Interest, provisions and other accounts payable	1,604,447	-	-	89,183	1,693,630
Total liabilities for financing activities	1,632,924	-	(26,284)	88,215	1,694,855

	2019				
	Balance as of January 1	Dividends payable	Cash flow	Others	Balance as of June 30
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Accounts payable to Subsidiaries	71,310	-	(65,264)	(4,843)	1,203
Loans from third parties	153,000	-	(153,000)	-	-
Dividends payable	24,893	98,940	(74,691)	1,783	50,925
Interest, provisions and other accounts payable	1,129,224	-	538,508	(21,311)	1,646,421
Total liabilities for financing activities	1,378,427	98,940	245,553	(24,371)	1,698,549

(c) **Market risk-**

Market risk is the risk of suffering losses in positions of the separate statements of financial position arising from changes in market prices. These prices comprise three types of risk: (i) exchange rate; (ii) interest rates; and (iii) share prices and others. All financial instruments of the Company are exposed to these risks.

(i) **Foreign exchange risk-**

It is the risk that the fair value of a financial instrument' future cash flows may fluctuate due to variations in foreign exchange rates. The currency risk arises when the Company has mismatches between its lending and borrowing positions in the foreign currencies it operates with, which is mainly the US Dollar.

The foreign currency transactions are conducted using the exchange rates of the free market. As of September 30, 2020, the free market's weighted average exchange rate was S/3.592 per US\$1 bid and S/3.597 per US\$1 ask (S/3.314 and S/3.319 as of December 31, 2019, respectively).

As of September 30, 2020, the exchange rate established by SBS to record the asset and liability accounts in foreign currency was S/3.597 per US\$1 (S/3.314 as of December 31, 2019).

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Notes to the separate financial statements (continued)

The table below presents the detail of the Group's assets and liabilities in foreign currency, expressed in US dollars:

	30.09.2020 US\$(000)	31.12.2019 US\$(000)
Assets		
Cash and due from banks	43,836	26,861
Accounts receivable from subsidiaries and related entities	2,993	2,669
Financial investments at fair value through profit or loss	<u>73,249</u>	<u>46,289</u>
	<u>120,078</u>	<u>75,819</u>
Liabilities		
Accounts payable to Subsidiaries	12	609
Interest, provisions and other accounts payable	1,851	13,106
Corporate bonds	<u>325,000</u>	<u>325,000</u>
	<u>326,863</u>	<u>338,715</u>
Liability position, net	<u>(206,785)</u>	<u>(262,896)</u>

During the years 2020 and 2019, the Company signed currency forward agreements designated as financial instruments for trading with its Subsidiary Interbank, with maturity in May of each year, and for nominal amounts of approximately US\$25,000,000 and US\$105,000,000, respectively. As result of the holding of these financial instruments, the Company recorded losses for approximately S/165,000 and S/1,685,000 as of September 30, 2020 and 2019, respectively.

As of September 30, 2020 and December 31, 2019, the Company does not have operations with derivatives for hedging purposes; as a result, it assumes the foreign exchange risk as of those dates caused by that position. As of September 30, 2020, the Company's passive position generated a loss of S/76,658,000 due to exchange difference (S/3,233,000 due to exchange difference as of September 30, 2019).

The table below shows the sensitivities for variations of the US Dollar:

Sensitivity analysis	Changes in exchange rates	30.09.2020	31.12.2019
	%	S/(000)	S/(000)
Devaluation			
US Dollar	5	50,376	51,317
US Dollar	10	100,752	102,633
US Dollar	15	151,127	153,950
Revaluation			
US Dollar	5	(50,376)	(51,317)
US Dollar	10	(100,752)	(102,633)
US Dollar	15	(151,127)	(153,950)

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Notes to the separate financial statements (continued)

(ii) Interest rate risk -

It is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in the market interest rates.

The Company's exposure to this risk comes from value changes in interest rates of its current accounts in banks, which, according to Management, do not represent any risk because the impacts would not be significant.

Likewise, Management consider that the Company is not exposed to this risk for the issuance of corporate bonds (Note 9), as they were issued at a fixed interest rate.

(iii) Share price risk -

The Company's exposure to this risk is caused by price changes in shares, mutual funds and investment funds classified as investments at fair value through profit or loss in the separate statements of financial position.

As of September 30, 2020 and December 31, 2019, Management has performed sensitivity tests on the market prices of such financial instruments. The effect on the separate statements of changes in equity would be the following:

Sensitivity analysis	Price	2020	2019
	%	S/(000)	S/(000)
Mutual funds	+/-10	11,577	3,397
Mutual funds	+/-25	28,943	8,493
Mutual funds	+/-30	34,731	10,192
Investment funds	+/-10	7,583	1,971
Investment funds	+/-25	18,957	4,928
Investment funds	+/-30	22,748	5,914
Shares	+/-10	16,160	5,663
Shares	+/-25	40,400	14,158
Shares	+/-30	48,480	16,989

Management considers that future fluctuations in foreign exchange rates, interest rates and prices of its capital stock securities will not affect significantly the future income of its operations.

Structure and organization of risk management -

The Board of Directors is responsible for establishing an appropriate and integral risk management and promoting an internal environment that facilitates its development. The Board is continuously informed about the exposure degree of the various risks managed by the Company.

It is worth mentioning that each Subsidiary has a structure and an organization specialized in the management, measurement systems, and mitigation and hedging procedures, considering the specific needs and regulatory requirements of the business they operate. The Company's Subsidiaries are managed and operated independently but in accordance with the general regulations set by the Company's Board and Management.

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Notes to the separate financial statements (continued)

(d) Fair value of financial instruments –

(i) Financial instruments measured at their fair value and fair value hierarchy.

The fair value hierarchy level is determined based on the lowest level of the data used that are significant for the measurement of fair value as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Investments classified in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market. Fair value is estimated using a discounted cash flow (DCF) model. Valuation requires Management to make certain assumptions about the model variables and data, including forecasts on cash flows, discount rate, credit risk and volatility. The probabilities of the estimations within the range can be reasonably assessed and are used in the estimation made by Management on the fair value of these non-listed investments.

As of September 30, 2020, the valuation of investments at fair value with change in Level 3 results (participations in foreign investment funds and shares) amounts to S/ 263,110,000 and generated a gain from valuations of S/17,345,000 (loss of S/17,297,000 as of September 30, 2019)

As of September 30, 2020 and December 31, 2019, there were no transfers of financial instruments from Level 3, to Level 1 or to Level 2.

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

Cash and due from banks are not exposed to significant credit risk or interest rates risk, so it is estimated that their book value does not differ from their estimated market value.

Accounts receivable and accounts payable have mostly short-term maturities; consequently, their book value is deemed a good estimate of their fair value as of the date of the separate statements of financial position.

Regarding corporate bonds, taking into account that they have long-term maturities, Management has estimated that their fair value is not equivalent to their book value as presented below:

	2020		2019	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Financial liabilities				
Corporate bonds	1,693,630	1,830,317	1,604,447	1,716,616

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Notes to the separate financial statements (continued)

18. Additional explanation for English translation

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