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OFFERING MEMORANDUM

Banco Internacional del Perú S.A.A.

US$300,000,000

4.000% Subordinated Notes due 2030

We are offering US$300,000,000 aggregate principal amount of our 4.000% subordinated notes due 2030 (the "notes"). The notes will mature on July 8, 2030 unless previously redeemed with the prior approval of the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras de Fondos Privados de Pensiones*, or the "SBS") or any other then-applicable Peruvian governmental authority, if then required. The notes will bear interest from July 8, 2020 or from and including the most recent interest payment date on which we have paid interest on the notes to but excluding the next interest payment date. From and including July 8, 2020 to but excluding July 8, 2025 (the "Reset Date," which shall not be earlier than the date that is five years from the issue date), the notes will bear interest at a rate per annum of 4.000%. During the period from and including the Reset Date to but excluding the date of maturity or earlier redemption date, the interest rate per annum for the notes will be equal to the sum of (i) the Benchmark Rate (as defined herein) on the Reset Date and (ii) 371.1 basis points. We will pay interest on the notes semi-annually on each January 8 and July 8, commencing on January 8, 2021.

The notes will constitute our direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of our bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under the Peruvian Banking Law, the notes will rank: (i) junior in right of payment to all of our existing and future Senior Obligations; (ii) *pari passu* in right of payment with all of our existing and future Parity Obligations; and (iii) senior in right of payment to all of our existing and future Junior Obligations and share capital, each as defined herein.

On the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, we may at our option redeem the notes, in whole or in part, at a redemption price equal to 100.000% of the aggregate principal amount of the notes to be redeemed, plus any accrued and unpaid interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts (as defined herein), if any.

After the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian governmental authority, if then required, we may at our option redeem the notes, in whole or in part at a price equal to the greater of the principal amount of the notes being redeemed and the "make-whole" amount set forth in this offering memorandum, plus in each case any accrued and unpaid interest on the principal amount of such notes, up to, but not including the date of redemption, plus Additional Amounts, if any. Following the occurrence of certain changes in Peruvian tax laws or regulations or regulatory events under Peruvian laws, with the prior approval of the SBS, or other then-applicable Peruvian governmental authority, if then required, we may redeem the notes in whole, but not in part, at a redemption price equal to 100.000% of the outstanding principal amount of the notes, plus any accrued and unpaid interest on the principal amount of the outstanding notes up to, but not including, the date of redemption, plus Additional Amounts, if any. See "Description of the Notes—Redemption Prior to Maturity".

Investing in the notes involves risks. See "Risk Factors" beginning on page 28 of this offering memorandum for a discussion of certain risks that you should consider in connection with an investment in the notes.

Price per note: 100.000% plus accrued interest, if any, from July 8, 2020

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons unless the offer or sale would qualify for an exemption from registration under the Securities Act and applicable state securities laws. Accordingly, we are only offering the notes (a) to qualified institutional buyers ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A"), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) to non-U.S. persons (within the meaning of Regulation S under the Securities Act ("Regulation S")) outside the United States in compliance with Regulation S.

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores*, or "SMV") or the Lima Stock Exchange (*Bolsa de Valores de Lima*, or "BVL"). Accordingly, the notes cannot be offered or sold in the Republic of Peru ("Peru"), except if such offering is considered a private offering under the securities laws and regulations of Peru. The notes may not be offered or sold in Peru or in any other jurisdiction except in compliance with the securities laws thereof.

Prohibition of Sales to EEA and UK Retail Investors

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "IDD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation. References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended) or have been implemented in UK domestic law, as appropriate.

There is currently no public market for the notes. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. The notes have been delivered in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"), on or about July 8, 2020.

Joint Book-Running Managers

BofA Securities **J.P. Morgan**

The date of this offering memorandum is July 8, 2020.

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You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, financial condition and results of operations may have changed since that date. Neither the delivery of this offering memorandum nor any sale of notes made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person other than the prospective purchaser to whom it has been delivered or the public generally to subscribe for or otherwise acquire notes.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

This offering memorandum does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the notes that are contained in the indenture being entered into in connection with the issuance of the notes and other transaction documents described herein. We refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. Certain of the market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We accept responsibility only for correctly extracting and reproducing such information.

Neither we nor the initial purchasers are making an offer to sell, or a solicitation of an offer to buy, the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and

regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers are responsible for your compliance with those legal requirements.

By accepting this offering memorandum you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act, applicable state securities laws and applicable Peruvian law. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Transfer Restrictions".

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. None of us, the initial purchasers or any of our representatives are making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. We are not providing you with any legal, business, tax or other advice in this offering memorandum, and prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

None of the U.S. Securities and Exchange Commission (the "SEC"), any securities commission of any state in the United States, Peru or other regulatory authority has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market. We cannot assure you that such application will be granted as of the settlement date of the notes or at any time thereafter, and settlement of the notes is not conditioned on obtaining this listing.

NOTICE TO RESIDENTS OF PERU

THE NOTES AND THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE SMV OR THE BVL. ACCORDINGLY, THIS OFFERING WILL NOT BE SUBJECT TO A PUBLIC OFFERING IN PERU.

PERUVIAN SECURITIES LAWS AND REGULATIONS ON PUBLIC OFFERINGS WILL NOT BE APPLICABLE TO THE OFFERING OF THE NOTES AND THEREFORE, THE DISCLOSURE OBLIGATIONS SET FORTH THEREIN WILL NOT BE APPLICABLE TO THE ISSUER OR THE SELLERS OF THE NOTES BEFORE OR AFTER THEIR ACQUISITION BY PROSPECTIVE INVESTORS. THIS OFFERING MEMORANDUM AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE NOTES ARE BEING SUPPLIED TO THOSE PERUVIAN INVESTORS WHO HAVE EXPRESSLY REQUESTED THEM. SUCH MATERIALS MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE INTENDED RECIPIENTS. ACCORDINGLY, THE NOTES CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IF (I) SUCH NOTES WERE PREVIOUSLY REGISTERED WITH THE SMV, OR (II) SUCH OFFERING IS CONSIDERED A PRIVATE OFFERING UNDER THE PERUVIAN SECURITIES LAWS AND REGULATIONS. THE PERUVIAN SECURITIES LAWS ESTABLISH, AMONG OTHER THINGS, THAT AN OFFER DIRECTED EXCLUSIVELY TO INSTITUTIONAL INVESTORS (AS DEFINED BY PERUVIAN LAW) QUALIFIES AS A PRIVATE OFFERING. IN MAKING AN INVESTMENT DECISION, INSTITUTIONAL INVESTORS (AS DEFINED BY PERUVIAN LAW) MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING OF THE NOTES TO DETERMINE THEIR ABILITY TO INVEST IN THE NOTES.

NO OFFER OR INVITATION TO SUBSCRIBE FOR OR SELL THE NOTES OR BENEFICIAL INTERESTS THEREIN CAN BE MADE IN THE REPUBLIC OF PERU EXCEPT IN COMPLIANCE WITH THE PERUVIAN SECURITIES LAWS AND REGULATIONS.

AVAILABLE INFORMATION

We are a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) organized under the laws of Peru. Our common shares are registered with the *Registro Público del Mercado de Valores* (Public Registry of Capital Markets) of the SMV and are listed on the BVL. Accordingly, we are currently required to file quarterly and annual reports and *hechos de importancia* (notices of material events) in Spanish to the SMV and the BVL. All such reports and notices are available at www.smv.gob.pe and www.bvl.com.pe. These reports and notices are not incorporated by reference in, and do not constitute a part of, this offering memorandum.

To permit compliance with Rule 144A in connection with resales of the notes, for as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we have agreed to furnish, upon request of a holder or beneficial owner of such notes, or a prospective purchaser of such notes designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Holders of the notes may obtain a copy of the indenture that governs the notes by requesting it in writing at the address below:

Banco Internacional del Perú S.A.A.
Av. Carlos Villarán 140, Santa Catalina
La Victoria, Lima 13, Peru
Telephone: +(511) 219 2000
Attn.: General Counsel

In addition, for so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, you may also obtain a copy of the indenture at the office of the listing agent in Luxembourg set forth on the inside back cover of this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

In this offering memorandum, except where indicated or the context otherwise requires, the terms "Interbank", "the bank", "we", "us", "our", and "ours" and similar expressions refer to Banco Internacional del Perú S.A.A., a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) incorporated in Peru, and its subsidiaries.

We prepare our financial statements in *soles*, the legal currency in Peru, and in conformity with accounting standards prescribed by the SBS. In the absence of rules promulgated by the SBS, accounting standards from International Financial Reporting Standards (hereinafter, "IFRS"), as approved by the Peruvian *Consejo Normativo de Contabilidad* (Accounting Standards Board, or "CNC"), apply. See Annex A for a description of principal differences between Peruvian GAAP and IFRS as they relate to us.

Our audited financial statements included in this offering memorandum present our financial position as of December 31, 2019 and 2018 and our results of operations for each of the three years ended December 31, 2019, 2018 and 2017. Our unaudited interim condensed financial statements included in this offering memorandum present our financial position as of March 31, 2020 and our results of operations for the three months ended March 31, 2020 and 2019.

We do not present consolidated financial statements nor is any financial information in this offering memorandum presented on a consolidated basis because the effect of consolidation is not significant to the revenue, expense, asset and liability accounts presented in the financial statements. Our investment in subsidiaries as of March 31, 2020 and March 31, 2019 and December 31, 2019, 2018 and 2017 has been recorded under the equity method of accounting. On December 18, 2018, the Bank's Board of Directors approved the sale of 100 percent of the capital stock of Interfondos S.A., Sociedad Administradora de Fondos ("Interfondos"), which consists of 39,430,595 shares, to Inteligo Perú Holding S.A.C., an affiliate subsidiary of Inteligo Group Corp. The transaction was performed through an agreement between the parties dated as of January 8, 2019. As of March 31, 2020, there were no changes in the composition and ownership of the Bank's investments in subsidiaries and associates, as compared to the information presented in the 2019 annual financial statements.

Our parent company, Intercorp Financial Services ("IFS") is a public company in Peru and in the United States, and it reports under IFRS.

Exchange Rate Information

The term "*sol*" and the symbol "S/" refer to the legal currency of Peru and the term "U.S. dollar" and the symbol "US$" refer to the legal currency of the United States.

We have translated some of the *soles* amounts contained in this offering memorandum into U.S. dollars for convenience purposes only. Because the March 31, 2020 figures and the December 31, 2019 figures have been converted into U.S. dollars at different rates, comparisons should not be made between such numbers as they reflect changes in exchange rates in addition to changes in the underlying numbers.

Unless the context otherwise requires, the rate used to translate *soles* amounts to U.S. dollars (i) as of March 31, 2020 was S/3.442 to US$1.00, which was the exchange rate reported on March 31, 2020 by the SBS, and (ii) as of December 31, 2019 was S/3.317 to US$1.00, which was the exchange rate reported on December 31, 2019 by the SBS. The Federal Reserve Bank of New York does not report a noon buying rate for *soles*. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the *soles* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rates" for information regarding historical exchange rates of *soles* to U.S. dollars.

Effect of Rounding

Certain figures included in this offering memorandum and in our financial statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

Industry and Market Data

In this offering memorandum, unless otherwise indicated, all macroeconomic data relating to Peru is based on information published by the SBS, the *Banco Central de Reserva del Perú* (the "Central Reserve Bank of Peru" or "BCRP"), the Peruvian Ministry of the Economy and Finance (*Ministerio de Economía y Finanzas*, or "MEF"), and the Peruvian National Institute of Statistics and Information Processing (*Instituto Nacional de Estadística e Informática*, or "INEI"). References in this offering memorandum to "GDP" refer to real gross domestic product, except for GDP per capita and penetration ratios of loan products.

References in this offering memorandum to "peer countries" in Latin America refer to Brazil, Chile, Colombia and Mexico. References in this offering memorandum to the "four largest banks in Peru" or the "four largest Peruvian banks" refer to Banco de Crédito del Perú ("BCP"), Banco BBVA Perú, Banco Internacional del Perú S.A.A., and Scotiabank Perú S.A.A.

Unless otherwise indicated, statistical information in this offering memorandum relating to market share, ranking, and other measures, as well as information on other Peruvian financial institutions and the Peruvian financial system generally, has been derived from reports and information published by the SBS, the SMV, the Central Reserve Bank of Peru, the Federation of Latin American Banks (*Federación Latinoamericana de Bancos*, or "FELABAN"), the Association of Peruvian Banks (*Asociación de Bancos del Perú*, or "ASBANC") or from other publicly available sources and industry publications.

Socioeconomic levels are determined based on the data collected by INEI in their national annual survey *Encuesta Nacional de Hogares* (ENAHO). INEI assigns a score to each household based on their ranking on the following four factors: (i) characteristics of the household living space, (ii) level of living space overcrowding, (iii) level of education of household head and (iv) ownership of durable goods/properties; and then groups them in five socioeconomic segments (A, B, C, D, E).

Other market share information and other statistical information and quantitative statements in this offering memorandum regarding our market position relative to our competitors, except where otherwise indicated, is not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect management estimates based upon our internal records and surveys, statistics published by providers of industry data, information published by our competitors, and information published by trade and business organizations and associations and other sources within the industry in which we operate. We have not independently verified any data produced by third parties or industry or general publications, although we believe such data and publications are reliable. In addition, while we believe our internal data and surveys to be reliable, such data and surveys have not been verified by any independent sources.

Loan Portfolio Data

Unless otherwise indicated, references in this offering memorandum to performing loans refer to loans in compliance with their original contractual obligations. References to past-due loans refer to overdue loans defined as follows: Commercial loans are considered past-due once amortization payments are 15 days overdue. Loans to micro-businesses are considered past-due once amortization payments are 30 days overdue. In the case of consumer, mortgage and leasing loans, the amortization portion of a coupon is considered past-due once 30 days overdue and the total amount of the loan is considered past-due once an amortization payment is 90 days overdue. Past-due loans do not include refinanced and restructured loans. References to total gross loans include total loans outstanding, including past-due loans, refinanced loans, and restructured loans, and references to total net loans are to gross loans plus accrued interest less allowances for loan losses and deferred interest.

The refinanced loans are direct loans in which modifications are made in the time and/or amounts of the original contract due to difficulties in the payment capacity of the client. When a loan is refinanced, it is no longer considered as past due but it maintains its previous classification as impaired or not impaired. If the debtor complies with the new agreement during the following six months, and an analysis of its payment capacity supports a new improved risk classification, it is classified as not impaired. If subsequently to the loan modification, the debtor fails to comply with the new agreement, it is considered as impaired and past due loan.

According to *Oficio Múltiple* N° 11150-2020-SBS, effective March 16, 2020, the SBS allows Peruvian financial institutions to modify contractual loan obligations, including rescheduling of maturities, without characterizing such modifications as restructured loans, provided that the term of any loan is not extended for more than six months from the original term and the related debtors were in compliance with their payment obligations thereunder at the time the Peruvian government declared the national state of emergency on March 15, 2020, through Supreme Decree 044-2020-PCM. Such amendments may be made during the time that the national state of emergency is in effect.

In addition, pursuant to *Oficio Multiple* N° 13805-2020-SBS, effective May 29, 2020, the SBS further specified *Oficio Múltiple* N° 11150-2020-SBS to provide that in the case of retail loans and loans granted to mid-sized corporations, Peruvian financial institutions may amend the terms and conditions of such loans until June 30, 2020, without characterizing such modifications as restructured loans, provided that the term of any loan is not extended for more than twelve months from the original term and the loan was not overdue for more than fifteen days as of February 29, 2020, and the related debtors were in compliance with their payment obligations thereunder at the time the Peruvian government declared the national state of emergency on March 15, 2020, through Supreme Decree 044-2020-PCM. However, commencing on May 29, 2020, such amendments will not be characterized as restructured loans if the loans are not overdue for more than thirty days at the time of the amendments as long as all other requirements are met. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies".

Certain Financial Definitions and Conventions

This offering memorandum discloses return on average assets ("ROA"), and return on average equity ("ROE"), net interest margin or "NIM", "NIM after provisions", cost of risk and efficiency ratio which are not reviewed by the independent auditor. We define our ROA as net income for the period divided by average total assets and our ROE as net income for the period divided by average shareholders' equity, in both cases, computed as the simple average of quarterly balances from December 31 of the previous year to the date of calculation. NIM is defined as (x) gross financial margin divided by (y) average interest earning assets; NIM after provisions as gross financial margin after impairment loss on loans, net of recoveries; cost of risk is defined as impairment loss on loans, net of recoveries divided by average gross loans; and efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue. Operating revenue is the aggregate of gross financial margin plus fee income from financial services, net and gain on financial transactions.

Our management uses these measures as indicators of our operating results and financial condition; however, you should not consider them in isolation, as an alternative to net income, as an indicator of our operating performance or as a substitute for analysis of our results as reported under Peruvian GAAP. Our management believes that, for comparison purposes with other companies, ROA and ROE can be useful as objective and comparable measures of operating profitability.

We present ROA and ROE as of March 31, 2020 and March 31, 2019 on an annualized basis. ROA as of March 31, 2020 and March 31, 2019 is calculated as net income for the three months ended March 31 of each respective year multiplied by four and divided by average total assets. ROE as of March 31, 2020 and March 31, 2019 is calculated as net income for the three months ended March 31 of each respective year multiplied by four and divided by average shareholders' equity.

We also present average balances and nominal average interest rates in this offering memorandum. Except as otherwise indicated, average balances are based on quarterly balances. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities. We also present annualized figures which are derived from recalculations of partial year figures to reflect a full year.

Non-GAAP Financial Measures

In this offering memorandum, we present adjusted NIM, adjusted NIM after provisions, adjusted cost of risk and adjusted efficiency ratio, which are non-GAAP financial measures. A non-IFRS financial measure does not have a standardized meaning prescribed by IFRS. A non-GAAP financial measure is generally defined as a numerical measure of an issuer's historical or future financial performance, financial position or cash flows that: (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Adjusted NIM is defined as (x) gross financial margin divided by (y) average interest earning assets excluding financial expense of S/42.3 million before taxes from the non-recurring impact from a liability management transaction in 2019. Adjusted NIM after provisions is defined as gross financial margin after provisions for loan losses, net of reversals, excludes (i) financial expense of S/42.3 million before taxes from the execution of a liability management transaction in 2019 and (ii) provisions to cover potential risks related to the exposure to the construction sector, net of a release of these provisions for S/70.0 million as of December 31, 2018 (S/100.0 million constituted in January 2018). As of December 31, 2019 and the three months ended March 31, 2020 and 2019, the release of such provision amounted to S/15.4 million, S/0.0 million and S/10.0 million, respectively. Adjusted cost of risk is defined as impairment loss on loans, net of recoveries divided by average gross loans, excluding the voluntary provisions mentioned in (ii) above. Adjusted efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue, excluding (i) the gain on sale of securities for S/128.6 million in January 2018, (ii) the gain on sale of Interfondos to Inteligo for S/52.6 million in January 2019 (iii) the gain on sale of IFS shares on the New York Stock Exchange (the "NYSE") for S/121.3 million in July 2019 and (iii) the non-recurring impact from a liability management transaction for S/42.3 million in the last quarter of 2019.

There may be limits in the usefulness of these measures to investors. As a result, we encourage readers to consider the consolidated financial statements and other financial information contained in this offering memorandum in their entirety, and not to rely on any single financial measure.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical fact included in this offering memorandum regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; expectations regarding sales, profitability and growth; our possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans. In addition, this offering memorandum includes forward-looking statements relating to our potential exposure to various types of market risks, such as macroeconomic risk, Peru specific risks, foreign exchange rate risk, interest rate risks and other risks related to our financial performance. The words "aim", "may", "will", "expect", "is expected to", "anticipate", "believe", "future", "continue", "help", "estimate", "plan", "schedule", "intend", "should", "would be", "seeks", "estimates", "shall", or the negative or other variations thereof, as well as other similar expressions regarding matters that are not historical facts, are or may indicate forward-looking statements.

We have based these forward-looking statements on our management's current views with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

- economic, business and political developments in Peru and globally;
- health epidemics and pandemics (including the current novel coronavirus ("COVID-19") pandemic) and other outbreaks, government measures to contain the spread of these pandemics or outbreaks, their effects on the economy of Peru, and their impact on global and regional economic growth prospects, creditworthiness, counter-party risk, as well as any logistical, operational or labor disruptions, among others;
- changes in Peruvian and foreign laws and regulations, including the adoption of new capital requirements for banks;
- increased competition in the Peruvian financial services;
- increased inflation;
- exchange rate instability and government measures to control foreign exchange rates;
- developments affecting the purchasing power of middle income consumers or consumer spending generally;
- changes in interest rates;
- downturns in the capital markets and changes in capital markets in general that affect policies or attitudes towards lending to Peru or Peruvian companies or securities issued by Peruvian companies;
- our ability to keep up with technological changes;
- the inability to obtain the capital we need for further expansion of our businesses;
- the inability to attract and retain key personnel;
- any future acquisitions may not bring anticipated benefits;

- changes in tax laws;
- severe weather, adverse climate changes and natural disasters;
- changes in regional or global markets;
- dependence on sovereign debt in our investment portfolios;
- credit and other risks of lending, such as increases in defaults of borrowers;
- increased costs of funding or our inability to obtain additional debt or equity financing on attractive terms or at all;
- a deterioration in the quality of our assets;
- allowances for impairment losses may be inadequate;
- changes to accounting standards;
- decreases in the spread between investment yields and implied interest rates in annuities;
- dependence on information technology ("IT") systems and cybersecurity risks; and
- other risks and uncertainties described in "Risk Factors".

We urge you to read the sections of this offering memorandum entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business" for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. Additionally, new risks and uncertainties can emerge from time to time, and it is not possible for us to predict all future risks and uncertainties, nor can we assess their potential impact. In particular, the COVID-19 pandemic, and governments' extraordinary measures to limit the spread of the virus, are disrupting the global economy and adversely affecting the Peruvian economy and our business, results of operation and cash flows and, as conditions are recent, uncertain and changing rapidly, it is difficult to predict the full impact of the pandemic on our results and financial condition. Accordingly, you should not place undue reliance on forward-looking statements as a prediction of actual results.

All forward-looking statements included in this offering memorandum are based on information available to us on the date of this offering memorandum. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All other written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this offering memorandum.

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

We are a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) organized under the laws of Peru. Substantially all of our directors, officers, controlling persons and certain experts named herein reside outside the United States, and all or a substantial portion of our and their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

Peru

We have been advised by our Peruvian counsel, Estudio Echecopar, member firm of Baker & McKenzie International, that any final and conclusive judgment for a fixed and final sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any of our respective obligations under the indenture or under the notes will, upon request, be deemed valid and enforceable in Peru through an *exequatur* judiciary proceeding (which does not involve the reopening of the case), *provided* that: (1) there is a treaty in effect between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments; or (2) in the absence of such a treaty, the original judgment is recognized by the Peruvian courts (*Cortes de la República del Perú*) *provided* that the following conditions and requirements are met:

- the foreign judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated in respect of this offering memorandum or the notes are not matters under the exclusive jurisdiction of Peruvian courts);
- such foreign court had jurisdiction under its own private international conflicts of law rules and under general principles of international procedural jurisdiction;
- we received service of process in accordance with the laws of the place where the proceeding took place, were granted a reasonable opportunity to appear before such foreign court and were guaranteed due process rights;
- the foreign judgment has the status of res judicata as defined in the jurisdiction of the court rendering such judgment;
- no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;
- the foreign judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law, unless such foreign judgment was rendered first;
- the judgment is not contrary to Peruvian public policy (*orden público*) or good morals (*buenas costumbres*);
- it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof;
- the judgment has been (a) duly apostilled by the competent jurisdiction of the issuing court, in case of jurisdictions that are parties to the Hague Apostille Convention, or (b) certified by Peruvian consular authorities, in case of jurisdictions that are not parties to the Hague Apostille Convention, and is accompanied by a certified and officially translated copy of such judgment into Spanish;
- and the applicable court taxes and filing fees have been paid.

We have no reason to believe that any of our obligations subject to New York law relating to the notes would be contrary to Peruvian public policy (*orden público*), good morals (*buenas costumbres*) and international treaties

binding upon Peru or generally accepted principles of international law. No treaty exists between the United States and Peru for the reciprocal enforcement of foreign judgements. Peruvian courts, however, have enforced judgements rendered in the United States based on principles of reciprocity and comity.

Certain of our properties could be subject to the exemption set forth under Article 616 of the Peruvian Civil Procedure Code (Legislative Decree No. 768, which sole unified text was approved through Ministerial Resolution No. 10-933-JUS), pursuant to which any private property designated for the rendering of indispensable public services may not be subject to preliminary attachments (*medidas cautelares*) that could affect the normal rendering of such services.

The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters with Peru. Therefore, unless the above-mentioned requirements are satisfied, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part in Peru. However, if the party in whose favor such final judgment was rendered brings a new suit in a competent court in Peru, such party may submit to the Peruvian court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against us or such persons could be regarded by a Peruvian court only as an evidence of the outcome of the dispute to which such judgment relates, and a Peruvian court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Peru. In the past, Peruvian courts have enforced judgments rendered in the United States based on legal principles of reciprocity and comity.

Service of Process

We will appoint CT Corporation System, as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the Courts of the State of New York, in the County of New York or the United States District Court for the Southern District of New York under the federal securities laws of the United States. With respect to such actions, we have submitted to the exclusive jurisdiction of the courts of the State of New York in the County of New York or the United States District Court for the Southern District of New York.

SUMMARY

This summary highlights selected information about us and should be read as an introduction to the more detailed information included in this offering memorandum. This summary does not contain all the information you should consider before investing in the notes. You should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including "Risk Factors", "Presentation of Financial and Other Information", "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this offering memorandum.

Overview

We are a leading provider of a wide range of financial products and banking services for retail customers and commercial clients in Peru.

Our purpose is to be side by side with Peruvians so they can reach their dreams, today, and, as such, we have built an integrated financial services platform in the fast-growing, underpenetrated and profitable Peruvian financial system. We have invested in building a leading and scalable digital platform (mobile and online), which is rapidly being adopted by existing and new customers. Our digital platform is complemented by one of the largest distribution networks in the country which includes financial stores, ATMs, correspondent agents, dedicated sales forces, financial advisors and call centers.

Together our digital platform and distribution network provide our 3.7 million customers, and a potential market of more than 32.5 million Peruvians, and economically active population of 17.5 million and 9.8 million businesses, with access to our products and services and a distinctive and convenient customer experience.

Our key strategic priority is to achieve digital excellence for our customers by providing them with a world-class, flexible and secure digital platform. More than ever, we believe our digital transformation is vital to our continued growth and profitability, and for this reason we have been investing in developing the capabilities necessary to offer a variety of digital products and services to our customers. In March 2020, more than 1.3 million retail customers utilized our digital platform compared to more than 620,000 in December 2017 and approximately 975,000 in March 2019. We aim to allow our customers the opportunity to have a 100% digital relationship with us in an efficient and secure manner. We have also streamlined our physical presence and reduced the number of branches by approximately 7% since 2017, focusing on educating our customers in the use of our digital platform. To accompany this transformation we are in the process of redesigning our physical presence in order to better serve the evolving needs of our customers. We have substantially increased migration of low-value-added transactions to more efficient digital channels, and we have increased sales of products to existing customers, as well as increased new customer acquisition of which a growing number are being acquired digitally or "born-digital." This process of digital customer acquisition and sales continued to accelerate, for example, in March 2020, 21% of new retail clients were acquired digitally compared to 12% in March 2019.

We are the second largest provider of consumer loans (retail loans other than mortgages) in Peru with a 22.8% market share in terms of total gross consumer loans outstanding as of March 31, 2020, according to the SBS. Within the consumer loan business in Peru, we are the largest provider of gross consumer credit card loans with a 27.5% market share and the largest private bank provider of gross payroll deductible loans to public sector employees with a 26.4% as of March 31, 2020, according to the SBS. Additionally, we are the fourth largest bank in Peru in terms of retail mortgages and commercial lending, as well as overall deposits and total assets according to the SBS. We have built one of the most convenient and extensive retail banking distribution networks in Peru including, online banking, mobile applications, a total of 253 financial stores, more than 1,594 ATMs and more than 3,363 own correspondent agents, as of March 31, 2020. Moreover, we have developed state-of-the-art and user friendly digital platforms to better serve our client's needs.

For the three months ended March 31, 2020 and 2019, our net income was S/231.9 million (US$67.5 million) and S/286.7 million, respectively. As of March 31 2020 and 2019, we had shareholders' equity of S/6,196.9 million (US$1,803.0 million) and S/5,172.8 million, respectively. Our annualized ROE as of March 31, 2020 and 2019 was 15.2% and 21.9%, respectively, and our annualized ROA for the three months ended March 31, 2020 and 2019 was 1.8% and 2.4%, respectively. Despite this slowdown in the first quarter of 2020, which is largely attributable to the

COVID-19 pandemic, we expect that our medium to long term performance will continue to demonstrate our strong cash flow generation capacity and provide us with resources for the repayment of financing facilities.

For the years ended December 31, 2019, 2018 and 2017, our net income was S/1,221.5 million (US$355.4 million), S/1,040.1 million and S/902.0 million, respectively. As of December 31, 2019, 2018 and 2017, we had shareholders' equity of S/6,029.0 million (US$1,754.1 million), S/5,306.8 million and S/4,757.0 million respectively. Our annual ROE for the years ended December 31, 2019, 2018 and 2017 was 22.0%, 21.3% and 20.7%, respectively, and our annual ROA for the years ended December 31, 2019, 2018 and 2017 was 2.5%, 2.3% and 2.2%, respectively.

Competitive Strengths

Leading financial services provider focused on retail customers and highly attractive businesses

We target thriving and profitable businesses in Peru. Interbank focuses primarily on retail banking, with 55.9% of its loan portfolio constituting retail loans, compared to 36.1% for the Peruvian banking system, as of March 31, 2020, according to the SBS. Interbank is the second largest provider of gross consumer loans (retail loans other than mortgage loans) among banks in Peru, with a 22.8% market share as measured by gross consumer loans as of March 31, 2020. Interbank is also the largest provider of credit card loans among banks in Peru, with a 27.5% market share by gross credit card loans and the largest private bank provider of gross payroll deductible loans to public sector employees, with a market share of 26.4%, in each case as of March 31, 2020.

We have historically observed low delinquency rates on our payroll loans, which reduce the overall credit risk exposure of our consumer loans portfolio. Payroll loans traditionally have yielded relatively high margins and low non-performing loan ratios. Interbank has one of the highest ratios of gross financial margin to average earning assets of the Peruvian banking system, due to its stronger focus on retail banking when compared to its peers. According to the SBS, for the three months ended March 31, 2020, Interbank's gross financial margin was 6.6%, 122 basis points higher than the average for the four largest banks of 5.4%.

Our commercial banking business serves a range of clients spanning large corporates, mid-corporates and small and micro-sized business ("SME") loans. We are focusing on increasing our market share in the medium to long term in mid-corporates and SME loans while maintaining our large corporate business with a profit-oriented approach. This market provides an additional growth opportunity given our 7.8% market share for mid-corporates and 3.7% market share for SME as of March 31, 2020, according to the SBS. Moreover, our overall commercial loan portfolio provides us with a lower risk component that balances our total loan portfolio.

Track record of sustained growth supported by our strong market share and high profitability

Our strong track record of growth is supported by our strong market share and high profitability across our businesses. At Interbank, we are focused primarily on retail banking because we believe that it presents significant growth opportunities and higher margins. In retail banking, Interbank's total retail loans outstanding, including consumer and mortgage loans, achieved a compound annual growth rate ("CAGR") of 15.8%, compared to 11.1% for the Peruvian banking system, for the three-year period ended December 31, 2019, according to the SBS. Interbank has held a strong market positioning across retail products, with market shares of 18.7% and 19.0% in 2019 and March 31, 2020, respectively. With respect to mortgage loans, Interbank's market share increased from 14.4% in 2019 to 14.7% on March 31, 2020.

Interbank's increasing market shares have been accompanied by high profitability and reliable cash flow generation, with ROE averaging 21.3% compared to 18.4% for the Peruvian banking system, for the three-year period ended December 31, 2019.

Digital suite of products and services with rapidly increasing levels of adoption

Interbank is striving to reshape the banking space in Peru, creating a new digital experience driven by convenience and simplicity. Although we believe physical channels are still necessary in an underpenetrated financial system like Peru's, our digital platform has substantially increased our customer interactions and provided us with new business opportunities to build on consumer loyalty and cross-sell services, as well as accelerate new customer acquisition and inclusion of previously underserved segments of the population, including individuals, entrepreneurs

and micro-businesses. We have a wide offering of digital products and services for existing and new clients, enabling them to get the products and services they want, in a timely manner suited to them.

We believe our digital platform provides us with a competitive advantage as evidenced by our increased market share and improvement in net promoter score, which we use to measure consumer satisfaction. As of March 31, 2020, more than 1.3 million retail customers used our digital platform and our digital users have reached 68.7% of total retail customers who interact with the bank, compared to 56.6% as of March 31, 2019. Our 100% digital customers have reached 42.3% of total retail customers as of March 31, 2020, compared to 27.7% as of March 31, 2019. Our digital transformation allows our customers to interact more frequently with us. Our penetration of digital sales increased to 47.2% of total retail sales as of March 31, 2020, from 37.9% as of March 31, 2019. Furthermore, digital customer acquisition, or clients that were 'born digital', reached approximately 10,375 in March 2020, or 20.9% of new individual clients, compared to approximately 8,189 in March 2019, or 11.7% of new individual clients. Similarly, our continuous commitment and focus to improve our digital capabilities for SME and corporate clients, have enhanced our value-added proposition and tools to foster and support our commercial customers' growth despite the disruptions caused by the COVID-19 pandemic. For example, we have streamlined our account opening process for businesses from 15 days to a digital 30 minute process. This innovation has driven growth in customer acquisition for SME through our digital platform, accounting for 69.5% of our total new SME accounts in March 2020 compared to 38.2% in March 2019.

Supported by our digital platform, we have also increased the cross-selling of products, which we define as the number of products owned by a customer. The cross-selling ratio is calculated as the sum of the number of products owned by any given group of customers divided by the number of customers in such group. In March 2020, the number of products owned by our digital customers was 2.0. By comparison, in March 2019, the number of products owned by our total customers 1.9.

Products sold digitally represented 36.3% of total sales in March 2020, compared to 24.8% in March 2019. Per specific product, digital sale of credit cards and extra cash loans (loans offered through credit cards) increased their shares in the total number of sales from 8.1% and 14.8% in March 2019 to 12.9% and 25.2% in March 2020, respectively. Similarly, savings accounts opened digitally increased its share in total savings accounts opened from 24.0% in March 2019 to 44.4% in March 2020. Credit card lines increases represented 58.5% of total sales in March 2020, compared to 68.0% in March 2019. Furthermore, in March 2020, approximately 5,838 credit card line increases were performed digitally, lower than the approximately 38,305 credit card line increases performed digitally in March 2019. Digital sale of credit cards decreased from approximately 2,332 credit cards sold in March 2019, to approximately 1,651 in March 2020, but increasing its share in the total number of credit cards sold from 8.1% in March 2019 to 12.9% in March 2020.

As a result of the lockdown in place since March 16, 2020, our customers have increased the use of digital channels to interact with us. As of May 31, 2020, digital users reached 75.2% of total retail customers who interact with the bank, while 100% digital users, who are retail customers that have not interacted through branches, reached 53.7%. Likewise, as of May 31, 2020, digital saving accounts reached approximately 255,000, close to seven times the number of accounts as of March 31, 2020, while digital business accounts opened in May 2020 reached 4,601, around two times the number of business accounts opened in March 2020. Moreover, as of May 31, 2020, Interbank's share of Plin users reached close to one million, while the number of Tunki accounts opened in May 2020 reached 59,000, partially explained by Tunki's new functionality which allows families to receive the Peruvian government's COVID-19 related financial aid directly to a digital wallet. In this sense, Interbank was the only private bank supporting the Peruvian government's delivery of this financial aid 100% digitally. See "—Recent Developments—Measures implemented by Interbank in the face of the COVID-19 pandemic."

As part of our digital transformation, we have introduced new technologies and processes which enable us to improve time-to-market of new solutions. We have also made significant changes in the way we work. We are currently working with almost 100 teams using an agile framework on several projects, ranging from applications, digital products, new functionalities, and we are currently exploring different solutions targeting new customer segments and piloting new initiatives. For example, we have an innovation lab called "LaBentana", which focuses on continuous innovation and development of new ideas and pilot initiatives, using design thinking methodologies developed together with the consulting firm IDEO.

Convenient and innovative nationwide omni-channel distribution network with a distinctive customer-oriented approach

We believe that our convenient and innovative retail distribution network, together with a dedicated sales force and financial advisors, allow us to better reach our customers, and this combination has differentiated us from our competitors. We have one of the most convenient and extensive retail banking distribution networks in Peru. Moreover, we believe that our strong focus on building digital capabilities will allow us to help our customers to interact with us in an easier and more efficient way, and allow customers to migrate from the use of physical infrastructure to digital platforms for sales and services. For instance, we have shifted monetary transactions operated through our branches to digital channels. Total monetary transactions have been increasing at a CAGR of 10.2% from 2015 to 2019 driven by monetary transactions through our mobile and internet banking which have increased at a 76.0% CAGR for the corresponding period, even though monetary transactions through our financial stores have been decreasing at a CAGR of 3.4% from 2015 to 2019. We believe this optimization of our distribution footprint has enabled us to reach our clients more efficiently, allowing them to perform transactions when and how they want to, at lower marginal costs for Interbank.

Interbank has built a convenient omni-channel distribution network in Peru, serving 3.7 million customers. As of March 31, 2020, Interbank had 253 financial stores and operated the third-largest ATM network in Peru with more than 1,594 ATMs, which includes the largest out-of-branch ATM network (under our Global Net brand). Interbank has the largest number of financial stores inside supermarkets in Peru, which are open seven days a week from 9:00 a.m. to 9:00 p.m. Moreover, with the intention of providing underserved customers with more convenient services, Interbank operates a network of correspondent agents, called "Interbank Agentes", which consists of low-cost electronic terminals located at strategic commercial establishments that allow customers to complete basic financial transactions such as transfers and deposits. As of March 31, 2020, Interbank operated over 3,363 correspondent agents.

Since 2013, we have implemented a profitability model for financial stores and ATMs which ranks them according to certain profitability metrics relevant to each distribution channel. This has allowed us to identify the less profitable units in order to close them, and to prioritize new openings in more strategic locations with higher demand for value-added financial services. As a result, the number of financial stores, which peaked at 289 in 2016, has decreased to 253 as of March 31, 2020, while productivity of financial stores, measured as the volume of retail deposits per branch, has increased. Similarly, the number of ATMs has decreased to 1,594 in March 2020 from 1,708 in 2017. Finally, the number of Interbank correspondent agents has increased from 2,933 in 2017 to 3,363 in March 2020. This drove retail deposits per branch to grow from approximately S/52.5 million per branch as of December 2018 to approximately S/66.2 million per branch as of March 2020. Additionally, the number of monetary transactions per branch has increased from approximately 51.9 million monetary transactions per branch in December 2018 to approximately 53.6 million monetary transactions per branch in March 2020.

Prudent risk management resulting in high asset quality, strong liquidity and capital base to weather economic uncertainty

Risk management has been and will continue to be a primary focus of our operations and at the center of our culture. Our experienced risk management teams focus on monitoring and managing risks across all business areas, including credit, market, liquidity and operational risks, among others. We believe our risk management expertise has allowed us to achieve strong asset quality and high investment returns. Our prudent management has allowed us to build up sufficient capital to allow us to grow strategically, invest in opportunities and pay dividends to our shareholders.

Interbank's underwriting procedures are based on strong analytics and proprietary models. Additionally, our investment in technology and improvements in our ability to process and apply data have enriched our risk models and enhanced their accuracy and predictiveness. These models, which have increased six times in number since 2017, along with the risk management skills of our experienced risk management team, provide Interbank with competitive advantages. Our credit risk policies are approved by our risk committee and board of directors. Despite our concentration in retail loans, which tend to have higher levels of delinquency, Interbank's past-due loans as a percentage of total gross loans ratio as of March 31, 2020 was 2.8%, the lowest among the four largest banks in Peru and lower than the industry average of 3.1%. As of March 31, 2020, Interbank's past-due loans coverage ratio was

173.6%, which compares favorably with the average for the Peruvian banking system of 149.0%, according to the SBS.

Our capitalization ratio, which is calculated as our regulatory capital divided by our risk-weighted assets, was the highest among the four largest banks in Peru as of March 31, 2020, at 16.1% as compared to 14.3% for the Peruvian banking system, according to the SBS. The minimum capitalization ratio required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.4% as of March 31, 2020. Interbank's core equity tier 1 ratio was 12.0% as of March 31, 2020. In addition, we have strengthened our capitalization to weather the unprecedented economic impact caused by the COVID-19 pandemic. See "—Recent Developments—Measures implemented by Interbank in the face of the COVID-19 pandemic."

Our strong asset quality and capital and liquidity position have resulted in a local rating of A by Apoyo & Asociados Internacionales and A+ by Class & Asociados and Moody's Local PE Clasificadora de Riesgo S.A. These ratings, which are the two highest local ratings levels possible, allow us to secure funding through the issuance of short-term and long-term debt securities in the Peruvian capital markets.

Efficient operational platform supported by world-class technology and new digital capabilities

Through the use of advanced technology, we are focused on providing high-quality services to our customers in an efficient manner. On our digital platform, we offer retail customers different options for performing transactions, including state-of-the-art mobile and internet banking, as well as ATMs. For our commercial clients, we offer an integral solution through a web page to carry out digital operations in a quick and secure manner directly from their offices and also through their phones. For the three months ended March 31, 2020, approximately 97.2% of our total banking transactions were conducted in off-branch-transactions.

Our retail banking activities are supported by our Business Analytics platform. We believe that our data and analytic models provide us with a competitive advantage and we are committed and working on taking advantage of all the new data & information technology and possibilities that digital can offer, including big data, artificial intelligence, event-based marketing and machine learning.

Diversified funding base with competitive funding cost

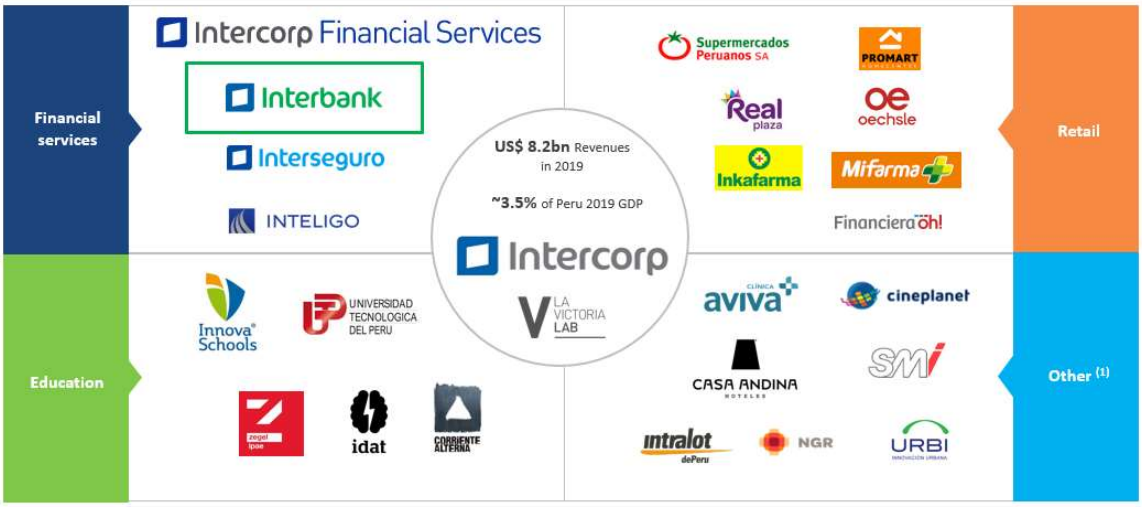
We have access to diverse sources of funding, including traditional deposits and debt securities placed in local and international capital markets. As of March 31, 2020, 72.3% of our total funding base was comprised of traditional deposits. Our deposit base is broad and fragmented, such that we are not dependent on a certain type of client, which provides us with a competitive and consistent average cost of funding of 2.5% for the three months ended March 31, 2020 and 2.8% for the three months ended March 31, 2019. A stable, low-cost source of funding also provides us an opportunity to cross-sell other products and services. See "—Recent Developments—Measures implemented by Interbank in the face of the COVID-19 pandemic."

Interbank has been a significant player in the Peruvian banking industry with a market share of demand, savings, and term deposits of 11.3%, 15.3%, and 11.3%, respectively, as of March 31, 2020, according to SBS.

Affiliation with the Intercorp Peru Group

Our ultimate parent company, Intercorp Perú Ltd ("Intercorp Peru"), is one of Peru's largest economic conglomerates, with activities spanning financial services, retail, education and real estate, among others. In 2019, Intercorp Peru's businesses represented approximately 3.5% of Peru's GDP, while generating US$8,183 million in revenues. We believe that being part of this group gives us a competitive edge, because of the group's deep knowledge of the Peruvian consumer, extensive focus and know-how in the Peruvian retail market, highly visible in-country presence and rapid decision-making capabilities. Intercorp Peru represents a significant distribution channel for our controlling shareholder, Intercorp Financial Services Inc. ("IFS"), and IFS also helps to boost the retail business of Intercorp through the consumer credit segment. IFS is also the controlling shareholder of Interseguro Compañía de Seguros, S.A. ("Interseguro"), a leading insurance company in Peru, and Inteligo Group Corp. ("Inteligo"), a provider of wealth management services.

The below graphic shows a simplified corporate structure of the group:



(1) *Related companies excluding Aviva and Urbi.*

Experienced management team with proven ability to foster a merit-based culture and a highly motivated work force

We believe that the strength of our senior and middle management team has enhanced and will continue to be a key driver of our successful business model. We benefit from an experienced, diverse and talented management team. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe.

We are focused on attracting, developing and retaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables us to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 18 consecutive years and one of the top 20 places to work in Latin America in the past nine years. In the most recent rankings, Interbank was selected number one best company to work for in Peru in the large size category (2019), number eight in Latin America (2020) number two for women in Peru (2019) and number six for millennials in Peru (2019).

Strategy

We aim to maintain our position as a leading provider of financial services in Peru with our strategy of focusing on customers first, use of analytics, digital innovation and high-quality risk-management. We strive to provide the best experience to our customers through convenient, agile and friendly service, which we believe leads to customer loyalty and satisfaction, to expand our customer base and to further potential for cross-selling.

Our strategic priorities are as follow:

Become the foremost financial services company in the heart and mind of Peruvians by putting them at the center of our ecosystem

We aim to become the preferred option for our individual and commercial customers helping them to achieve financial well-being and growth by deeply knowing and anticipating their needs, by building trust and providing transparency in our relationship with them, and by delivering a superior experience which is simple, mobile, agile and suited to that particular customer. We are committed to providing the best possible customer experience for our clients.

Interbank aims to provide the most convenient, friendly and agile experience for its customers through a wide variety of products, services and distribution channels, in order to be considered the main bank for our customers. We plan to continue to develop a best-in-class experience across multiple devices, including PCs, mobile phones and ATMs.

We help our individual customers throughout their journeys with a personalized approach based on customer segment, which includes Joven, Preferente, Emprendedor, Premium and Select within Interbank. The customer journey begins with new client acquisition and on-boarding, continues with customer development and loyalty, and finally, we focus on maintaining our customer base through retention and our win-back efforts. Moreover, we will continue to integrate our business analytics and digital marketing capabilities to foster online sales, transactions and post-sale services of traditional and innovative products. To strengthen Interbank's digital offering, we will continue to heavily invest in our digital channels.

We are continuously improving our value proposition for different customer segments including improvements to basic products such as accounts, payments and financing; introducing new special digital features, such as the loyalty program Interbank Benefit, the budget tool Smart, the digital savings account Piggybank, and the customer relationship program Interbank Cares. We are also developing additional ecosystems such as a financial health platform for customers and other tailored experiences. Towards this end, we use design thinking methodologies, learned through the consulting firm IDEO, that have been deployed in a number of projects.

Additionally, we are creating a payment ecosystem that seeks to create a strong bond with our customers, by focusing on four pillars: (i) increasing current person to business ("P2B") offline business by extending merchant coverage, improving customer experience and banking the unbanked, (ii) increasing current P2B online business by optimizing adoption and fostering usage, (iii) improving the convenience of person to person ("P2P") payments for customers by developing a better experience, and (iv) eliminating cash by banking the unbanked through pre-paid cards and through our open APIs that allow partners to access our account opening and basic financial-transaction services. Our goal is to develop an ecosystem which creates loyalty from customers and allows us to fulfill their financial needs digitally.

Within commercial banking our priority is also growth with a strong focus on profitability. We aim to provide the best self-service credit experience for commercial clients, by digitally providing them with the information and features necessary to manage their financial needs, and by offering the easiest and most transparent means of managing their cash flow and payments. For this purpose, we are in the process of implementing a new internet banking platform that will deliver most of these features.

For commercial banking we have three client groups based on volume of sales and employ different strategies accordingly. For large corporates we focus our efforts on generation of fees from cash management and corporate finance; for medium-sized companies we focus on growth, productivity and cash management; and for SME we focus on sustainable growth and productivity with a strong support from analytics and collections. For SME, our Cuenta Negocios, an account that can be opened 100% digitally and within 30 minutes, has been growing from no accounts in 2017 to 71,473 accounts opened as of March 2020 since its introduction in August 2018. Moreover, we are testing an application which provides an alternative way of financing based on digital tools and information.

Be the company with the deepest knowledge of Peruvians providing personalized and real-time solutions

Our advanced analytics and CRM capabilities are being enriched with new sources of data and new tools that technology offers, such as cloud, real-time decision, machine learning and artificial intelligence. We aim to have the deepest understanding of Peruvians, both individuals and companies, as we believe that a deep knowledge of our current and potential customers' characteristics and adapting to their behavior is important to better serve them, and to offer them the best solutions for their needs and risk profile.

Investment in technology represents the pillar of this strategic initiative, and we are working on a variety of areas to achieve this goal, including data and infrastructure, advanced analytics for marketing, and risk profiling and pricing models, as well as improving our CRM capabilities, including contextual marketing. With the support of our team of data scientists, we centrally design and distribute most of our sales campaigns, and have substantially improved our campaign effectiveness and are currently employing real-time decision making on certain campaigns. This combination of investments has helped make us more dynamic, and to be able to approach customers in real time.

These efforts also include different actions undertaken to have a better understanding of the self-employed segment of the population, which constitute a significant opportunity for financial services given the current low penetration levels. We are working on alternative risk profile models for new customer acquisition using new sources and non-traditional sources of data.

Our analytics vision is to have a fully deployed online customer management system which relies on real-time data, cloud processing, automated and reusable variables, real-time decision and actions, and an integrated infrastructure to support these new processes.

Moreover, we have an experienced team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. See, "Regulation and Supervision—Banking Regulation and Supervision—Integral Risk Management". Historically, we have experienced stable, low past-due loan ratios, well below the average past-due loan ratios for the Peruvian industry. Our overall past-due loan ratio as of March 31, 2020 was 2.8%, which compared favorably to 3.1% for the Peruvian banking system.

Attract and retain customers with a superior experience, which seamlessly integrates our physical and digital platform

We want to deliver a seamless and superior experience to our customers that integrates our physical and digital platforms. We believe this combination will allow us to more effectively serve our customers, enabling them to get what they want, when they want it, and how they want it.

At Interbank, we have developed the digital capabilities to perform functionalities a customer needs within Interbank. These include transactions, sale of new products, and self-service features. The percentage of transactions performed off branches has continued to increase, reaching 97.2% as of March 31, 2020. Digital sales and other self-service interactions have significantly increased during the last 12 months reaching 47.2% in March 2020, from 37.9% in March 2019.

Through our physical channels we continue to focus on providing a superior customer experience and are improving productivity and efficiency through new paperless and digital processes, tools and more advanced analytics. Additionally, we continue to invest in educating our customers to encourage the use of digital and other channels. Deposits, withdrawals, payments of bills and credit cards are being redirected to other more cost-efficient channels.

Furthermore, we are redesigning our physical distribution platform to better suit the new digitally-influenced customer needs. Our idea is to focus more on high value-added activities, which include advisory and complex product sales, and less on transactions and simple product sales. For this purpose, we intend to transform our branch formats and distribution presence, including branches, correspondent agents, contact center and ATMs.

In digital, we are focusing our efforts on expanding the products and self-service interactions, continuing to foster the adoption of digital channels by our customers, adding new features, such as chat robots for employees and customers, and ensuring that interactions with our customers are safe and secure.

Create and scale-up new businesses by targeting new customers, segments and businesses

We seek to accelerate growth in the underpenetrated Peruvian market in the medium to long term . For this purpose, we carry out thorough research through our lab LaBentana, alongside consumers, to identify areas for improvement and develop a variety of new initiatives to address pain points and make our offering more seamless. This allows us to target new customer segments, aiming to develop new revenue sources and accelerate our digital transformation.

Examples of these initiatives include the piloting of a digital payments solution for users and merchants. It targets cash payments at points of sale and cash peer-to-peer transfers, which account for the majority of total transactions. It offers in store payments through QR codes, online mobile top-ups and peer-to-peer transfers using only the mobile phone number.

Another initiative aims at finding alternative methods to provide access to loans to SME. Through a fully digital experience, which makes it cost-efficient and scalable, it allows SME to request and, if approved, get a loan

disbursed in maximum of four hours. Once these initiatives have scaled up, we integrate them into our operations and digital platform, as have been the cases for the Piggybank and the expedited opening of accounts for SME through Cuenta Negocios.

Focus on efficiency and productivity

We will continue to focus on our digital transformation to enhance efficiency through the automation of internal processes and use of technology. Our goal is to be more efficient while utilizing fewer resources in our customer interactions by focusing our efforts on four main areas: (i) becoming paperless, (ii) implementing more independent robot usage which includes artificial intelligence features, (iii) digitalizing end-to-end customer processes and (iv) eliminating low value-added activities.

During 2017, 2018 and 2019, we focused on reducing paper-based processes mainly targeting intensive back-office processes and branch processes. During 2018, we implemented our first 38 robotic process automations at Interbank with the aim of improving customer and operational processing times (in particular for low value-added processes) and reducing operational errors. During 2019, we implemented more than 120 robotic process automations. Our focus on profitability has helped us to improve our efficiency ratio from 40.5% in 2017 to 38.3% in 2019, and 39.6% in the three months ended March 31, 2020 with initiatives spanning from branch and ATM rationalization to increases of sales productivity. We will continue to pursue such initiatives which are bolstered by new digital features and processes.

Provide a scalable platform that our customers can trust with world-class technology

A scalable, flexible, stable and secure technological platform is key to achieve our purpose. We believe that we have deployed the key initial investments necessary to scale our platform and are committed to continue improving by maintaining our current levels of investment.

The first phase of investments from 2015 to 2017 consisted of (i) new mobile and internet banking platforms for retail customers, (ii) a new internet banking platform for commercial customers, (iii) investment in data, (iv) significant investment in our core infrastructure and applications to guarantee the stability and operational efficiency needed to support increasing transactional volumes coming from our digital strategy, including the outsourcing of our data centers, and (v) cybersecurity to safeguard our operations and our customers. See "Business—Information Technology Unit" for further information.

Beginning in 2018, in the second phase we have been increasing our efforts on advanced analytics development, including big data, machine-learning, cloud and real time decisions, by working together with world-class partners to build capabilities to serve our customers throughout the life cycle digitally and to explore new business opportunities. We have bolstered our investments in cybersecurity as we believe it is fundamental to provide a secure platform to be able to continue with our digital transformation.

We have moved from working with 17 agile teams in 2017 to almost 100 in March 2020, allowing us to substantially decrease time-to-market, being 14 times faster from 2017 to 2019, and to develop more innovative ideas. We also have an internal innovation lab working with design thinking methodologies implemented together with the consulting firm IDEO to further accelerate the development of new ideas using new technologies.

Our ongoing focus is based on four main areas of work: (i) development of a new digital platform based on open technologies and APIs, (ii) focus on the high performance and stability of our technological platforms, including cloud services, (iii) new processes for continuous delivery of new developments, and (iv) focus on cybersecurity.

Be a great place to work with a unique culture and strong sense of achievement for new talent

We believe that a motivated workforce leads to high-quality customer service, which in turn leads to satisfied customers and better results. Our commitment to fostering a motivated workforce and merit-based culture is demonstrated by being ranked among the top Peruvian and Latin American companies by the Great Place to Work Institute and recently also in the specific rankings for women and millennials.

We will continue our efforts to attract, develop and retain highly qualified personnel and to maintain a merit-based culture that emphasizes teamwork to keep a motivated workforce that delivers high-quality service. In the past years, we have been focusing on changing the way we work to agile methodologies, developing digital and analytical capabilities and changing the mindset of our talent. For this purpose, we have introduced a series of initiatives such as Demo Days, Expo Analytics, Interbank Hackathon, Innovaton, Interbank Datathon, as well as our Innovation Day at the Intercorp Peru level. We have also created training programs including the Agile Academy, Tribk, and the Interbank Tek program.

Foster clients, revenue and earnings growth

Interbank plans to continue to balance its growth between retail and commercial banking, as it believes that both retail and commercial lending will continue to exhibit good levels of growth in the coming years after the adverse effects of the COVID-19 pandemic subside.

Within retail banking, we will continue to focus on the Peruvian middle-class, and we will deepen our efforts on the mass affluent customers as we believe the new digital business models allow us to have a better value proposition for them. In terms of products, we aim at maintaining strong market shares in credit cards, payroll-deductible loans for public sector employees and deposits while increasing market shares on mortgages and payroll loans and accounts to the private retail clients.

We believe there are significant opportunities for Interbank in commercial banking in the medium to long term, as well, focusing on maintaining our market share with corporates while increasing our market share in medium-size and SME, where altogether Interbank has a lower market share (8.5% in terms of gross loans as of March 31, 2020, according to the SBS) when compared to its retail business. Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business.

Moreover, we are exploring different new business ideas using new technologies that could results in further revenue and income sources in the future.

Actively pursue cross-selling opportunities to leverage our customer base across IFS and Intercorp Peru

We intend to benefit from cross-selling opportunities, including, primarily, the sale of insurance products by Interseguro to our banking clients. We plan to leverage more of Intercorp Peru's retail presence to cross-sell products across Interbank, Interseguro and Inteligo. We believe that Interbank's current 3.7 million customers represent a significant opportunity to sell additional banking products and services, as well as Interseguro's insurance products and Inteligo's brokerage services. For this purpose, we plan to continue investing in digital and analytics capabilities.

Additionally, we plan to capitalize on the future growth of Intercorp Peru's retail business through its shopping malls, supermarkets, pharmacies and home improvement stores, by sharing data to the extent possible and in compliance with the applicable law to capture the cross-selling opportunities that those channels represent for Interbank.

Market Opportunity

We believe that the continued growth of the Peruvian economy over the past years, the expanding middle class, the growth of private wealth creation in Peru, the low penetration of financial services and the well-capitalized and profitable Peruvian financial system offer significant opportunities for our continued growth, despite the economic impact caused by the ongoing COVID-19 pandemic and the measures implemented by the Peruvian government to contain the contagion. Moreover, our commitment to digital transformation is opening up new opportunities for growth, enabling us to efficiently acquire and serve more clients, while providing distinctive and convenient customer service and greater access and inclusion to financial services to previously underserved Peruvians.

Due to the macroeconomic impact of the ongoing COVID-19 pandemic, we expect Peru's GDP to contract and economic activity to be affected as a result of the country-wide mandatory lockdown implemented on March 15, 2020 by the Peruvian government in response to the pandemic. The measures that have been implemented, which are expected to be in effect through June 30, 2020, have had disruptive effects on the economy, negatively impacting

several economic drivers, including consumption and investment, among others. In order to mitigate these effects, the Peruvian government announced the adoption of a wide ranging package of measures to generate monetary and fiscal stimulus and alleviate the financial stress on households and companies, equivalent to approximately 17% of Peru's 2019 GDP.

Solid-growth economy with strong macroeconomic fundamentals

According to the International Monetary Fund (the "IMF"), Peru's average GDP growth rate was 3.2% between 2015 and 2019, which is higher than the growth rate of each of the peer countries in Latin America during the same period (Colombia at 2.4%, Chile at 2.1%, Mexico at 2.0%, and Brazil at negative 0.6%). Additionally, Peru's average inflation rate was 2.7% between 2015 and 2019, which was lower than the inflation rates of each of the peer countries in Latin America during the same period (Brazil at 5.7%, Colombia at 4.7%, Mexico at 4.0% and Chile at 3.0%). In its most recent forecast as of December 2019, the Central Reserve Bank of Peru had estimated real GDP growth for Peru of 3.8% for both 2020 and 2021, above the 2.2% registered in 2019. While this estimate has not yet been updated by the Central Reserve Bank of Peru, the IMF has updated GDP growth outlook for Latin America and the Caribbean, estimating an economic contraction of 5.2% for the region and Peru's GDP to contract 6.5% in 2020. For the three-month period ended March 31, 2020, Peru reported a GDP contraction of 3.4%. As of the date of this offering memorandum, the COVID-19 pandemic continues to negatively affect Peru's growth in 2020.

The Peruvian government's prudent management of the economy, conservative fiscal policy, coupled with the Central Reserve Bank of Peru's cautious management of inflation and international reserves have contributed to economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, low fiscal deficit and high levels of international reserves. Based on Peru's strong macroeconomic base, the Peruvian government has deployed various expansionary fiscal and monetary policies to control and mitigate the impact of COVID-19 on the Peruvian economy and population. Peru's strong track record of macroeconomic policy credibility, consistency and ability to adapt to changes has helped it to achieve investment grade ratings of A3 by Moody's, BBB+ by S&P and BBB+ by Fitch as of March 31, 2020. On June 3, 2020, in light of the COVID-19 pandemic, Fitch reduced Peru's local currency rating from A- to BBB+. See "—Recent Developments."

Expansion of the middle class and affluent population

The core of our customer base is Peru's growing middle class and affluent population. According to INEI, the poverty rate in Peru has declined to 20.2% in 2019, from 30.8% in 2010, and GDP per capita in U.S. dollars has grown from US$5,055 in 2010 to US$7,058 in 2019. Peru has a total population of 32.5 million, and according to the *Asociación Peruana de Empresas de Investigación de Mercados* (APEIM), Peru's middle and upper socioeconomic segments (segments A, B and C) have expanded and, as of December 2019, represented 51.6% of the population compared to 41.9% in 2010. We believe that the increase in the number of people belonging to the middle class and affluent population creates a greater need for financial services, particularly for increasingly sophisticated banking, insurance and wealth management products. The expansion of these segments of the population drives growth and profitability across our business. Additionally, based on macroeconomic trends, we expect the number of high net worth individuals in Peru and the size of their investable assets to continue to grow and further increase the market for wealth management services.

Low financial services penetration

We believe that growth potential in Peru's financial services sector continues to be significant. Despite sustained recent growth of 6.0% CAGR in total gross loans between 2015 and 2019, banking penetration in Peru, measured as the ratio of loans-to-GDP, was 37.2% as of December 31, 2019, according to the SBS and the Central Reserve Bank of Peru, below the average ratio of 52.3% for the group of peer countries in Latin America according to the *Superintendencia de Bancos e Instituciones Financieras* ("SBIF"), the Central Bank of Brazil, the Colombian Financial Superintendency, and the Mexican Commission for Banking and Securities. In addition, it was less than half of the 98.2% ratio for Chile. We believe that penetration potential is even more significant in retail banking. Total retail loans including credit cards per inhabitant in Peru, is well below its peer countries in Latin America. As of March 31, 2020, the estimated total number of debit and credit cards per inhabitant in Peru was 0.2 as compared to 0.3 cards per inhabitant for Chile, according to the SBS and the SBIF, respectively. The ratio of retail loans-to-GDP in Peru was 13.7%, while the penetration of retail loans in Chile was 42.0% and the average for the group of peer

countries in Latin America was 21.5%, as of March 31, 2020. Furthermore, as of March 31, 2020, the ratio of mortgage loans-to-GDP in Peru was 6.4%, while the penetration of mortgage loans in Chile was 28.1%.

Healthy, well-capitalized and profitable financial system

As a result of sound regulation and prudent management, the Peruvian financial system is healthy, well-capitalized and profitable, according to figures published by the SBS. Gross loans in Peru (measured in soles) have grown at a CAGR of 6.0% between December 31, 2015 and December 31, 2019 and 9.6% between March 31, 2019 and March 31, 2020, while the banking system's asset quality has remained strong with a ratio of past-due loans as a percentage of total gross loans of 3.2% and a ratio of impairment allowance for loans as a percentage of past-due loans of 149.0% as of March 31, 2020, according to the SBS. Capitalization of the Peruvian banking system has consistently been well above regulatory requirements with a total capital ratio of the banking system of 14.3% as of March 31, 2020, according to the SBS. Interbank's capitalization ratio was 16.1%, according to the SBS as of March 31, 2020. Furthermore, Peru's banking industry has been historically profitable, with an 18.5% ROE for the year ended December 31, 2019 and 13.7% for the period ended March 31, 2020, according to the SBS. See "—Recent Developments."

Development of new technologies and distribution channels

There are many technological trends currently impacting the financial services industry worldwide. For example, the penetration of cell phones, Internet and the 4G mobile network, the ability to process large quantities of data through big data, cloud and machine learning, and the opportunity to utilize robotics and artificial intelligence. As a result, many large banks have started digital transformations with large increases in their level of technological investments and are working on developing their product offerings.

Due to improved technology, banks are now able to offer a better value proposition to their customers that include better solutions with features tailored to the customer's needs, contextual banking (whereby the customer is offered a connected banking experience, including tailored product offerings), enhanced 24 hour customer support and access and faster approval and response times, all at a lower per capita cost. Additionally, banks are now able to reach a broader base of customers both in terms of income levels and geographic locations and will be able to gradually offer them more products and services and make them a part of the banked segment of the Peruvian population, which constitutes a very important growth opportunity in the country.

Recent Developments

Measures implemented by the Peruvian government in the face of the COVID-19 pandemic

On March 11, 2020, the Peruvian government declared a 90-day national health emergency to prevent and control the spread of COVID-19, which has subsequently been extended for an additional 90-day period counted from June 10, 2020. In addition, on March 15, 2020, the Peruvian government also declared a national state of emergency (*Estado de Emergencia Nacional*), providing for compulsory social isolation (quarantine), which as of the date of this offering memorandum, is expected to be in effect until June 30, 2020. As a result of these measures in response to the current COVID-19 pandemic, Peru's GDP is expected to contract and economic activity to be adversely affected. See "—Market Opportunity."

In order to address and mitigate the impact of the COVID-19 pandemic and related country-wide mandatory lockdown, the Peruvian government is implementing an economic stimulus and support plan, equivalent to approximately 17% of Peru's 2019 GDP. As of the beginning of June 2020, the amounts deployed as part of this stimulus plan represented 15% of Peru's 2019 GDP and has been focused on addressing the health crisis and public safety, maintaining continuity of the payments chain within the Peruvian economy and providing financial aid to households as well as to businesses, particularly SMEs.

Below is a summary of the most significant actions taken by the Peruvian government in connection with the COVID-19 pandemic that impact the financial sector:

Measures aimed at providing financial support to households

- Payment of a total subsidy of S/760 through direct payments to households at or below the poverty level and to self-employed workers, which is estimated to benefit approximately 6.8 million households. These payments are being administered by *Banco de la Nación* and processed with support of local banks (including Interbank).

- Access to liquidity for individuals, including by allowing workers to request early withdrawals from their (i) Compensation for Time of Service accounts ("CTS accounts") in an amount of up to S/2,400 and (ii) pension fund accounts in an amount equal to the lesser of (a) 25% of their individual pension fund, and (b) (1) S/12,900 in two installments (50% each) or (2) if the contributor has no more than S/4,300 in his individual pension fund, the permitted withdrawal is up to 100% of such amount in a single installment.

- Exemption for businesses from the mandatory withholding of contributions to private pension funds for the month of April (representing 10% of a worker's compensation). This measure is expected to inject S/1,100 million of liquidity to Peruvian households.

Measures aimed at supporting businesses

- Tax incentives to provide liquidity to SMEs, such as tax payment deferrals or extensions until June 2020, and suspension of default interest payments.

- Creation of the *Reactiva Peru* (Reactivate Peru) program pursuant to Legislative Decree No. 1455, to incentivize commercial banks to make available low-cost new financings to businesses and providing government-backed guarantees, up to an aggregate principal amount of S/60,000 million, to provide working capital to businesses to support employment and preserve the continuity of the payments chain within the Peruvian economy. In addition, Legislative Decree No. 1457 modified the *Reactiva Peru* program to permit affiliates of financial entities to benefit from the *Reactiva Peru* program as long as they access credit through an unaffiliated financial entity. The *Reactiva Peru* program will have a term of four years from the execution of the respective guarantee or support agreement and will be administered by *Corporación Financiera de Desarrollo S.A.* ("COFIDE").

- On April 17, 2020, Urgency Decree No. 040-2020 established extraordinary measures to promote access to financing by micro, small and medium businesses through factoring transactions. The main measures introduced consisted of (i) allowing *Fondo Crecer* (a special fund created by the Peruvian government to grant financing to micro, small and medium businesses) to guarantee factoring or discount transactions, and (ii) allowing *Fondo Crecer* to grant credit to factoring companies.

Measures aimed at strengthening the financial sector

- Modifying the limit for swap and forward operations for the sale of foreign currency in exchange for local currency from US$575 million per week to US$675 million per week per financial institution, without requiring additional reserves, in order to support foreign exchange hedges.

- Reducing the reference interest rate by 200 basis points from 2.25% to 0.25%.

- Reducing the minimum legal reserve requirement in soles from 5% to 4%.

- Decreasing the minimum current account requirement in soles from 1.0% to 0.75% of the obligations subject to reserve requirements.

- Reducing the reserve requirement from 50% to 9% for obligations in foreign currency with average terms equal to or less than two years entered into with foreign financial entities.

- Suspending the additional reserve requirement associated with lines of credit in foreign currency for the remainder of 2020.

- Establishing the National Government Guarantee Program for Financial Institutions (*Programa de Garantía del Gobierno Nacional a las Empresas del Sistema Financiero*) for an amount of S/7,000 million, pursuant to Legislative Decree No. 1508 enacted on May 11, 2020. Financial institutions may apply to this program in order to enter into repurchase agreements with the Central Reserve Bank of Peru in connection with their loan portfolios. The objective of this measure is to provide Peruvian financial institutions with extraordinary liquidity, but only up to 80% of the loan portfolio's value may be paid by the Peruvian government under the program as per the repurchase agreement. In addition, eligible loan portfolios must have been qualified as "Normal" or with "Potential Problem" –as per the SBS categorization– as of February 29, 2020. The term for financial institutions to apply and enter into repurchase agreements with the Central Reserve Bank of Peru within the framework of the program expires on December 31, 2022, and the maximum term to repurchase the corresponding transferred loan portfolio expires on December 31, 2024.

- Authorizing financial institutions to modify contractual loan obligations, including rescheduling of maturities, without characterizing such modifications as restructured loans, provided that the term of any loan is not extended for more than six months from the original term, and for no more than twelve months in case of retail loans and loans granted to mid-sized corporations, respectively, so that debtors can meet payment obligations. See "Presentation of Financial and Other Information—Loan Portfolio Data." As of May 31, 2020, S/100.9 billion, or approximately 32% of the banking system's loan portfolio, had been rescheduled, of which S/48.0 billion were retail loans (approximately 46% of the banking system's retail loan portfolio) and S/52.9 billion were commercial loans (approximately 25% of the banking system's commercial loan portfolio).

- Increasing monetary limits per operation (wire transfers, electronic money exchange, among others) to be carried out through electronic money accounts.

- Establishing procedures for extraordinary withdrawals from pension fund accounts as set forth in the Urgency Decree No. 034-2020 and Law No. 31,017. In addition, Urgency Decree 056-2020 was enacted to permit banks to open individual or retail bank accounts (such that no consent or signed documentation is required from individuals) to enable receipt of government subsidies as well as of pension payments in connection with withdrawals from pension fund accounts.

- Establishing that the allowance rate for loan loss reserves applicable to loans guaranteed pursuant to the *Reactiva Peru* program would be 0%, such that any allowance for loan loss is undertaken by the counterparty granting the guarantee rather than the banks granting the loan, pursuant to SBS Resolution No. 1314-2020 enacted on April 27, 2020.

- Establishing that the allowance rate for loan loss reserves applicable to the loans guaranteed pursuant to the *Fondo de Apoyo Empresarial a la MYPE* (FAE-MYPE) would be 0% when the counterparty credit risk substitution enters into effect, pursuant to SBS Resolution No. 1315-2020 enacted on April 28, 2020.

Despite this comprehensive package of measures adopted by the Peruvian government, the ongoing COVID-19 pandemic may require the Peruvian government to implement additional measures, which may further adversely impact Peru's economy and consequently materially and adversely impact our results of operations and financial condition. As of the date of this offering memorandum, the Peruvian Congress is evaluating various new regulations, including temporary debt payment suspensions for retail banking customers, waiver of interest payments and commissions, and potential limits on interest rates. We cannot provide any assurance on whether any of these regulations will be approved or regarding the content of any rules that are ultimately adopted. Additionally, if approved

by the Peruvian Congress, these regulations would need to be promulgated by the Executive Branch, which may provide observations to any such proposed regulations within a 15 business day period. If observed, Congress would be required to review such proposals again to evaluate the Executive Branch's observations or, ultimately, enact the regulation. We cannot assure you of the impact on the financial sector or on Interbank if any such new regulations are implemented. In addition, we cannot assure you that Peruvian government's measures will be effective or sufficient to address the current economic impact of the COVID-19 pandemic. See "Risk Factors—Risks Relating to Our Businesses—The COVID-19 pandemic, or an outbreak of another highly infectious or contagious disease, could adversely affect our business, financial condition and results of operations" and "Risk Factors—Risks Relating to Peru—Public health crises and epidemics/pandemics, such as that being caused by the COVID-19 pandemic, may materially and adversely affect Peru's economy". Additionally, the measures adopted by the Peruvian government in order to address these health crises and epidemic/pandemics, such as the ongoing COVID-19 pandemic, may not be sufficient to address its impact."

Measures implemented by Interbank in the face of the COVID-19 pandemic

Given the unprecedented uncertainty and rapidly evolving economic effects and social impacts of the COVID-19 pandemic, the future direct and indirect impact on our business, results of operations and financial condition are highly uncertain. Should current economic conditions persist or continue to deteriorate, we expect that this macroeconomic environment will have a continued adverse effect on our business and results of operations.

Since the mandatory lockdown that began on March 15, our business has been adversely affected by reduced demand for our products and services. In addition, the decrease in market interest rates has contributed to decreased interest revenue from loans and decreased income from financial services. While the lower interest rate environment has impacted our revenues, the lower cost of funding following a year of declining reference interest rates, as well as the exercise of the optional redemption of US$200 million junior subordinated notes as of April 23, 2020, partially offset the decline observed in our financial income. Furthermore, our provision for credit losses has increased due to the heightened risk profile of our retail and commercial borrowers during the COVID-19 pandemic, particularly for retail loans and credit cards. We made the decision to make significant voluntary reserves notwithstanding the easing of reserve requirements by the SBS with a view to being better prepared for continued weakness in the economy and heightened risk profile among our borrowers. This increase in provisions has had a material negative impact on our net income. We have also experienced a minor decline in our commercial deposits, substantially offset by an increase in our retail deposits.

In light of the dramatic economic slowdown, we decided to strengthen our capital position by increasing the capitalization ratio of our 2019 earnings from 55% to 75% and fully capitalizing our earnings for the three months ended March 31, 2020. In addition, throughout the crisis we have undertaken liquidity measures, which have helped us reach a loan-to-deposit ratio of 105.0% and maintain capital levels above statutory requirements as evidenced by our core equity Tier I ratio of 11.4%, both as of April 30, 2020.

In connection with the previously described Peruvian government measures to support financial system liquidity and the continuity of the payments chain within the Peruvian economy, we are actively working with the MEF, ASBANC, the SBS and the Central Reserve Bank of Peru, leveraging our knowledge and digital capabilities, to help manage the economic crisis and facilitate the distribution of relief funds to Peruvian individuals and businesses.

Additionally, in response to the COVID-19 pandemic, we have implemented protocols and processes to protect our employees and assist our customers, such as:

- Operating our businesses from remote locations, leveraging our business continuity plans and capabilities that include having the majority of employees work from home, and other employees operating using pre-planned contingency strategies for critical site-based operations. Additionally, we have implemented daily health tracking via *Farmacias Peruanas ConsultApp* and acquired COVID-19 tests for testing employees. These capabilities have allowed us to continue to service our clients. We will continue to manage the increased operational risk related to the execution of our business continuity plans in accordance with our risk management protocols.

- Creating a COVID-19 emergency committee that has been in place since early March 2020.

- Re-enforcing the health, safety and capacity at our distribution channels.

- Offering flexible opening hours of our financial stores for our customers and having cash available at our ATMs at full capacity.

- Offering assistance to our commercial and retail clients affected by the COVID-19 pandemic by (i) rescheduling S/11.7 billion, or approximately 30% of our total loan portfolio, including payment deferrals, for approximately 458,300 clients (447,300 from retail customers and 11,000 commercial customers) as of May 31, 2020, (ii) refunding certain fees, (iii) pausing foreclosure sales, evictions and repossessions, and (iv) continuing to provide access to the important financial services on which our clients rely. Out of the total amount rescheduled as of May 31, 2020, S/8.1 billion were retail loans (approximately 41% of our retail loan portfolio) and S/3.6 billion were commercial loans (approximately 18% of our commercial loan portfolio).

- Participating in the *Reactiva Peru* program auctions with a total share of S/3.5 billion, or 11.5% of the program, as of June 11, 2020, of which S/1.8 billion had an 80% guarantee, S/1.3 billion a 90% guarantee and S/0.4 billion a guarantee between 95% and 98%. The total amount disbursed as May 31, 2020, was S/3.0 billion, out of which S/0.7 billion were destined for corporate loans, S/2.2 billion to medium-sized companies, and S/0.1 billion to SMEs.

- Implementing various retail and commercial loan modification programs to provide our borrowers relief from the economic impacts of COVID-19.

- Leveraging our digital expertise to become the only private bank delivering the Peruvian government financial aid for households 100% digitally, by making available two new mobile applications for mobile banking: (i) Tunki, which is a free application that allows users to create a 100% digital mobile wallet without requiring the user to have an account with Interbank; and (ii) Plin, which allows users to transfer money between Interbank, Scotiabank, BBVA and BanBif accounts.

- Accelerating digital adoption by our customers, supported by the investments that we have deployed during the last years to build our digital platform.

- Obtaining additional liquidity in *soles* and dollars from the Central Reserve Bank of Peru and international banks at low rates since the imposition of the national lockdown.

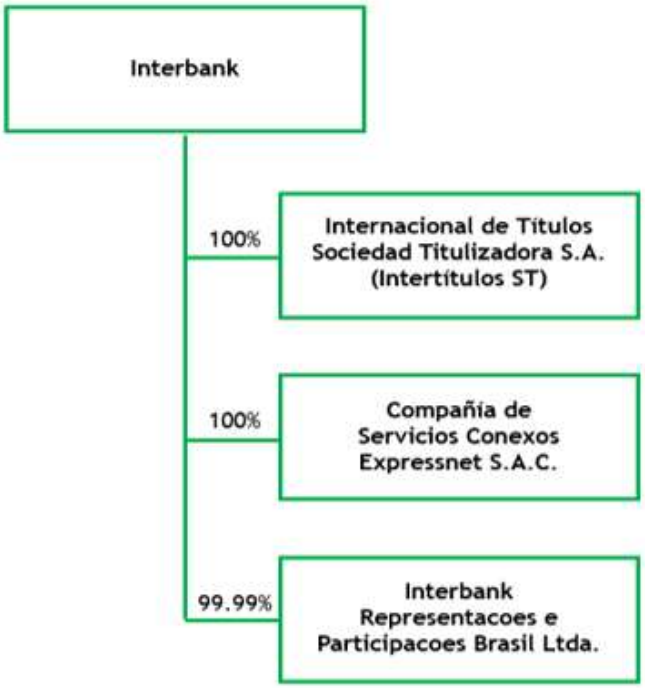
Finally, we have been focused on maintaining optimal cost and efficiency levels, implementing measures to substantially reduce operating expenses, which reflect the sum of administrative expenses, depreciation and amortization, as well as to control variable expenditures. Cost containment measures have allowed us to reduce operating expenses for the aggregate months of April and May 2020 decreased 15.9% year over year from S/261 million to S/ 220 million.

History

Interbank is a Peruvian bank in the form of an open-stock corporation (*sociedad anónima abierta*). Interbank was incorporated in Lima, Peru in 1897 and formerly conducted business under the names "Banco Internacional del Perú S.A." and "Interbanc". In August 1994, as part of the Peruvian government's privatization efforts, approximately 91% of Interbank's share capital was acquired by Corporación Interbank, which subsequently transferred its holdings in Interbank to the Rodríguez-Pastor family through Intercorp Peru, a limited liability company organized under the laws of the Commonwealth of The Bahamas that is listed on the BVL. After Interbank's acquisition by Intercorp Peru in 1994, Interbank began conducting business under the name "Interbank" as part of a rebranding and modernization effort, and has become a leading universal bank in Peru.

Corporate Structure

The following chart presents our corporate structure as of the date of this offering memorandum, indicating our principal subsidiaries and respective ownership interests.



Corporate Information

Our registered and principal executive offices are located at Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. Our telephone number is +(511) 219-2000.

THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to "Description of the Notes".

Issuer	Banco Internacional del Perú S.A.A.
Notes Offered	US$300,000,000 aggregate principal amount of 4.000% subordinated notes due 2030.
Issue Date	July 8, 2020
Maturity	The notes will mature on July 8, 2030.
Interest	The notes will bear interest from July 8, 2020 or from and including the most recent interest payment date on which Interbank has paid interest on the notes to but excluding the next interest payment date. From and including July 8, 2020 to but excluding July 8, 2025 (the "Reset Date," which shall not be earlier than the date that is five years from the issue date), the notes will bear interest at a rate per annum of 4.000%. During the period from and including the Reset Date to but excluding the date of maturity or earlier redemption date, the interest rate per annum for the notes will be equal to the sum of (i) the Benchmark Rate on the Reset Date and (ii) 371.1 basis points. The Issuer will pay interest on the notes semi-annually on each January 8 and July 8, commencing on January 8, 2021.
Issue Price	100.000% of the principal amount thereof, plus accrued interest, if any, from July 8, 2020.
Ranking	The notes will constitute Interbank's direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of Interbank's bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under the Peruvian Banking Law, the notes will rank: • junior in right of payment to all of Interbank's existing and future Senior Obligations; • *pari passu* in right of payment with all of Interbank's existing and future Parity Obligations; and • senior in right of payment to all of Interbank's existing and future Junior Obligations and share capital. As of March 31, 2020, Interbank had S/3,448 million (approximately US$1,003 million) of Senior Obligations, S/1,636 million (approximately US$476 million) of Parity Obligations and S/687 million (approximately US$200 million) of Junior Obligations. On April 23, 2020, Interbank redeemed US$200 million aggregate principal amount of its 8.500% non-cumulative fixed/floating rate step-up junior subordinated notes due 2070 issued through its Panamanian

	branch on April 23, 2010, which represented the totality of Interbank's Junior Obligations. "*Senior Obligations*" means (i) all claims of Interbank's unsubordinated creditors and other claims and obligations that rank senior in right of payment under mandatory provisions of Peruvian law, including all labor claims of Interbank's employees, all claims of Interbank's depositors, all claims of the Peruvian social security administration (*Seguro Social de Salud*) for healthcare obligations and all claims for taxes, and (ii) all claims of all of Interbank's other creditors, except claims in respect of Parity Obligations and Junior Obligations. "*Parity Obligations*" means (i) all securities or other redeemable subordinated obligations of Interbank which qualify as Tier II Regulatory Capital of Interbank other than those that constitute Junior Obligations and (ii) any other securities or obligations of Interbank which rank (pursuant to mandatory provisions of law or otherwise), or are expressed to rank, *pari passu* with Interbank's obligations under the notes. "*Junior Obligations*" means (i) all *instrumentos híbridos representativos de capital y de deuda* (hybrid instruments representing equity and debt) of Interbank which qualify as Tier II Regulatory Capital and all *instrumentos no híbridos representativos de capital* (non-hybrid instruments representing equity) of Interbank which qualify as Tier II Regulatory Capital, in accordance with the Peruvian *Reglamento de Deuda Subordinada aplicable a las Empresas del Sistema Financiero*, or successor regulation, (ii) all instruments of Interbank which qualify as Tier I Regulatory Capital, and (iii) any other securities or obligations of Interbank which, by operation of law or otherwise, rank pari passu with any class of Interbank's share capital with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.
Use of Proceeds.....	We expect to use the net proceeds from this offering for general corporate purposes.
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for any taxes imposed or levied by or on behalf of a Taxing Jurisdiction (as defined in "Description of the Notes—Additional Amounts"), unless such withholding or deduction is required by law. In such case, Interbank will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional Amounts".
Redemption Prior to Maturity.....	*Optional Redemption*. On the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian

	governmental authority, if then required, Interbank may at its option redeem the notes, in whole or in part, at a redemption price equal to 100.000% of the aggregate principal amount of the notes to be redeemed, plus any accrued and unpaid interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts, if any. *Make-Whole Redemption*. After the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian governmental authority, if then required, Interbank may at its option redeem the notes, in whole or in part, at a price equal to the greater of (1) 100% of the outstanding principal amount of such notes on such redemption date and (2) the sum of the present value of each remaining scheduled payment of principal and interest on such notes (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the Treasury Rate (as defined herein) plus 50 basis points (the "Make-Whole Amount"), plus in each case any accrued and unpaid interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts, if any. *Redemption upon Tax Event or Regulatory* Event. At any time with the prior approval of the SBS, or any other then applicable Peruvian governmental authority, if then required, Interbank may redeem the notes, in whole, but not in part, following the occurrence of a Tax Event or a Regulatory Event (each as defined in "Description of the Notes—Redemption Prior to Maturity—Redemption upon Tax Event or Regulatory Event") at a redemption price equal to 100.000% of the aggregate principal amount of the outstanding notes, plus any accrued and unpaid interest on the principal amount of the outstanding notes up to, but not including, the date of redemption, plus Additional Amounts, if any.
Covenants	The indenture contains certain covenants that limit or restrict our ability to, among others, consolidate or merge with or into another person, sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of our properties or assets.
Acceleration Event	If Interbank fails to make payment of principal or of interest or Additional Amounts, if any, on the notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture and Interbank will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the notes. There is no right of acceleration in the case of a default in any payment on the notes (whether when due, upon redemption or otherwise) or the performance of any of Interbank's other

	obligations under the indenture or the notes. Acceleration of any payments due under the notes will occur only upon the occurrence and continuation of an Acceleration Event (as defined in "Description of the Notes—Acceleration Event"). If an Acceleration Event occurs and is continuing, the notes shall become immediately due and payable, and the rate at which interest will accrue on the notes (to the extent the notes have not been used to absorb losses) during the Intervention by the SBS or the dissolution and liquidation of Interbank will be limited to the legal interest rate for dollar-denominated indebtedness determined by the Peruvian central bank. Pursuant to the Peruvian banking law, upon Intervention (as defined herein) by the SBS, the operations of Interbank will be interrupted in order to prevent, or to control and reduce the effects of, an Interbank failure. Upon Intervention by the SBS or the dissolution and liquidation of Interbank, the notes may be used to absorb losses.
Loss Absorption	Pursuant to the Peruvian banking law and regulations promulgated thereunder, the SBS shall, when applicable, in the case of an Intervention (as defined in "Description of the Notes—Loss Absorption") by the SBS or the dissolution and liquidation of Interbank, use accrued and unpaid interest on, and principal amounts (including premium, if any) of, the notes, in that order and on a prorated basis and *pari passu* among them, to absorb losses of Interbank. If the SBS were to do so, any losses of Interbank would be absorbed first by the share capital and other instruments which qualify as Tier I Regulatory Capital, second by *instrumentos híbridos representativos de capital y de deuda* (hybrid instruments representing equity and debt) which qualify as Tier II Regulatory Capital, third by *instrumentos no híbridos representativos de capital* (non-hybrid instruments representing equity) which qualify as Tier II Regulatory Capital, fourth by *instrumentos no híbridos representativos de deuda* (non-hybrid instruments representing redeemable debt) which qualify as Tier II Regulatory Capital (such as the notes) and fifth by Tier III Regulatory Capital, in that order.
Form and Denomination.....	The notes will be issued in book-entry form only in minimum denominations of US$150,000 and integral multiples of US$1,000 in excess thereof. The notes will be represented by one or more global notes registered in the name of a nominee of DTC, as depositary, for the accounts of its direct and indirect participants, including Euroclear, as operator of the Euroclear system, and Clearstream.
Further Issues	Subject to applicable Peruvian banking law, and with the prior approval of the SBS, or any other then-applicable Peruvian governmental authority, in accordance with the terms of the indenture relating to the notes, we may issue additional notes of the same series as the notes offered hereby at a future date.

Listing.....	Application has been made to list the notes on the List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market in accordance with its rules and regulations. The notes are not yet listed. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would impose requirements on us that we, in our discretion, determine are impracticable or unduly burdensome, we may delist the notes. In these circumstances, we cannot assure you that we would obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.
Trustee, Registrar, Paying Agent and Transfer Agent	The Bank of New York Mellon
Luxembourg Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Transfer Restrictions	The notes have not been, and will not be, registered under the Securities Act and, accordingly, are subject to limitations on transferability and resale. See "Transfer Restrictions" and "Plan of Distribution".
Governing Law.....	The indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York.
Risk Factors.....	You should consider carefully all of the information set forth in this offering memorandum and, in particular, you should evaluate the risks described under "Risk Factors" beginning on page 28.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables set forth our summary financial information. The income statement data for the years ended December 31, 2019, 2018 and 2017 and the data on the statements of financial position as of December 31, 2019 and 2018 are derived from our audited financial statements and related notes included in this offering memorandum.

The income statement data for the three months ended March 31, 2020 and 2019 and the data on the statements of financial position as of March 31, 2020 are derived from our unaudited interim condensed financial statements and related notes included in this offering memorandum, which have been prepared in accordance with Peruvian GAAP. Our data on the statements of financial position as of March 31, 2019 are derived from our unaudited interim condensed financial statements as of March 31, 2019, which have not been included in this offering memorandum. Our unaudited interim condensed financial statements have been prepared on the same basis as our audited financial statements, except for the application of the new SBS accounting standards due to the COVID-19 pandemic in force as of March 31, 2020 (see note 2.2 to our unaudited interim condensed financial statements), and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

	For the three - months ended March 31, (unaudited)			For the years ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	(S/ in millions)[1]		
STATEMENTS OF INCOME							
Interest income	302.0	1,038.0	971.1	1,191.4	4,094.8	3,589.8	3,369.4
Interest expenses	(83.4)	(286.7)	(295.2)	(358.2)	(1,231.0)	(1,040.7)	(1,010.3)
Gross financial margin[3]	**218.6**	**751.3**	**675.8**	**833.2**	**2,863.8**	**2,549.0**	**2,359.0**
Provisions for loan losses, net	(85.9)	(295.1)	(200.7)	(265.1)	(911.3)	(803.5)	(817.6)
Net financial margin	**132.7**	**456.2**	**475.1**	**568.1**	**1,952.5**	**1,745.5**	**1,541.4**
Income from financial services	70.4	241.8	244.6	300.5	1,032.8	993.1	960.1
Expenses for financial services	(25.1)	(86.4)	(80.4)	(96.8)	(332.8)	(346.0)	(331.5)
Operating margin	**177.9**	**611.6**	**639.3**	**771.7**	**2,652.5**	**2,392.6**	**2,170.0**
Gain on financial transactions	31.6	108.6	122.4	154.0	529.2	417.5	358.0
Administrative expenses	(104.8)	(360.2)	(334.9)	(409.0)	(1,405.9)	(1,302.8)	(1,224.8)
Depreciation	(4.7)	(16.3)	(17.6)	(21.1)	(72.5)	(67.2)	(64.4)
Amortization	(7.4)	(25.6)	(20.3)	(26.5)	(91.2)	(73.9)	(64.9)
Net operating margin	**92.6**	**318.1**	**388.9**	**469.0**	**1,612.1**	**1,366.2**	**1,174.0**
Provision for contingencies and other provisions	(0.6)	(1.9)	(3.8)	(1.8)	(6.3)	(4.7)	(16.3)
Other income, net	(0.6)	(2.1)	1.8	3.2	10.9	2.7	40.5
Income before income tax	**91.4**	**314.1**	**386.8**	**470.4**	**1,616.7**	**1,364.2**	**1,198.2**
Income tax	(23.9)	(82.3)	(100.2)	(115.0)	(395.2)	(324.1)	(296.2)
Net income	**67.5**	**231.9**	**286.7**	**355.4**	**1,221.5**	**1,040.1**	**902.0**

	As of March 31, (unaudited)			As of December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions) [1][2]	(S/ in millions)[1]		
DATA ON STATEMENT AND FINANCIAL POSITION							
Cash and due from banks	2,993.3	10,288.1	9,214.0	2,869.2	9,861.5	8,209.9	11,036.5
Investments, net[4]	1,756.5	6,037.2	5,493.8	1,617.5	5,559.4	5,790.4	6,076.4
Loan portfolio, net	10,112.6	34,757.1	32,035.2	10,107.4	34,739.2	31,268.5	26,771.4
Property, furniture and equipment, net	118.8	408.3	414.1	118.8	408.2	420.5	429.4
Other assets[5]	550.9	1,893.3	1,491.8	504.7	1,734.8	1,438.3	1,008.5
Total assets	**15,532.2**	**53,384.0**	**48,648.9**	**15,217.7**	**52,303.1**	**47,127.6**	**45,322.2**

	As of March 31, (unaudited)			As of December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	(S/ in millions)[1]		
				9,915.7			
Deposits and obligations	9,673.9	33,249.1	31,836.8		34,080.1	30,165.3	29,487.7
Deposits from financial entities	535.3	1,839.8	743.9	445.1	1,529.9	1,158.2	1,107.0
Interbank funds and due to banks and correspondents[6]	1,480.3	5,087.7	3,512.6	1,114.8	3,831.4	3,968.7	4,416.7
Bonds and other obligations	1,699.7	5,841.7	5,623.4	1,692.1	5,815.6	5,400.2	4,538.0
Provisions and other liabilities	340.1	1,168.8	1,759.4	295.9	1,017.1	1,128.4	1,015.8
Total liabilities	**13,729.2**	**47,187.1**	**43,476.1**	**13,463.5**	**46,274.1**	**41,820.8**	**40,565.2**
Shareholders' equity	1,803.0	6,196.9	5,172.8	1,754.1	6,029.0	5,306.8	4,757.0
Total liabilities and shareholders' equity	**15,532.2**	**53,384.0**	**48,648.9**	**15,217.7**	**52,303.1**	**47,127.6**	**45,322.2**

	As of and for the three months ended March 31, (unaudited)			As of and for the years ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	S/ in millions[1]		
SELECTED FINANCIAL DATA AND RATIOS							
Profitability and Performance							
Average total assets	15,343.4	52,735.2	47,478.8	14,464.7	49,715.1	44,769.0	41,282.6
Average shareholders' equity	1,778.6	6,112.9	5,239.8	1,617.4	5,559.1	4,874.5	4,349.7
Average interest-earning assets	14,725.9	50,613.1	45,703.0	13,845.3	47,586.4	43,183.9	39,869.3
Net interest margin[7]		5.9%	5.9%		6.0%	5.9%	5.9%
Adjusted net interest margin[8]		5.9%	5.9%		6.1%	5.9%	5.9%
Efficiency ratio[9]		39.6%	38.7%		38.3%	40.0%	40.5%
Adjusted efficiency ratio[10]		39.6%	41.0%		39.6%	41.4%	40.5%
Return on average total assets[11]		1.8%	2.4%		2.5%	2.3%	2.2%
Return on average shareholders' equity[12]		15.2%	21.9%		22.0%	21.3%	20.7%
Provisions for loan losses net of reversals as a percentage of operating revenue		29.1%	20.9%		22.3%	22.2%	24.4%
Fee income from financial services, net, as a percentage of operating revenues		15.3%	17.1%		17.1%	17.9%	18.8%
Capital and Balance Sheet Structure							
Average shareholders' equity as a percentage of average total assets		11.6%	11.0%		11.2%	10.9%	10.5%
Total liabilities as a multiple of shareholders' equity		7.6	8.4		7.7	7.9	8.5
Regulatory capital as a % of risk-weighted assets (at end period)[13]		16.1%	16.4%		15.2%	15.8%	16.1%
Net loans as a percentage of total deposits		104.5%	100.6%		101.9%	103.7%	90.8%
Total deposits as a percentage of total assets		62.3%	65.4%		65.2%	64.0%	65.1%
NIM after provisions[16]		3.6%	4.2%		4.1%	4.0%	3.9%
Adjusted NIM after provisions[17]		3.6%	4.1%		4.2%	4.2%	3.9%
Credit Quality							
Cost of risk[18]		3.3%	2.4%		2.7%	2.7%	3.0%
Adjusted cost of risk [19]		3.3%	2.6%		2.7%	2.4%	3.0%
Past due loans	293.9	1,010.0	867.4	275.9	948.4	857.1	794.6
Past due loans as a percentage of total gross loans (at end of period)		2.8%	2.6%		2.6%	2.6%	2.9%
Provision expense as a percentage		3.3%	2.6%			2.4%	3.0%

	As of and for the three months ended March 31, (unaudited)			As of and for the years ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	S/ in millions[1]		
of total gross loans					2.7%		
Allowance for loan losses as a percentage of past due loans (coverage ratio)		173.6%	177.0%		176.5%	175.0%	167.2%

	As of and for the three months ended March 31, (unaudited)			As of and for the years ended December 31			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][3]	S/ in millions[1]		
OTHER FINANCIAL DATA							
Operating revenue[9]	295.4	1,015.3	962.4	1,190.9	4,093.0	3,613.6	3,345.7
Dividends	0.0	0.0	467.0	135.9	467.0	405.9	393.8
Dividend payout ratio[14]		0.0%	44.9%		44.9%	45.0%	45.0%
Risk weighted assets[15]	14,915.7	51,265.3	45,448.1	14,743.6	50,673.8	44,391.0	37,745.5
Total regulatory capital	2,404.4	8,264.0	7,466.9	2,234.2	7,679.3	7,007.4	6,066.3
Core equity Tier I ratio		12.0%	10.2%		11.6%	10.6%	10.1%
OTHER DATA							
Inflation rate in Peru		1.8%	2.2%		1.9%	2.2%	1.4%
Exchange rate (S/per US$1.00 at end of period)		3.437	3.318		3.314	3.373	3.241
Number of employees		6,764	6,881		6,756	6,863	6,744
Number of financial stores (at end of period)		254	264		256	270	273

(1) Except for percentages and ratios, number of employees, and number of financial stores.
(2) Amounts stated in U.S. dollars as of and for the three months ended March 31, 2020 and December 31, 2019 have been translated from *soles* at the exchange rate of S/3.437 = US $1.00. See "Exchange Rates".
(3) Gross financial margin represents financial income less financial expenses.
(4) Comprised primarily of investments at fair value through profit or loss, available for sale investments and held to maturity investments.
(5) Comprised primarily of other assets, net investment in subsidiaries and associates and deferred income tax, net.
(6) Comprised primarily of deposits from financial entities payables from repurchase agreements and debts and financial obligations.
(7) Net interest margin is defined as (x) gross financial divided by (y) average interest earning assets.
(8) Adjusted NIM is defined as (x) gross financial margin divided by (y) average interest earning assets excluding financial expense of S/42.3 million before taxes from the execution of a liability management transaction in 2019. Adjusted NIM is a non-GAAP financial measure and should not be considered in isolation or as a substitute for NIM, or other performance measures. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information—Non-GAAP Financial Measures."
(9) Efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue. Operating revenue is the aggregate of gross financial margin plus fee income from financial services, net and gain on financial transactions
(10) Adjusted efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue, excluding (i) the gain on sale of securities for S/128.6 million in January 2018, (ii) the gain on sale of Interfondos to Inteligo for S/52.6 million in January 2019 (iii) the gain on sale of IFS shares on the NYSE for S/121.3 million in July 2019 and (iii) the non-recurring impact from a liability management transaction for S/42.3 million in the last quarter of 2019. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information—Non-GAAP Financial Measures."
(11) Annualized Return on average total assets is defined as net income divided by average total assets.
(12) Annualized Return on average shareholders' equity is defined as net income divided by average shareholders' equity.
(13) Regulatory capital is calculated in accordance with guidelines of the Basel III Accord, as adopted by the SBS. The minimum capitalization ratio (minimum capital requirement expressed as a percentage of risk weighted assets) required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.4% as of March 31, 2020. For the details, see "Regulation and Supervision".
(14) Dividends declared and paid divided by net income from the previous fiscal year.

(15) As reported to the SBS it is the aggregate of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk.
(16) NIM after provisions is defined as net interest margin after provisions for loan losses net of reversals.
(17) Adjusted NIM after provisions excludes (i) financial expense of S/42.3 million before taxes from the execution of a liability management transaction in 2019 and (ii) voluntary provisions to cover potential risks related to the exposure to the construction sector, net of a release of these provisions for S/70.0 million as of December 31, 2018 (S/100.0 million constituted in January 2018). As of December 31, 2019 and the three months ended March 31, 2020 and 2019, the release of such provision amounted to S/15.4 million, S/0.0 million and S/10.0 million, respectively. Adjusted NIM after provisions is a non-GAAP financial measures and should not be considered in isolation or as a substitute for NIM after provisions, or other performance measures. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information —Non-GAAP Financial Measures."
(18) Cost of risk is defined as impairment loss on loans, net of recoveries divided by average gross loans.
(19) Adjusted cost of risk excludes voluntary provisions to cover potential risks related to the exposure to the construction sector, net of a release of these provisions for S/70.0 million as of December 31, 2018 (S/100.0 million constituted in January 2018). As of December 31, 2019 and the three months ended March 31, 2020 and 2019, the release of such provision amounted to S/15.4 million, S/0.0 million and S/10.0 million, respectively. Adjusted cost of risk is a non-GAAP financial measure and should not be considered in isolation or as a substitute for cost of risk, or other performance measures. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information—Non-GAAP Financial Measures."

Non-GAAP Financial Measures

In this offering memorandum, we use adjusted NIM, adjusted NIM after provisions and adjusted cost of risk. These measures are not calculated in accordance with IFRS and we collectively refer to these as non-GAAP financial measures. For more information see "Presentation of Financial and other information – Non-GAAP Financial Measures".

The following tables reflect the reconciliation of adjusted NIM, adjusted NIM after provisions and adjusted cost of risk:

Period ending	Average interest-earning assets (i) (S/ in millions)	Gross financial margin (S/ in millions)	NIM	Adjustment (S/ in millions)	Adjusted NIM	Provisions for loan losses, net of recoveries (S/ in millions)	NIM after provisions	Specific provisions (release of provision), net (S/ in millions)	Adjusted NIM after provisions
December-17	39,869.3	2,358.9	5.9%		5.9%	(817.6)	3.9%		3.9%
December-18	43,183.9	2,549.1	5.9%		5.9%	(803.5)	4.0%	70.0	4.2%
December-19	47,586.4	2,863.9	6.0%	42.3	6.1%	(911.3)	4.1%	(15.4)	4.2%
March-19	45,703.0	675.9	5.9%		5.9%	(200.7)	4.2%	(10.0)	4.1%
March-20	50,613.1	751.3	5.9%		5.9%	(295.1)	3.6%		3.6%

Adjusted cost of risk		For the three-months ended March 31,		For the years ended December 31,		
		2020	2019	2019	2018	2017
		(S/ in thousands)		(S/ in thousands)		
Gross loans portfolio (i)	(A)	36,212,029	32,907,652	34,183,466	30,044,292	26,865,523
Provisions for loan losses, net of recoveries	(B)	(295,110)	(200,714)	(911,323)	(803,501)	(817,608)
Cost of risk	(C) =(B)/(A)	3.3%	2.4%	2.7%	2.7%	3.0%
Specific provision (Release of provision), net	(D)	-	(10,000)	(15,400)	70,000	-
Adjusted provisions for loan losses, after recoveries	(E) =(B)-(D)	(295,110)	(210,714)	(926,723)	(733,501)	(817,608)
Adjusted cost of risk	(F) =(E)/(A)	3.3%	2.6%	2.7%	2.4%	3.0%

(i) Average balance information for the three months ended March 31, 2020 and 2019 is calculated by the sum of the quarter-end balances of the first quarter of each year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by two. Average balance information for full fiscal years has been calculated as the sum of quarter-end balances of any such year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by five.

Adjusted efficiency ratio		For the three-months ended March 31,		For the years ended December 31,		
		2020	2019	2019	2018	2017
		(S/ in millions)			(S/ in millions)	
Gross financial margin	A	751.3	675.8	2,863.8	2,549.0	2,359.0
Income from financial services	B	241.8	244.6	1,032.8	993.1	960.1
Gain on financial transactions	C	108.6	122.4	529.2	417.5	358.0
Expenses from financial services	D	(86.4)	(80.4)	(332.8)	(346.0)	(331.5)
Total	**E = A + B + C + D**	**1,015.3**	**962.4**	**4,093.0**	**3,613.6**	**3,345.6**
Administrative expenses	F	(360.2)	(334.9)	(1,405.9)	(1,302.8)	(1,224.8)
Amortization	G	(25.6)	(20.3)	(91.2)	(73.9)	(64.8)
Depreciation	H	(16.3)	(17.6)	(72.5)	(67.2)	(64.4)
Total	I=F+G+H	(402.1)	(372.8)	(1,569.6)	(1,443.9)	(1,354.0)
Efficiency ratio	**I/E**	**39.6%**	**38.7%**	**38.3%**	**40.0%**	**40.5%**
Gain on sale of securities	J	-	-	-	128.6	-
Gain on sale of Interfondos	K	-	52.6	52.6	-	-
Gain on sale of IFS shares	L	-	-	121.3	-	-
Liability management transaction	M	-	-	(42.3)	-	-
Total adjustments	**N=J+K+L+M**	**-**	**52.6**	**131.6**	**128.6**	**-**
	O=E-N	1,015.3	909.8	3,961.4	3,485.0	3,345.6
Adjusted efficiency ratio	**O/I**	**39.6%**	**41.0%**	**39.6%**	**39.4%**	**40.5%**

RISK FACTORS

An investment in the notes involves a high degree of risk. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the notes. If any of the possible events described below occurs, our businesses, financial condition, results of operations or prospects could be materially and adversely affected. As a result, the value of the notes could decline and you could lose all or part of your investment. The risks and uncertainties below are those known to us and that we currently believe may materially affect us and the notes. We may face additional risks and uncertainties not currently known to us or which as of the date of this offering memorandum we might not consider significant, which may also adversely affect our businesses.

Risks Relating to Our Businesses

We are subject to extensive regulation and supervision, and changes in existing regulations or the implementation of future regulations may have a material adverse effect on our financial condition and results of operations.

We, as a Peruvian bank, are subject to extensive regulation and supervision by the SBS. The SBS also oversees all of our subsidiaries and their operations as well as our branch in Panama. Interbank is also subject to regulation and oversight by the Central Reserve Bank of Peru, which, together with the SBS, has general administrative responsibilities over banks and other financial institutions, including the authority to set loan loss provisions, limits on fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are required to provide the SBS, on a periodic basis, with all information that is necessary to allow for its evaluation of the bank's financial performance.

Also, we are subject to the regulations of the SMV. In addition, we are subject to other regulations, such as the U.S. Foreign Account Tax Compliance Act (FATCA), which could increase compliance costs and, in case of noncompliance could result in liability, additional costs or sanctions imposed by the Internal Revenue Service.

Changes in the regulation and supervision could have a material adverse effect on our financial condition and results of operations. For example, the SBS and the Central Reserve Bank of Peru regulate, and have in the past changed, capital structure and deposit reserve requirements, interest paid on deposit reserves, the amount of deposit reserves for which no interest is payable, rules regarding provisions for loan losses and legal lending limits applicable to Peruvian commercial banks. In addition, Interbank could be subject to limits on the commissions charged to clients. Furthermore, Interbank could be required to increase its level of provisions in response to pro-cyclical provisioning requirements that could be activated by regulators under certain favorable macroeconomic conditions.

As a result of the COVID-19 pandemic, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from 2.25% to 0.25% and approving a new liquidity instrument to provide funds to financial entities, consisting of repurchase operations using Peruvian government guaranteed loans as collateral, which could affect our results of operations. See "Summary—Recent Developments—Measures implemented by the Peruvian government in the face of the COVID-19 pandemic—Measures aimed at strengthening the financial sector".

Additionally, if legislation is enacted or governmental or regulatory action is enacted limiting the amount of ATM fees or surcharges that we may receive or on our ability to charge overdraft or other fees, it could adversely impact our financial results.

Further changes in existing regulations or the implementation of future regulations may also restrict our existing operations, limit the expansion of our business and require extensive system and operating changes that may be difficult or costly to implement.

We cannot predict whether and to what extent new laws and regulations, or changes to existing laws and regulations, affecting our business will be adopted in the future, the timing of any such adoption and what effect such events would have on our financial condition and results of operations.

The COVID-19 pandemic, or an outbreak of another highly infectious or contagious disease, could adversely affect our business, financial condition and results of operations.

Our business is dependent upon the willingness and ability of our customers to conduct banking and other financial transactions. The spread of a highly infectious or contagious disease, such as COVID-19, could cause severe disruptions in the world economy, which could in turn disrupt the business, activities, and operations of our customers, as well as our business and operations. Moreover, since February 2020, the COVID-19 pandemic has caused significant disruption and volatility in the financial markets globally, causing equity levels to fluctuate sharply, which may continue to worsen in the future. The global spread of COVID-19, or an outbreak of another highly infectious or contagious disease, may result in a significant decrease in business activities. In order to contain the spread of COVID-19 in Peru, the Peruvian government announced and implemented several measures such as declaring a state of emergency and ordering a mandatory lockdown and the total closure of Peru's borders, while guaranteeing access to essential goods and services, including banking and financial services, pharmacies, food stores and markets, among others. As a result of these measures, our business operations have been disrupted as a significant portion of our offices and 23 of our financial stores have been closed temporarily. Additional changes in existing regulations or implementation of future regulations in response to the spread of COVID-19 may further restrict our existing operations, limit the expansion of our business and require extensive system and operating changes that may be difficult or costly for us to implement. Furthermore, continued spread of COVID-19, or an outbreak of another contagious disease and additional government restrictions in response to such outbreaks could also negatively impact the business and operations of third-party service providers who perform critical services for our business.

In addition, the effect of COVID-19 or other global pandemics may impact Peru's economy. As such, in addition to public health measures, the Peruvian government has also announced the adoption of other measures to generate monetary and fiscal stimulus and alleviate the financial stress on households and companies. See "Summary—Recent Developments—Measures implemented by the Peruvian government in the face of the COVID-19 pandemic".

Measures such as loan rescheduling and the allowance for partial withdrawals from CTS accounts may impact our interest income and our funding base, respectively. If such measures fail to achieve their intended results, our customers may be unable to meet existing payment or other obligations to us, which could materially and adversely affect our business, financial condition and results of operations. We cannot predict whether and to what extent new or changes to laws and regulations that affect our business will be adopted in response to the COVID-19 pandemic or other outbreaks and what effect such laws and regulations would have on our revenue sources and hence on our financial condition and results of operations.

Moreover, the current COVID-19 pandemic and its potential impact on the global economy may affect our ability to meet our financial targets. While it is too early for us to predict the impact that the expanding pandemic and the governmental responses to it may have on our business or our financial targets, we may be materially adversely affected by a protracted downturn in local, regional or global economic conditions. In that situation, we would need to take action to ensure we meet our minimum capital objectives. These actions or measures may result in material adverse effects on our business, results of operations or strategic plans and targets, the prices of or our ability to make payments on our securities.

As of March 31, 2020, our total loan portfolio amounted to S/35 billion, out of which S/0.6 billion (or 1.8%) were SME loans and S/3.3 billion (or 9.6%) were credit card loans, personal loans and mortgages loans to self-employed individuals. All of these loans are considered to be more susceptible to the impact of the slowdown of the economy due to state of national emergency established as a response to the COVID-19 pandemic. Moreover, credit card loans, personal loans and mortgages loans to private sector employees accounted for S/11.6 billion (or 33.2%), while consumer loans to public sector employees and loans to corporate and medium-sized companies, represented S/19.4 billion (or 55.4%).

Our operations require the maintenance of licenses and noncompliance with applicable license and operating obligations could have a material adverse effect on our business, financial condition and results of operations.

All banks established in Peru require certain authorizations issued by the SBS in order to operate in Peru. In addition, in Panama, all banks, including branches, require a license to operate. Governmental authorities, such as SBS or the Central Reserve Bank of Peru or the Superintendency of Banks of Panama (*Superintendencia de Bancos*

de Panamá), have general administrative responsibilities over banks and other financial institutions, including authority to set loan loss provisions, limits on fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are generally required to provide the relevant banking supervisory agency, on a periodic basis, with all information that is necessary to allow for its evaluation of a bank's financial performance.

We currently have the required licenses in order to conduct our operations. Although we believe we are currently in compliance with our material license and reporting obligations, there is no assurance that we will be able to maintain the necessary licenses in the future. We cannot assure you that future changes to existing laws and regulations, or stricter interpretation or enforcement of existing laws and regulations, will not impair our ability to comply with such laws and regulations and thus with the terms of our licenses.

The loss of a license, a breach of the terms of a license or the failure to obtain any further required licenses in the future could have a material adverse effect on our financial condition and results of operations. If we lose our licenses or are required to seek additional licenses, then we will be unable to perform our operations as we are currently authorized.

Under certain circumstances, the SBS may intervene in our operations in order to prevent, control and reduce the effects of a failure of our operations.

Under the Peruvian Banking and Insurance Law and regulations thereunder, the SBS may intervene in Interbank's operations upon the occurrence of any of the following events:

- Interbank suspends payment of its obligations or is unable to pay its obligations as they come due;
- Interbank breaches any of its commitments to the SBS under a surveillance regime imposed by the SBS;
- Interbank's regulatory capital is less than 50% of the minimum regulatory capital required under the Peruvian Banking and Insurance Law; or
- Interbank experiences a deficit or reduction of more than 50% of its regulatory capital during the preceding 12-month period.

In the event of an intervention, the SBS has the power to institute measures, such as limiting the decisions that could be taken at a shareholders' meeting, suspending our normal activities and segregating certain of our assets and liabilities for transfer to third parties, among others. Furthermore, the SBS has the power under the Peruvian Banking Law to declare the wind-up or liquidation of any bank if an intervention extends longer than 45 days, which may be extended for another 45 days at the sole discretion of the SBS, and/or upon the occurrence of a wind-up or liquidation pursuant to the *Ley General de Sociedades* (Peruvian General Corporations Law).

The adoption of new international banking guidelines may require additional capital and could cause our cost of funds to increase, which could have a material adverse effect on our financial condition and results of operations.

In December 2009, the Basel Committee announced its intention to issue a new framework ("Basel III"), related to the regulation, supervision and risk management of the banking industry. Among the changes adopted by Basel III were raising the quality, consistency and transparency of the capital base; enhancing risk coverage; reducing pro-cyclicality and promoting countercyclical buffers; and addressing systemic risk and interconnectedness.

In July 2011, the SBS issued SBS Resolution No. 8425-2011, establishing the final methodologies in the calculation and the implementation schedule of the additional capital requirements to be implemented in Peru, which, although not completely consistent with Basel III, includes requirements to cover concentration, interest rate and systemic risk, as well as certain pro-cyclical capital requirements. These additional requirements were fully implemented in July 2016. As of the date of this offering memorandum, we are fully compliant with these additional capital requirements.

In February 2016, the SBS issued Resolution No. 975-2016, which aims to improve the quality of the total regulatory capital and align Peruvian regulations towards Basel III. This resolution changed the conditions that subordinated debt must meet in order to be considered in the calculation of additional capital and the calculation methodology applicable to risk-weighted assets. This resolution is applicable to subordinated debt incurred or created from the date of its approval. However, as established in this regulation, subordinated debt incurred or created prior to its approval (and which does not meet the requirements of this new regulation) will still be considered in the calculation of regulatory capital, subject to certain rules specified therein.

Interbank expects to continue to be in compliance with these additional capital requirements; however, Interbank's assumptions with respect to compliance may turn out to be incorrect, and, consequently, have a material adverse effect on its financial condition and results of operations. In addition, the complete adoption of the new Basel III framework may have a material adverse effect on Interbank's financial condition and results of operations.

We cannot assess the compliance with, or the completion, or the implementation of, the above-mentioned requirements and the impact of any such requirements in the future on our financial condition or results of operations.

Our controlling shareholder, Intercorp Peru, is subject to capital requirements imposed by the SBS, and Intercorp Peru's failure to comply with these requirements could have a material adverse effect on our financial condition and results of operations.

The SBS has established minimum capital requirements for financial services holding companies on a fully consolidated basis, which the SBS evaluates on an annual basis. As a result of its direct and indirect equity interest in Interbank, our controlling shareholder, Intercorp Peru, is subject to these minimum capital requirements. Intercorp Peru owns other businesses in addition to ours, and financial information relating to both our business and those other businesses is used to determine compliance with the minimum capital requirements.

According to Peruvian regulations, the subsidiaries directly and indirectly owned by Intercorp Peru qualify as a mixed conglomerate in which three different groups are identified: (i) consolidable group of the financial system; (ii) consolidable group of the insurance system; and (iii) financial group. Pursuant to Peruvian regulations, Intercorp Peru must maintain a higher regulatory capital requirement than the regulatory capital requirements for each of such three groups.

If Intercorp Peru fails to comply with these requirements, the SBS may request that Intercorp Peru take certain corrective actions to ensure compliance. If Intercorp Peru fails to take such actions, the SBS could suspend or revoke our licenses to operate in Peru, which would have a material adverse effect on our financial condition and results of operations.

Changes to the Peruvian GAAP or to any other accounting principles that may become applicable to us could have a negative effect on our internal processes, and the proper implementation of such changes could result in significant expenses.

Peruvian GAAP and any other accounting principles that may become applicable to us could be modified, and new regulations could go into effect in the future. The initial application of new standards or changes to them, or the implementation of any other accounting principles that may become applicable to us could have a negative impact on our internal processes, as well as on our operating results, financial condition and ability to comply with our contractual obligations. As of the date of this offering memorandum, we have not reviewed or quantified the possible impact of the application of new standards or any modifications to Peruvian GAAP, nor the effects of the implementation of other accounting principles that may become applicable to us. It is also possible that financial information prepared in accordance with any new accounting criteria or their respective amendments or any accounting criteria that may become applicable to us, including Peruvian GAAP, may not be comparable with the financial information reported during previous periods. You should consult your own advisors regarding potential changes to the accounting criteria applicable to us and the way in which those changes could affect the comparability of the financial information included in this offering memorandum.

We face intense competition from other banking and financial institutions, and from other players including providers of emerging financial technologies and failure to compete successfully could have a material adverse effect on our financial condition and results of operations.

The banking market in Peru is highly competitive. Interbank has experienced strong competition from local and foreign banks, including new entrants attracted by Peru's low banking penetration, as well as from department stores that offer credit cards, from emerging financial technology companies that offer digital banking and other services both on a regulated and unregulated basis, and from the local and international capital markets that lend to commercial customers. Competition may reduce the average interest rates that Interbank can charge its customers, increase the average rates Interbank must pay on its deposits, and may negatively affect its loan growth and place pressure on margins. Some of Interbank's competitors may have access to greater resources and be more successful in the development of products and services that compete directly with Interbank's products and services. If Interbank's competitors are successful in developing products and services that are more effective or less expensive than the products and services offered by it, Interbank may be unable to compete successfully. Even if Interbank's products and services prove to be more effective than those developed by other competitors, such other competitors may be more successful in marketing their products and services because of their greater financial resources or marketing strategies, among other factors. Interbank may not be able to grow or maintain its market share if it is not able to match its competitors' pricing or keep pace with their development of new products, services and technological innovation/developments. Adverse impact on Interbank resulting from increased competition could have a material adverse effect on our financial condition and results of operations.

Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior could have a material adverse effect on our financial conditions and results of operations.

Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets. Furthermore, the widespread adoption of new technologies, including payment systems, could require substantial expenditures to modify or adapt our existing products and services as we continue to grow our digital capabilities. Our customers may choose to conduct business or offer products on alternative or emerging platforms. Such new technologies could negatively impact our investments in bank premises, equipment and personnel for our branch network, or if we do not properly anticipate trends, render our existing investments in our digital platform moot. If we fail to adapt to changes in technologies or changes in customer behavior, it may have an adverse impact on Interbank resulting from increased competition, which could have a material adverse effect on our financial condition and results of operations.

The banking market is exposed to macroeconomic shocks that may negatively impact household income and, consequently, could have a material adverse effect on our financial condition and results of operations.

Interbank's strategy is to focus on the retail and commercial banking sectors and to grow and gain market share profitably. As a result, Interbank's loan portfolio will become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of Interbank's customers and result in increased loan losses, such as the current COVID-19 pandemic. Because the penetration of bank lending products in the Peruvian retail sector has been historically low, there is no basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant devaluation of the *sol*, and Interbank's historical loan loss experience may not be indicative of the performance of its loan portfolio in the future. In addition, our commercial clients could be negatively affected by global and local macroeconomic trends. For example in past years, our provisions for loan losses, in particular related to credit cards granted to certain vulnerable sectors of the Peruvian economy, have significantly increased during slowdowns of the Peruvian economy. As such, since the COVID-19 pandemic is impacting our retail and commercial clients, we expect our risk profile to deteriorate, which would adversely affect our business, financial condition and results of operations, including our ability to repay the notes. See "Management's Discussion and Analysis of Results of Operations and Financial Conditions–COVID-19 Pandemic".

Additionally, in part due to the de-dollarization policy sponsored by the Peruvian government there is a mismatch between our U.S. dollar denominated deposits and *sol* denominated loans. See "Management's Discussion and Analysis of Results of Operations and Financial Conditions – Depreciation and Appreciation of the Sol".

Our loans, our deposits and our profits have all experienced substantial growth, benefitting from growth in the Peruvian economy. We may not be able to continue our historically strong growth.

We have experienced significant growth over the last 10 years and our loans, our deposits and our profits have all experienced substantial growth. We may not be able to continue to grow strongly or at all in the future due to factors beyond our control, in particular considering the recent slowdown of the Peruvian economy, which could have a material adverse effect on our financial condition and results of operations.

We could sustain losses if Interbank's asset quality declines.

Our earnings are significantly affected by Interbank's ability to properly originate, underwrite and service loans. We could sustain losses if Interbank incorrectly assesses the creditworthiness of its borrowers or fails to detect or respond to deterioration in asset quality in a timely manner. Problems with asset quality could cause our net interest and similar income to decrease and our provisions for loan losses to increase, which could adversely affect our financial condition and results of operations. More recently, the ongoing COVID-19 pandemic could affect our ability to accurately assess the creditworthiness of our borrowers, which would lead to a deterioration of risk profile and adversely affect our business, financial condition and results of operations, including our ability to repay the notes.

Reduced diversification in Interbank's loan portfolio could have a material adverse effect on our financial condition and results of operations.

While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies, Interbank's pursuit of opportunities in which it can charge higher interest rates may reduce diversification of the loan portfolio and expose Interbank to greater credit risk. Reduced diversification could expose Interbank to greater risks in the event of a decline in asset quality. In addition, given the relatively small size of the Peruvian economy, Interbank's lending diversification is by necessity lower than that of banks with operations in larger economies. Moreover, certain concentrations of borrowers' commercial sectors may be unavoidable in Peru—principally the natural resources, fishing, agriculture and mining sectors—and deteriorations in such sectors could have a material adverse effect on Interbank's deposits, loan performance and other businesses.

Furthermore, as of March 31, 2020 and December 31, 2019, retail banking loans accounted for approximately 55.9% and 55.4% of Interbank's loan portfolio, respectively. Higher than average exposure to retail banking could be accompanied by greater credit risk due to higher risk profiles compared, particularly, to loans to large corporate customers. Given the significant recent growth of Interbank's loan portfolio, historical loss experience may not be indicative of future doubtful loan experience. Moreover, since the ongoing COVID-19 pandemic is impacting our retail and commercial clients, we expect our risk profile to deteriorate, which would adversely affect our business, financial condition and results of operations, including our ability to repay the notes.

The allowances of Interbank for impairment losses may not be adequate to cover the future losses to its loan portfolio or other assets, which could have a material adverse effect on our financial condition and results of operations.

Interbank records allowances for impairment losses on loans and other assets. The amount of allowances recorded is based on Interbank's current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, Interbank's borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Peru's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond Interbank's control. In addition, as these factors evolve, the models Interbank uses to determine the appropriate level of allowance for impairment losses on loans and other assets require recalibration, which can lead to increased allowances. For example, allowances for impairment losses on loans have significantly increased mainly due to the impact of the COVID-19 pandemic which has resulted in the slowdown of the Peruvian economy. If Interbank's assessment of and expectations concerning the above-mentioned factors differ from actual developments, or if the quality of its loan portfolio deteriorates or the future actual losses exceed its estimates, Interbank's allowance for impairment losses may not be adequate to cover actual losses and it may need to make additional allowances for impairment losses, which could have a material adverse effect on our financial condition and results of operations.

Our investment activities are subject to factors beyond our control, and losses from our exposures could result in a material adverse effect on our financial condition and results of operations.

As part of its treasury operations, Interbank trades various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives, as both agent and principal, and derives a proportion of its non-financial income from trading profits. Interbank has established position limits for *sol* and foreign currency-denominated securities in accordance with its overall risk management policy and with the SBS requirements. However, Interbank is exposed to numerous factors that are beyond its control, including overall market trading activity, interest rate levels, the credit risk of its counterparties and general market volatility. For example, the COVID-19 pandemic increased the volatility in the value of our investment portfolio, especially during March 2020. In addition, a significant part of Interbank's trading is related to customer transactions, and Interbank could be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions, and the risk that the instruments with which Interbank chooses to hedge certain positions do not track the fair value of those positions. If Interbank incurs any losses from these exposures, it could reduce Interbank's trading profits or cause it to suffer losses from trading activities, either of which could have a material adverse effect on our financial condition and results of operations. Furthermore, our investments may be subject to impairment due to mark-to-market, which could cause volatility in our financial condition and result of operations.

Interest rate changes could have a material adverse effect on our financial condition and results of operations.

Our financial condition and results of operations depend to a large extent on our financial margin, which in turn depends on our ability to charge interest on interest-earning assets, such as loans to customers, that is higher than the interest they pay on interest-bearing liabilities, such as deposits. Changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also adversely affect our ability to originate loans and obtain deposits. We cannot control or predict with certainty changes in interest rates since market interest rates are sensitive to many factors beyond our control, including the interest rate policies of the Central Reserve Bank of Peru and the U.S. Federal Reserve. It is unclear whether interest rates on U.S. dollar or *soles* denominated debt will rise in the future or whether increases in market interest rates in Peru could require Interbank to increase the interest rates it pays on deposits. If we were unable to implement commensurate and timely increases in interest rates on loans they originate, our margins would decline. Most recently, as a result of the COVID-19 pandemic, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from 2.25% to 0.25%. Accordingly, concerns regarding low interest rates generally and potential negative interest rates may negatively affect Interbank's net interest income, which may have an adverse impact on its profitability. A continued or protracted period of low interest rates, or a move to negative interest rates, could result in lower revenue, and maintain or increase pressure on net interest income, which may materially and adversely affect our results of operations.

Interbank's primary sources of funds are retail deposits with no specific or contractual maturity, and a substantial portion of the loans it originates have a longer term. The difference in maturities between deposits and loans could magnify the effect of any interest rate mismatch, as well as pose a liquidity risk if Interbank were not able to obtain funding as its liabilities mature.

Furthermore, in 2017, the United Kingdom Financial Conduct Authority (the authority that regulates the London Interbank Offered Rate ("LIBOR")) announced that it will stop compelling banks to submit rates for the calculation of LIBOR after the end of 2021, creating considerable uncertainty regarding the publication of such rates beyond 2021. There are currently no agreed upon alternative reference rates. Currently, we cannot reasonably estimate the impact that the transition to alternative reference rates may have on the valuation, pricing and operation of our LIBOR-based financial instruments or obligations, however such changes and could have a material adverse effect on our financial condition and results of operations.

Interbank may not be able to obtain the funding required to support growth and implement its strategy.

Interbank's strategy to grow its loan portfolio will require it to continue to have an active funding strategy. Interbank's access to funding will depend on many factors, including factors beyond our control, such as any credit crunch, public health crises and epidemics/pandemics (such as the ongoing COVID-19 pandemic), or other conditions

in global capital markets and investors' perceptions of the risks of investing in Peru and emerging markets generally. The 2008 and 2009 global financial and economic crisis, the debt crisis in Europe and general market volatility, for example, had a negative impact on the liquidity of global financial markets. In the case of similar events, any equity or debt financing, if available at all, may be on terms that are not favorable to Interbank. If access to funding is limited, Interbank may not be able to implement its strategy, which could have a material adverse effect on our financial condition and results of operations.

A downgrade in our credit ratings could increase our cost of borrowing funds and make our ability to raise new funds and renew maturing debt more difficult.

Our credit ratings are an important component of our respective liquidity profile. Among other factors, Interbank's credit ratings are based on its financial strength, the credit quality and concentrations in its loan portfolio, the level and volatility of its earnings, its capital adequacy, the quality of management, the liquidity of its balance sheet, the availability of a significant base of core retail and commercial deposits and its ability to access a broad array of funding sources.

On April 21, 2020, Fitch revised Interbank's outlook from stable to negative in light of increased downside risks from the economic implications of the COVID-19 pandemic. In addition, our creditors may be sensitive to this ratings downgrade and the risk of a future ratings downgrade, which could increase the cost of refinancing our existing obligations, raising funds in the capital markets and borrowing funds from private lenders, and could in turn have a material adverse effect on our financial condition and results of operations.

Our reliance on Peruvian sovereign soles-denominated (bonos soberanos) or foreign-currency global bonds in our investment portfolios leaves us vulnerable to a default on such debt.

A substantial portion of our investment portfolio consists of Peruvian sovereign soles-denominated (*bonos soberanos*) or foreign-currency global bonds and Central Reserve Bank of Peru certificates of deposit, which represented 58.6% of our investment portfolio as of December 31, 2019 (before accrued interest) and 64.9% of our investment portfolio as of March 31, 2020 (before accrued interest). A default on Peruvian sovereign debt could have a material adverse effect on our financial condition and results of operations.

We are dependent on key personnel.

Our development, operation and growth have depended significantly upon the efforts and experience of our board of directors, senior management and key personnel. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe. Although we currently expect that our board of directors and other senior managers will continue in their positions, the loss of their services, or our inability to attract and retain qualified personnel to replace them, could have a material adverse effect on our financial condition and results of operations.

Our controlling shareholders may exercise substantial influence in a manner that differs from your interests as a noteholder.

Our principal shareholders have and will continue to have the ability to elect all of our directors and officers and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of dividends. Even though our board of directors has independent directors and is responsible for establishing our general business policies and guidelines, as well as our long-term strategy, our principal shareholders have significant influence in such determinations and other operating and management matters.

As of the date of this offering memorandum, our board of directors consists of ten members, six of whom are independent. In circumstances involving a conflict of interest between our shareholders, on the one hand, and the holders of the notes, on the other hand, our shareholders may exercise their ability to control us in a manner that would be adverse to the holders of the notes. For example, our shareholders may direct us, or cause our board of directors and/or executive officers to direct us, not to engage in certain activities, to make certain expenditures and dividend payments and/or enter into transactions with affiliates, which direction may be designed primarily to promote their own goals and not exclusively to enhance our business. The impact of such actions could have a material adverse

effect on our financial condition and results of operations and, as a result, impair our ability to make payments under the notes.

Interruption, mismanagement or failure in our information technology systems may adversely affect our operations.

As a financial institution, our success depends on the efficient and uninterrupted operation of our computer and communications hardware systems and our applications, including systems and applications that support the operation of our financial stores, ATMs, *Interbank Agente* (correspondent agents), mobile applications and website, as well as the infrastructure components that support our operations (communication devices, networking, etc.). Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, sabotage, computer viruses, cyber-attacks, physical or electronic break-ins and similar events or disruptions. Any of these events could cause system interruptions, delays and losses of critical data and could prevent us from operating at optimal levels or at all.

Any failure, interruption or breach in security of our information systems could result in failures or interruptions in our risk management, general ledger, deposit servicing, loan organization and/or other important operations, as applicable. Although we have developed back-up systems and a disaster recovery center, and may continue some of our operations in case of emergency, if our information systems fail, even for a short period of time, then we may be unable to serve some or all of our customers' needs on a timely basis. Likewise, a temporary shutdown of our information systems could result in additional costs for information retrieval and verification. In addition, failure to update and develop our existing information systems as effectively as our competitors may result in a loss of the competitive advantages that we believe that the information systems provide. Furthermore, we may not have adequate insurance coverage or insurance limits to be compensated for losses from a major interruption.

If we experience a data security breach and confidential customer information is disclosed to or accessed by third parties, our customers could be adversely affected. The collection of data and processing of transactions require us to receive and store a large amount of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions, including Peru. Data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting U.S. state and federal legislative proposals addressing data privacy and security. We are subject to requirements to protect the personally identifiable information that we process in connection with our services. We may become exposed to potential liabilities with respect to the data that they collect, manage and process, and may incur legal costs if our information security policies and procedures are not effective or if we are required to defend our methods of collection, processing and storage of personal data. Security breaches, lawsuits or adverse publicity relating to our methods of handling personal data could have a material adverse effect on our business, financial condition and results of operations due to the costs and negative market reaction relating to such developments.

In addition, our current strategy involves significant investments to expand and develop our IT, applications and systems in order to unify and simplify them, and increase the volume of transactions and operations performed online by our personnel and clients. We have also contracted with a third party provider to ensure the stability and security of our systems and IT infrastructure and to also bear the risk of the failure of that third party. However, there can be no assurance that such strategy or its implementation will be successful, or whether it will result in failures, shutdowns or damage to our business and operations.

The occurrence of any failures or interruptions in our IT systems, or our failure to adequately address them if they do occur, as well as data security breaches incurred by us, could have a material adverse effect on our reputation, financial condition and results of operations, including as a result of facing significant fines, customer notice obligations or costly litigation, maintaining or upgrading our IT systems, or performing other IT services on a timely basis.

Cyber-security events could negatively affect our reputation or results of operations and may result in litigation.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks as well as increased connections of equipment and systems to the internet. Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention prompting U.S. state and federal legislative

proposals addressing data privacy and security. We depend on a variety of internet-based data processing applications, communication, and information exchange platforms and networks as part of our operations and our digital strategy.

Recently, as a result of the COVID-19 pandemic, cyber-security risks have increased primarily due to the remote workforce. In this sense, we have implemented additional cyber-security measures to prevent, detect, and respond to these enhanced cyber-security risks. These measures focus primarily on strengthening the security of the devices used by our employees working remotely, improving the authentication methods used on remote connections and increasing the frequency of our cyber-security awareness program. Additionally, we have strengthened the capacity of our cyber-security threat intelligence procedures and we continuously assess and strive to improve the effectiveness and security of our systems. However, we cannot assure you that the measures taken will be successful in preventing attacks or that our systems are completely safe from cyber-attack vulnerability.

In the event of a cyber-attack, we could have our business operations disrupted, experience losses and incur response costs, and could be subject to litigation and damage to our reputation. A cyber-attack could have a material adverse effect on our business, financial condition and results of operations. For further information on our cybersecurity protections and details of our information technology units, see "Business – Information Technology Unit."

We are susceptible to fraud, unauthorized transactions and operational errors.

We are susceptible to, among other things, fraud or bad faith by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and remedied. In addition, a number of transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all.

While we maintain a system of internal controls designed to monitor and control operational risk, losses from the failure of our system of internal controls to discover and rectify such risks could have a material adverse effect on our reputation, our financial condition and results of operations.

Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.

Although we believe that our insurance policies provide adequate coverage for the risks inherent in our businesses, these insurance policies typically exclude certain risks and are subject to certain thresholds and limits. We cannot assure you that our properties, equipment, inventories and other assets will not suffer damage due to unforeseen events or that the proceeds available from our insurance policies will be sufficient to protect us from all possible loss or damage resulting from such events. We renew our insurance policies on an annual basis. The cost of coverage may increase to an extent that we may choose to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, adverse political developments, security concerns and natural disasters may materially adversely affect available insurance coverage and result in increased premiums for available coverage and additional exclusions from coverage. As a result, our insurance coverage may prove to be inadequate for events that may cause significant disruption to our operations, which could have a material adverse effect on our financial condition and results of operations.

Our employees could join labor unions and we could be subject to organized labor actions, including work stoppages that could have a material adverse effect on our business.

Even though our employees are not unionized and have not entered into any collective bargaining agreement, nothing prevents them from doing so in the future. Conflicts with our employees and organized labor actions such as work disruptions or stoppages or requirements to increase employee salaries and/or benefits as a result of future collective bargaining agreements, governmental regulations or policies or otherwise could cause us to suffer a material adverse effect on our financial condition and results of operations.

Our trademarks and trade names may be misappropriated or challenged by others.

We own the material trademark and trade name rights used in connection with our brands and businesses and the marketing and sale of their respective products and services. We believe our brand names and related intellectual property are important to our continued success. We attempt to protect our trademarks and trade names by exercising our rights under applicable trademark and copyright laws. Any infringement of our intellectual property rights would likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could be expensive and time-consuming. If we were to fail to protect our intellectual property rights for any reason, it could have a material adverse effect on our financial condition and results of operations.

Any failure to comply with anti-corruption, anti-bribery, anti-money laundering, anti-terrorist financing and antitrust laws and regulations could damage our reputation or expose us to penalties.

We are subject to anti-corruption, anti-bribery, anti-money laundering, anti-terrorist financing, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of Peru and certain other jurisdictions. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. The Peruvian regulatory regime related to anti-bribery and anti-corruption legislation is still developing and could be less stringent than anti-bribery and anti-corruption legislation which has been implemented in other jurisdictions. We believe we are in compliance with the applicable anti-money laundering and counter-terrorist financing laws and regulations and have adopted policies and procedures, including a "know-your-client" client identification program, and enhanced their due diligence procedures, internal controls, quality assurance and anticorruption program. Our compliance program is based upon the applicable Peruvian and Panamanian laws and best international practices. In addition, we perform due diligence on financial institutions to ensure that they have the same standard on anti-money laundering policies and procedures. Although these measures mitigate money laundering and terrorist financing risks, these risks are not fully eliminated. Therefore, when we identify suspicious activities, such activities are reported to the authorities as well as risks included in an internal "black list" to block future transactions and protect us against reputational risk. However, these measures, procedures and compliance may not be completely effective in preventing third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks' and reinsurance institutions') knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement, including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, we are the correspondent bank for certain global banks, and our failure to comply with anti-corruption, anti-bribery, anti-money laundering, anti-terrorist financing and antitrust laws and regulations could also affect our relationship with these global banks.

We have not been subject to fines or other penalties, and we have not suffered business or other reputational impact, as a result of alleged money laundering activities in the past. However, there can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. We may in the future discover instances in which we have failed to comply with applicable laws and regulations or internal controls. If any of our employees, contractors, agents, officers or other persons with whom we conduct business engage in fraudulent, corrupt or other improper or unethical business practices or otherwise violate applicable laws, regulations or our own internal compliance systems, we could become subject to one or more enforcement actions by Peruvian or foreign authorities (including the U.S. Department of Justice) or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

We are subject to litigation and other legal, administrative and regulatory proceedings.

We are regularly party to litigation and other legal proceedings relating to claims resulting from our operations in the normal course of business. Even though we do not have any material litigation, the interpretation and enforcement of certain provisions of our existing or any additional agreements may result in disputes among us and our customers or third-parties. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. We cannot assure you that the legal, administrative and regulatory proceedings in which we are involved will not

materially and adversely affect our ability to conduct our business in the manner that we expect or otherwise adversely affect our results of operations and financial position should an unfavorable ruling occur.

Legal restrictions on our clients may reduce the demand for our services.

We may be materially affected not only by regulations applicable to us, but also by regulations and changes in enforcement practices applicable to our clients. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives, consumer protection laws, data use regulation and other governmental regulation and policies, and changes in the interpretation or enforcement of existing laws and rules that affect our clients' businesses and the financial markets. For example, a focus on tax compliance and changes in enforcement practices could lead to asset outflows from our private banking businesses.

Risks Relating to Peru

Economic, social and political developments in Peru, including political instability, inflation and unemployment, could have a material adverse effect on our businesses.

Substantially all of our operations and customers are located in Peru. Accordingly, our financial condition and results of operations will be dependent on the level of economic activity in Peru. Our financial condition and results of operations could be affected by changes in economic and other policies of the Peruvian government (which has exercised and continues to exercise substantial influence over many aspects of the private sector) and by other economic and political developments in Peru, including devaluation, currency exchange controls, inflation, economic downturns, political instability, corruption scandals, social unrest and terrorism.

In the past, Peru has experienced political instability that has included a succession of regimes with differing economic policies and programs, followed by periods of stability. At present, Peru is a stable democracy having completed a peaceful transition from the administration of President Ollanta Humala to President Pedro Pablo Kuczynski, who took office in July 2016, and to President Martin Vizcarra after President Kuczynski's resignation. On September 30, 2019, President Martin Vizcarra took executive action to dissolve the Peruvian congress and called for a new election of congressional members in January 2020. Vizcarra's extraordinary congressional elections took place on January 26, 2020. Members of a diversity of political parties were elected to complete a constitutional term ending on 2021. There is no assurance as to whether the recently-elected Congress will support government measures. Currently, President Martín Vizcarra has popular approval of the Peruvian public. However, should President Martín Vizcarra or any official of his administration become involved in corruption investigations or other scandals, popular support for his government and policies may be adversely affected and result in additional disruption to Peru's political landscape.

President Vizcarra has been known for pursuing business-friendly and open-market economic policies. However, previous governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. We cannot be certain whether the Peruvian government will continue to pursue business-friendly and open-market economic policies that stimulate economic growth and social stability. Political uncertainty could impact interest rates and currency volatility, as well as adversely and materially affect the Peruvian economy, which could have a material adverse effect on our financial condition and results of operations.

During the 1980s and the early 1990s, Peru experienced severe terrorist activity targeted against, among others, the Peruvian government and the private sector. Despite the suppression of terrorist activity, a resurgence of terrorism in Peru may occur, which could disrupt the economy of Peru and our business. In addition, Peru has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations.

During the past 18 years, Peru has experienced a period of relative economic and political stability as compared to the period between 1980 and 2000. Peru's GDP growth rates, low inflation, and external surplus reflect, in part, the strength of Peru's economic fundamentals. However, a deterioration of the global economy or a sharp decrease in commodity prices may adversely affect Peru's economy. In addition, an economic contraction or weak

economic growth in Peru's trading partners may have an adverse effect on Peru's economy. Despite Peru's ongoing economic growth and stabilization, social and political tensions and high levels of poverty and unemployment continue. The combination of these factors may be exacerbated by the macroeconomic impact of the COVID-19 pandemic and the Peruvian government's response to prevent the spread and mitigate its effects, which may lead to economic, social and/or political crises which can spark a wave of protests and social unrest.

There can be no assurance that Peru will not face political, economic or social problems in the future or that these problems will not adversely affect our business, financial condition and results of operations. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies.

Public health crises and epidemics/pandemics, such as that being caused by the COVID-19 pandemic, may materially and adversely affect Peru's economy. Additionally, the Peruvian government measures adopted in order to address these health crises and epidemic/pandemics, such as the ongoing COVID-19 pandemic, may not be sufficient to address their impact.

The Peruvian government is deploying various economic and public health measures to address the pandemic caused by COVID-19. These measures are part of an economic stimulus plan that includes tax incentives among other tools intended to address the immediate impacts of the national state of emergency invoked by the Peruvian government to attempt to contain spread of the virus and lessen the strain on the health care system and the impact on the overall economy. The MEF, the Central Reserve Bank of Peru, the SBS, as well as other government entities have adopted specific measures to provide economic support to segments of the population, such as vulnerable population and small enterprises, which are most at risk in this crisis. See "Government measures in the face of the COVID-19 pandemic".

The COVID-19 pandemic has had a material adverse impact on the Peruvian economy resulting in lower prices for primary goods, volatility in the financial markets, reduced international trade and lower activity in certain of the key drivers of the local economy. In addition, social distancing and stay-at-home quarantine measures imposed to minimize pressure on the healthcare system and contain social costs, are adversely affecting dynamism of various productive sectors of the economy. Reduced activity in these economic sectors has resulted in reduced employment and less income for families and companies. COVID-19 has generated a simultaneous shock on supply and demand – a supply shock resulting from the abrupt paralysis of production in multiple sectors and on demand as a result of reduced consumption – which amplifies the negative effects on the economy.

Both the primary and secondary sectors of the Peruvian economy have been affected, among the most impacted being: (i) tourism, restaurants and travel agencies, (ii) transportation, warehousing and messengers and (iii) art and entertainment, in particular because of the suspension of group activities and self-isolation/social distancing mandates. See "Summary—Recent Developments—Measures implemented by the Peruvian government in the face of the COVID-19 pandemic".

In the face of the crisis, Peru has committed to dedicate significant resources to strengthening the public health system. Social support to the neediest families has been approved to provide a public safety net to soften the impact of the consequences of the virus on Peru's most vulnerable citizens. Over the long-term, we cannot assure you that the measures adopted by the Peruvian government to counteract the effects of the COVID-19 pandemic will be sufficient to restore public confidence in the economy or to restore economic growth.

Fluctuations in the value of the sol could have a material adverse effect on our financial condition and results of operations.

As the Peruvian banking system is highly dollarized, with 30.6% of outstanding loans and 40.7% of deposits denominated in U.S. dollars as of March 31, 2020, devaluation of the *sol* against the U.S. dollar could have a negative impact on the ability of Interbank's clients to repay loans and make premium payments. Despite any devaluation, and absent any change in foreign exchange regulations, Interbank would be required to continue to repay dollar-denominated deposits in U.S. dollars. In addition, while we seek to manage the gap between Interbank's foreign currency-denominated assets and liabilities, by matching, for example, the volumes and maturities of Interbank's *sol*-denominated loans against Interbank's *sol*-denominated deposits, we may not be successful in doing so. Therefore,

any significant devaluation of the *sol* against the U.S. dollar could have a material adverse effect on our financial condition and results of operations.

Potential exchange controls implemented by the Peruvian government could adversely affect our ability to pay dividends and have a material adverse effect on our financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. During this period, protectionist and interventionist laws and policies have been dismantled gradually to create a liberal economy dominated by the private sector. Exchange controls and restrictions on remittances of profits, dividends, and royalties have ceased. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. The Peruvian economy has responded to this transformation by growing at a compound average annual rate of 9.7% during the period from 1994 to 2013, which growth rate has slowed down in recent years. Currently, foreign exchange rates are determined by market conditions, with regular open-market operations by the Central Reserve Bank of Peru in the foreign exchange market to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to repay debt or other obligations and therefore restrict our access to international financing.

Increased inflation in Peru could have an adverse effect on the Peruvian long-term credit market as well as the Peruvian economy generally and, therefore, on our financial condition and results of operations.

In the past, Peru has suffered through periods of high and hyper-inflation, which has materially undermined the Peruvian economy and the Peruvian government's ability to create conditions that support economic growth. In response to increased inflation, the Central Reserve Bank of Peru, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect our results of operations, increasing the cost of certain funding. Additionally, a return to a high inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins.

The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.

Financial institutions, including Interbank, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s.

If depositors withdraw significant holdings from banks generally, including Interbank, there will be a substantial adverse impact on the manner in which financial institutions, including Interbank, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which could have a material adverse effect on our financial condition and results of operations.

The Peruvian economy could be adversely affected by economic developments in regional or global markets.

Financial and securities markets in Peru are influenced by economic and market conditions in regional or global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may adversely affect cash flows and securities from issuers in other countries, including Peru. For example, the Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the fair value of securities issued by companies from markets throughout Latin America. The crisis in the Asian markets beginning in 1997 also negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, Peru's

economy continues to be affected by events in the economies of its major regional partners and in developed economies that are trading partners or that affect the global economy.

The 2008 and 2009 global financial and economic crisis, principally driven by the subprime mortgage market in the United States, substantially affected the international financial system, including Peru's securities market and economy. Additionally, the debt crisis in Europe, which began with the financial crises in Greece, Spain, Italy and Portugal, reduced the confidence of foreign investors, which caused volatility in the securities markets and affected the ability of companies to obtain financing globally. Doubts about the pace of global growth, particularly in the United States, contributed to already weak international growth in 2011, 2012 and 2013. More recently Brexit and regional developments in China and other countries have contributed to increased volatility and uncertainty in a number of financial markets. In addition, the crisis affecting emerging markets that began in the second quarter of 2018 as a result of the rise in interest rates by the U.S. Federal Reserve and the trade war between the United States and China, among other factors, could have an impact on the Peruvian economy. Any interruption to the recovery of the developed economies, the continued effects of the global crises, a worsening or resurgence of the debt crisis in Europe, impacts due to Brexit or a new economic and/or financial crisis, or a combination of the above, could affect the Peruvian economy, and, consequently, materially adversely affect our business. In particular, the Peruvian economy has recently suffered the effects of lower commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves and an increase in its current account deficit. Our business is particularly sensitive to economic and market conditions which affect products of various export industries, including textile, fishing, and agriculture. In addition, we are active in the real estate sector, which can also be highly sensitive to macroeconomic developments. Although we have relatively little exposure to the mining sector, a decline in commodity prices could negatively affect the Peruvian economy as a whole. Any increase in the number of delinquencies or defaults would result in higher levels of non-performing assets and provisions for loan losses, which could have a material adverse effect on our financial condition and results of operations.

Additionally, the COVID-19 pandemic has affected the economy of some of Peru's main trade partners, such as China, the United States and the European Union. In this sense, Peru's revenues from trade activity may be negatively impacted in 2020. Furthermore, other adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our businesses.

A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.

In 2019, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 70.8% of Peru's total exports, compared to a 72.6% in 2018, according to the Central Reserve Bank of Peru figures. A decline in commodity prices in the international markets, especially traditional minerals which represented 58.9% of exports by value in both 2019 and 2018, may have an adverse impact on government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining concerns. By potentially affecting private sector demand and investor confidence, lower commodity prices could also affect the banking and insurance sector, leading to, for example, lower credit demand, deteriorating asset quality and currency devaluation. A decline in commodity prices could also materially affect the finances of some of our clients that rely on revenue from natural resources.

The market volatility generated by distortions in the international financial markets may affect the Peruvian capital markets and the Peruvian banking system.

The global financial and economic crisis of 2008 and 2009 adversely affected and increased the volatility of the performance of the BVL. In recent years, the BVL has experienced increased participation from local and international retail investors that react rapidly to the effects from international markets. The General Index of the Lima Stock Exchange increased by 28.3% in 2017, decreased by 3.1% in 2018 and increased by 6.1% in 2019 and decreased by 29.5% by March 2020, according to the *Reporte Diario* issued by the BVL. Additionally, the BVL has been downgraded from an "emerging market" to "frontier market", which will affect trading activity in the Peruvian capital markets. Accordingly, volatility in the international markets may further adversely affect the Peruvian capital markets

and could therefore impact our ability to raise funds from local capital markets at a level necessary to fund our operations.

The Peruvian banking system has not experienced any significant liquidity problems as a result of the recent international liquidity environment, primarily because the major source of funds for local banks, including Interbank, is represented by the deposit base. Future market volatility, however, may affect the Peruvian banking system, including Interbank, and such volatility could have a material adverse effect on our financial condition and results of operations.

Our operations could be adversely affected by an earthquake or other natural disasters.

Peru is affected by *El Niño*, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and various other effects in other parts of the world. The effects of *El Niño*, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and it accordingly can have a negative impact on Peru's economy. For example, in early 2017, *El Niño* adversely affected agricultural production, transportation services, tourism and commercial activity, caused widespread damage to infrastructure and displaced people and resulted in a 1.5% drop in GDP growth in 2017 relative to 2016 figures. The Peruvian government estimated that *El Niño* caused US$2.8 billion estimated in damages in affected regions in the first half of 2017. In particular, *El Niño* has affected and could in the future affect our loan activity and asset quality, as loan agreements typically allow borrowers to extend payments for a certain amount of time due to *El Niño* and it could ultimately affect their payment capacity when the extensions run out.

Peru is also located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. Although our headquarters and financial stores in Peru have not been materially affected by an earthquake, a major earthquake could damage the infrastructure necessary to our operations.

Although we have insured against damage caused by an earthquake and other natural disasters, accidents and other similar events (including coverage for losses due to resulting business interruption), the occurrence of an earthquake in particular and any other natural disasters in general could adversely affect our results of operations and financial condition and we may be subject to further requirements from the SBS in order to provide temporary measures for the victims of the natural disasters, such as re-scheduling their credit payments.

Corruption and ongoing high profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.

Peruvian authorities are currently conducting several high profile corruption investigations relating to the activities of certain Brazilian companies and its Peruvian partners in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects, which were otherwise operational and permitted. In 2018, Peru suffered the worst institutional crisis since 2000 due, among others, to the resignation of former President Pedro Pablo Kuczynski, several corruption scandals involving prominent members of the judicial system and the public ministry who are now facing prosecution, and the fragmentation of the most prominent political party in Congress. We expect that, due to the cooperation agreement signed between the Peruvian government and Odebrecht S.A. in 2019, additional investigations and/or corruption scandals may arise. We cannot predict how these or future corruption scandals or investigations may affect the Peruvian economy, hinder the growth of Peruvian economy and indirectly have a material adverse effect on our business, financial condition and results of operations.

Changes in tax laws may increase our tax liabilities and, as a result, have a material and adverse effect on us.

The Peruvian government regularly implements changes to its tax regulations and interpretations. Potential changes may include modifications in the taxable events, the taxable bases or the tax rates, or the enactment of temporary taxes that, in some cases, could become permanent taxes. These changes could, if enacted, indirectly affect us. The Peruvian government has recently introduced several changes related, among others, to thin capitalization rules (which prevent companies from deducting interest for tax purposes when certain thresholds are exceeded) and to the general anti-avoidance rule, or GAAR (which entitles the tax and customs national superintendency to challenge the taxation of certain transactions with substance-over-form criteria), which may have an impact on our tax burden. We are currently unable to estimate the impact that such reforms may have on our business. The effects of any tax

reform that could be proposed in the future and any other changes that could result from the enactment of additional reform or changes in interpretation have not been, and cannot be, quantified. Any changes to the Peruvian tax regime may increase our tax liabilities or overall compliance costs, which could have a material adverse impact on our business, financial condition and results of operations.

Risks Relating to the Notes

The notes will be unsecured, subordinated obligations and will rank junior in right of payment to all of our existing and future Senior Obligations.

The notes will be unsecured, subordinated obligations and will rank junior in right of payment to all of our existing and future Senior Obligations (as defined in "Description of the Notes—Certain Definitions"). The indenture, provides that, in the event of Interbank's bankruptcy, unless all creditors of its Senior Obligations have been paid in full, no payment or other distribution may be made in respect of the notes.

As a result of the subordination provision described above, in the event of our bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under the Peruvian banking law, holders of the notes may recover ratably less than our creditors who are holders of Senior Obligations.

As of March 31, 2020, Interbank had S/3,448 million (approximately US$1,003 million) of Senior Obligations, S/1,636 million (approximately US$476 million) of Parity Obligations and S/687 million (approximately US$200 million) of Junior Obligations. On April 23, 2020, Interbank redeemed US$200 million aggregate principal amount of its 8.500% non-cumulative fixed/floating rate step-up junior subordinated notes due 2070 issued through its Panamanian branch on April 23, 2010, which represented the totality of Interbank's Junior Obligations.

The notes may be used to absorb losses that we incur.

We are issuing the notes with the intention and purpose of increasing the amount of our regulatory capital. In order to be eligible for treatment as regulatory capital, the notes must satisfy a number of conditions. One such condition relates to the availability of the notes to absorb losses that we incur. To that end, pursuant to the Peruvian banking law, the SBS shall, when applicable, in the case of an Intervention (as defined in "Description of the Notes—Certain Definitions") by the SBS or the dissolution and liquidation of Interbank, use accrued and unpaid interest on, and principal amounts (including premium, if any) of, the notes, in that order and on a prorated basis and *pari passu* among them, to absorb losses of Interbank. If the SBS were to do so, any losses of Interbank would be absorbed first by the share capital and other instruments which qualify as Tier I Regulatory Capital, second by *instrumentos híbridos representativos de capital y de deuda* (hybrid instruments representing equity and debt) which qualify as Tier II Regulatory Capital, third by *instrumentos no híbridos representativos de capital* (non-hybrid instruments representing equity) which qualify as Tier II Regulatory Capital, fourth by *instrumentos no híbridos representativos de deuda* (non-hybrid instruments representing redeemable debt) which qualify as Tier II Regulatory Capital (such as the notes) and fifth by Tier III Regulatory Capital, in that order. See "Description of the Notes—Loss Absorption". If the notes are used for this purpose, the noteholders would lose all rights to the amounts absorbed.

Under applicable SBS regulations, our obligations under the notes can be accelerated only in certain circumstances, and your remedies will accordingly be limited if we do not satisfy our obligations under the notes.

Under SBS regulations governing subordinated debt issued by Peruvian banks, payment may be accelerated only in specific instances involving our Intervention by the SBS or dissolution and liquidation. There is no right of acceleration in case of a default in the performance of any our covenants, including a default in the payment of principal or of interest or Additional Amounts. See "Description of the Notes—Acceleration Event."

We may choose to redeem the notes and you may be unable to reinvest the proceeds at the same or a higher rate of return.

On the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian governmental authority, if then required, we may at our option redeem the notes, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the notes to be redeemed, plus any accrued and unpaid

interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts, if any. See "Description of the Notes— Redemption Prior to Maturity—Optional Redemption". After the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian governmental authority, if then required, we may at our option redeem the notes, in whole or in part, at a price equal to the greater of (1) 100% of the outstanding principal amount of such notes on such redemption date and (2) the Make-Whole Amount, plus in each case any accrued and unpaid interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts, if any. See "Description of the Notes— Redemption Prior to Maturity—Make-Whole Redemption". Additionally, following the occurrence of a Tax Event or a Regulatory Event, with the prior approval of the SBS, or other then-applicable Peruvian governmental authority, if then required, we may redeem the notes in whole, but not in part, at a redemption price equal to 100% of the outstanding principal amount of the notes, plus any accrued and unpaid interest on the principal amount of the outstanding notes up to, but not including, the date of redemption, plus Additional Amounts, if any. See "Description of the Notes—Redemption Prior to Maturity—Redemption upon Tax Event or Regulatory Event".

Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

When the remaining term to maturity of the notes becomes less than five years, the notes may no longer qualify as regulatory capital in Peru; as a result, we may have an incentive to redeem the notes prior to their final maturity.

Under current Peruvian banking regulations, redeemable subordinated debt, such as the notes, progressively ceases to qualify as regulatory capital when the remaining time to maturity on such debt becomes less than five years. Accordingly, we may have an incentive to redeem them, and consequently, your ability to earn returns on your investments in the notes may be terminated prior to their final maturity.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of ratings may be obtained from the rating agencies. We cannot assure you that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of rating agencies, circumstances so warrant. Other rating agencies may change their methodology as well. Any lowering, suspension or withdrawal of ratings may have an adverse effect of the market price and marketability of the notes.

Holders of the notes may find it difficult to enforce civil liabilities against us or our directors, officers and trustees.

We are organized under the laws of Peru. Substantially all of our directors, trustees, officers, controlling persons and certain of the experts named herein reside outside the United States, and all or a substantial portion of our and their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments against them or us, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

In addition, your rights under the notes will be subject to the insolvency and administrative laws of Peru, and we cannot assure you that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian should apply. Such issues may adversely affect your ability to enforce your rights under the notes in Peru or limit any amounts that you may receive.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemption include offers and sales that occur outside the Unites States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions".

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, our business and the market price of Peruvian securities issued by Peruvian issuers, including the notes.

Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and adversely affect the Peruvian economy in general, and the interest of investors in the notes, in particular in Peru. We cannot assure you that the value of the notes will not be negatively affected by events in other emerging markets or the global economy in general.

The notes are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.

The notes will constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future a market for the notes will develop, or that you will be able to sell any notes you have purchased, or that any such notes may be sold for any particular price. Although application has been made to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition and political and economic developments in and affecting Peru and the markets for similar securities.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you of the level of liquidity of any trading market for the notes and, as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

Different disclosure principles in Peru and the United States may provide you with different or less information about us than you expect.

Securities disclosure requirements in Peru differ from those applicable in the United States. Accordingly, the information about us available to you may not be the same as the information available to security holders of a U.S. company. There may be less publicly available information about us and our subsidiaries than is regularly published about companies in the U.S. and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Exchange Act and, therefore, are not required to comply with the information disclosure requirements that it imposes.

EXCHANGE RATES

The table below sets forth the high, low, average and period-ending exchange rates, expressed in *soles* per U.S. dollar, for the years indicated.

	***Sol* per US$[(1)]**			
Year ended December 31,	**High**	**Low**	**Average[(1)]**	**Period-End**
2015	3.411	2.982	3.184	3.411
2016	3.537	3.249	3.375	3.356
2017	3.289	3.231	3.246	3.241
2018	3.384	3.341	3.364	3.373
2019	3.401	3.314	3.353	3.314

Source: SBS.
(1) The average of buying rates for U.S. dollars on the last business day of each month during the applicable period.

The table below sets forth the high, low and period-ending exchange rates, expressed in *soles* per U.S. dollar, for the months indicated.

	***Sol* per US$[(1)]**			
Month Ended	**High**	**Low**	**Average[(1)]**	**Period-End**
January 2020	3.374	3.303	3.325	3.374
February 2020	3.449	3.360	3.391	3.449
March 2020	3.567	3.419	3.488	3.437
April 2020	3.457	3.355	3.395	3.379
May 2020	3.453	3.379	3.418	3.432
June 2020 (through June 23)	3.515	3.390	3.460	3.515

Source: SBS.
(1) The average of buying rates for U.S. dollars on the last business day of each month during the applicable period.

The *soles* per U.S. dollar exchange rate on June 23, 2020 was S/3.515=US$1.00.

The Federal Reserve Bank of New York does not report a noon buying rate for *soles*.

Our inclusion of exchange rate or currency translations is not meant to suggest that the U.S. dollar amounts actually represent such *soles* amounts or that such amounts could have been converted into *soles* at such rates or any other rate. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

USE OF PROCEEDS

The gross proceeds from this offering of notes are expected to be US$300,000,000 million. Transaction expenses (including fees and commissions payable to the initial purchasers) will be paid separately by us.

We intend to use the net proceeds from this offering for general corporate purposes.

CAPITALIZATION

The following table sets forth our regulatory capital as of March 31, 2020 (i) on an actual basis, (ii) as adjusted to reflect the redemption of our 8.500% Non Cumulative Fixed-to-Floating Rate Step-Up Junior Subordinated Notes due 2070 on April 23, 2020, and (ii) as further adjusted to give effect to this offering and the use of proceeds therefrom.

This table should be read in conjunction with "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds" and our financial statements and the notes to those statements included elsewhere in this offering memorandum.

	As of March 31, 2020					
	Actual	As adjusted[1]	As further adjusted for the offering	Actual	As adjusted[1]	As further adjusted for the offering
	(US$ in millions, except for percentages)[2]			(S/ in millions, except for percentages)		
Tier I Regulatory Capital:						
Paid in capital	1,145.6	1,145.6	1,145.6	3,937.5	3,937.5	3,937.5
Legal and special reserves	261.4	261.4	261.4	898.5	898.5	898.5
Accumulated earnings with capitalization agreement	228.7	228.7	228.7	785.9	785.9	785.9
8.500% Non-Cumulative Fixed-to-Floating Rate Step-Up Junior Subordinated Notes due 2070[3]	120.0	-	-	412.4	-	-
Treasury stock	(9.9)	(9.9)	(9.9)	(33.9)	(33.9)	(33.9)
Unrealized gains in available-for-sale investments recorded by its subsidiary	-	-	-			
Current year earnings with capitalization agreement	67.5	67.5	67.5	231.9	231.9	231.9
Deductions	(3.9)	(3.9)	(3.9)	(13.5)	(13.5)	(13.5)
Total Tier I Regulatory Capital	**1,809.4**	**1,689.4**	**1,689.4**	**6,218.8**	**5,806.4**	**5,806.4**
Tier II Regulatory Capital:						
Other subordinated bonds	89.6	89.6	89.6	308.1	308.1	308.1
6.625% Fixed-to-Floating Rate Subordinated Notes due 2029	300.0	300.0	300.0	1,031.1	1,031.1	1,031.1
Notes offered hereby	-	-	300.0	-	-	1,031.1
8.500% Non-Cumulative Fixed-to-Floating Rate Step-Up Junior Subordinated Notes due 2070[2]	80.0	-	-	275.0	-	-
Generic allowances for loan losses[4]	129.3	129.3	129.3	444.5	444.5	444.5
Deductions	(3.9)	(3.9)	(3.9)	(13.5)	(13.5)	(13.5)
Total Tier II Regulatory Capital	**595.0**	**515.0**	**815.0**	**2,045.2**	**1,770.2**	**2,801.3**
Total Regulatory Capital	**2,404.4**	**2,204.4**	**2,504.4**	**8,264.0**	**7,576.6**	**8,607.7**
Risk-weighted assets	14,915.7	14,915.7	14,915.7	51,265.3	51,265.3	51,265.3
Capital Ratios						
Total regulatory capital as a percentage of risk-weighted assets[5]	16.1%		16.8%	16.1%		16.8%
Tier I capital as a percentage of risk-weighted assets	12.1%		11.3%	12.1%		11.3%

(1) Adjusted to reflect the exercise of the optional redemption of US$200 million junior subordinated notes on April 23, 2020.

(2) Amounts stated in U.S. dollars have been translated from soles at the exchange rate of S/3.437 per US$1.00 as of March 31, 2020. See "Exchange Rates."

(3) This series of notes is an *instrumento híbrido* (hybrid instrument) in accordance with the Peruvian *Reglamento de Deuda Subordinada aplicable a las Empresas del Sistema Financiero* that qualifies as Tier I and Tier II Regulatory Capital.

(4) Since July 1, 2009, provisions of the Peruvian Banking Law allow banks using the standardized method for capital adequacy purposes to include loan loss reserves up to 1.25% of risk-weighted assets in the calculation of regulatory capital.

(5) Regulatory capital is calculated in accordance with guidelines of the Basel III Accord, as adopted by the SBS. The minimum capitalization ratio (minimum capital requirement expressed as a percentage of risk weighted assets) required by Peruvian banking regulations is 10.0%. For a description of the Peruvian banking law, see "Banking Regulations—Peruvian Banking Regulations."

SELECTED FINANCIAL INFORMATION

The following tables set forth our summary financial information. The income statement data for the years ended December 31, 2019, 2018 and 2017 and the data on the statements of financial position as of December 31, 2019, 2018 and 2017 are derived from our audited financial statements and related notes included in this offering memorandum.

The income statement data for the three months ended March 31, 2020 and 2019 and the data on the statements of financial position as of March 31, 2020 are derived from our unaudited interim condensed financial statements and related notes included in this offering memorandum, which have been prepared in accordance with Peruvian GAAP. Our data on the statements of financial position as of March 31, 2019 are derived from our unaudited interim condensed financial statements as of March 31, 2019, which have not been included in this offering memorandum. Our unaudited interim condensed financial statements have been prepared on the same basis as our audited financial statements, except for the application of the new SBS accounting standards due to the COVID-19 pandemic in force as of March 31, 2020 (see note 2.2 to our unaudited interim condensed financial statements), and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

	For the three- months ended March 31, 2020, (unaudited)			For the years ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	(S/ in millions)[1]		
STATEMENTS OF INCOME							
Interest income	302.0	1,038.0	971.1	1,191.4	4,094.8	3,589.8	3,369.4
Interest expenses	(83.4)	(286.7)	(295.2)	(358.2)	(1,231.0)	(1,040.7)	(1,010.3)
Gross financial margin[3]	**218.6**	**751.3**	**675.8**	**833.2**	**2,863.8**	**2,549.0**	**2,359.0**
Provisions for loan losses, net	(85.9)	(295.1)	(200.7)	(265.1)	(911.3)	(803.5)	(817.6)
Net financial margin	**132.7**	**456.2**	**475.1**	**568.1**	**1,952.5**	**1,745.5**	**1,541.4**
Income from financial services	70.4	241.8	244.6	300.5	1,032.8	993.1	960.1
Expenses for financial services	(25.1)	(86.4)	(80.4)	(96.8)	(332.8)	(346.0)	(331.5)
Operating margin	**177.9**	**611.6**	**639.3**	**771.7**	**2,652.5**	**2,392.6**	**2,170.0**
Gain on financial transactions	31.6	108.6	122.4	154.0	529.2	417.5	358.0
Administrative expenses	(104.8)	(360.2)	(334.9)	(409.0)	(1,405.9)	(1,302.8)	(1,224.8)
Depreciation	(4.7)	(16.3)	(17.6)	(21.1)	(72.5)	(67.2)	(64.4)
Amortization	(7.4)	(25.6)	(20.3)	(26.5)	(91.2)	(73.9)	(64.9)
Net operating margin	**92.6**	**318.1**	**388.9**	**469.0**	**1,612.1**	**1,366.2**	**1,174.0**
Provision for contingencies and other provisions	(0.6)	(1.9)	(3.8)	(1.8)	(6.3)	(4.7)	(16.3)
Other income, net	(0.6)	(2.1)	1.8	3.2	10.9	2.7	40.5
Income before income tax	**91.4**	**314.1**	**386.8**	**470.4**	**1,616.7**	**1,364.2**	**1,198.2**
Income tax	(23.9)	(82.3)	(100.2)	(115.0)	(395.2)	(324.1)	(296.2)
Net income	**67.5**	**231.9**	**286.7**	**355.4**	**1,221.5**	**1,040.1**	**902.0**

	As of March 31, (unaudited)			As of December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	(S/ in millions)[1]		
DATA ON STATEMENT AND FINANCIAL POSITION							
Cash and due from banks	2,993.3	10,288.1	9,214.0	2,869.2	9,861.5	8,209.9	11,036.5
Investments, net[4]	1,756.5	6,037.2	5,493.8	1,617.5	5,559.4	5,790.4	6,076.4
Loan portfolio, net	10,112.6	34,757.1	32,035.2	10,107.4	34,739.2	31,268.5	26,771.4
Property, furniture and equipment, net	118.8	408.3	414.1	118.8	408.2	420.5	429.4
Other assets[5]	550.9	1,893.3	1,491.8	504.7	1,734.8	1,438.3	1,008.5
Total assets	**15,532.2**	**53,384.0**	**48,648.9**	**15,217.7**	**52,303.1**	**47,127.6**	**45,322.2**

	As of March 31, (unaudited)			As of December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][2]	(S/ in millions)[1]		
				9,915.7			
Deposits and obligations	9,673.9	33,249.1	31,836.8		34,080.1	30,165.3	29,487.7
Deposits from financial entities	535.3	1,839.8	743.9	445.1	1,529.9	1,158.2	1,107.0
Interbank funds and due to banks and correspondents[6]	1,480.3	5,087.7	3,512.6	1,114.8	3,831.4	3,968.7	4,416.7
Bonds and other obligations	1,699.7	5,841.7	5,623.4	1,692.1	5,815.6	5,400.2	4,538.0
Provisions and other liabilities	340.1	1,168.8	1,759.4	295.9	1,017.1	1,128.4	1,015.8
Total liabilities	**13,729.2**	**47,187.1**	**43,476.1**	**13,463.5**	**46,274.1**	**41,820.8**	**40,565.2**
Shareholders' equity	1,803.0	6,196.9	5,172.8	1,754.1	6,029.0	5,306.8	4,757.0
Total liabilities and shareholders' equity	**15,532.2**	**53,384.0**	**48,648.9**	**15,217.7**	**52,303.1**	**47,127.6**	**45,322.2**

	As of and for the three months ended March 31, (unaudited)			As of and for the years ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][3]	S/ in millions[1]		
SELECTED FINANCIAL DATA AND RATIOS							
Profitability and Performance							
Average total assets	15,343.4	52,735.2	47,478.8	14,464.7	49,715.1	44,769.0	41,282.6
Average shareholders' equity	1,778.6	6,112.9	5,239.8	1,617.4	5,559.1	4,874.5	4,349.7
Average interest-earning assets	14,725.9	50,613.1	45,703.0	13,845.3	47,586.4	43,183.9	39,869.3
Net interest margin[7]		5.9%	5.9%		6.0%	5.9%	5.9%
Adjusted net interest margin[8]		5.9%	5.9%		6.1%	5.9%	5.9%
Efficiency ratio[9]		39.6%	38.7%		38.3%	40.0%	40.5%
Adjusted efficiency ratio[10]		39.6%	41.0%		39.6%	41.4%	40.5%
Return on total assets[11]		1.8%	2.4%		2.5%	2.3%	2.2%
Return on average shareholders' equity[12]		15.2%	21.9%		22.0%	21.3%	20.7%
Provisions for loan losses net of reversals as a percentage of operating revenue		29.1%	20.9%		22.3%	22.2%	24.4%
Fee income from financial services, net, as a percentage of operating revenues		15.3%	17.1%		17.1%	17.9%	18.8%
Capital and Balance Sheet Structure							
Average shareholders' equity as a percentage of average total assets		11.6%	11.0%		11.2%	10.9%	10.5%
Total liabilities as a multiple of shareholders' equity		7.6	8.4		7.7	7.9	8.5
Regulatory capital as a % of risk-weighted assets (at end period)[13]		16.1%	16.4%		15.2%	15.8%	16.1%
Net loans as a percentage of total deposits		104.5%	100.6%		101.9%	103.7%	90.8%
Total deposits as a percentage of total assets		62.3%	65.4%		65.2%	64.0%	65.1%
NIM after provisions[16]		3.6%	4.2%		4.1%	4.0%	3.9%
Adjusted NIM after provision[17]		3.6%	4.1%		4.2%	4.2%	3.9%
Credit Quality							
Cost of risk[18]		3.3%	2.4%		2.7%	2.7%	3.0%
Adjusted cost of risk [19]		3.3%	2.6%		2.7%	2.4%	3.0%
Past due loans	293.9	1,010.0	867.4	275.9	948.4	857.1	794.6
Past due loans as a percentage of total gross loans (at end of period)		2.8%	2.6%		2.6%	2.6%	2.9%
Provision expense as a percentage of total gross loans		3.3%	2.6%		2.7%	2.4%	3.0%

	As of and for the three months ended March 31, (unaudited)			As of and for the years ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][3]	S/ in millions[1]		
Allowance for loan losses as a percentage of past due loans (coverage ratio)		173.6%	177.0%		176.5%	175.0%	167.2%

	As of and for the three months ended March 31, (unaudited)			As of and for the years ended December 31			
	2020	2020	2019	2019	2019	2018	2017
	(US$ in millions)[1][2]	(S/ in millions)[1]		(US$ in millions)[1][3]	S/ in millions[1]		
OTHER FINANCIAL DATA							
Operating revenue[9]	295.4	1,015.3	962.4	1,190.9	4,093.0	3,613.6	3,345.7
Dividends	0.0	0.0	467.0	135.9	467.0	405.9	393.8
Dividend payout ratio[14]		0.0%	44.9%		44.9%	45.0%	45.0%
Risk weighted assets[15]	14,915.7	51,265.3	45,448.1	14,743	50,673.8	44,391.0	37,745.5
Total regulatory capital	2,404.4	8,264.0	7,466.9	2,234.3	7,679.3	7,007.4	6,066.3
Core equity Tier I ratio		12.0%	10.2%		11.6%	10.6%	10.1%
OTHER DATA							
Inflation rate in Peru		1.8%	2.2%		1.9%	2.2%	1.4%
Exchange rate (S/ per US$1.00 at end of period)		3.437	3.318		3.314	3.373	3.241
Number of employees		6,764	6,881		6,756	6,863	6,744
Number of financial stores (at end of period)		254	264		256	270	273

(1) Except for percentages and ratios, number of employees, and number of financial stores.
(2) Amounts stated in U.S. dollars as of and for the three months ended March 31, 2020 and December 31, 2019 have been translated from *soles* at the exchange rate of S/3.437 = US $1.00. See "Exchange Rates".
(3) Gross financial margin represents financial income less financial expenses.
(4) Comprised primarily of investments at fair value through profit or loss, available for sale investments and held to maturity investments.
(5) Comprised primarily of other assets, net investment in subsidiaries and associates and deferred income tax, net.
(6) Comprised primarily of deposits from financial entities payables from repurchase agreements and debts and financial obligations.
(7) Net interest margin is defined as (x) gross financial margin divided by (y) average interest earning assets.
(8) Adjusted NIM is defined as (x) gross financial margin divided by (y) average interest earning assets excluding financial expense of S/42.3 million before taxes from the execution of a liability management transaction in 2019. Adjusted NIM is a non-GAAP financial measure and should not be considered in isolation or as a substitute for NIM, or other performance measures. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information—Non-GAAP Financial Measures."
(9) Efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue. Operating revenue is the aggregate of gross financial margin plus fee income from financial services, net and gain on financial transactions.
(10) Adjusted efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue, excluding (i) the gain on sale of securities for S/128.6 million in January 2018, (ii) the gain on sale of Interfondos to Inteligo for S/52.6 million in January 2019 (iii) the gain on sale of IFS shares on the NYSE for S/121.3 million in July 2019 and (iii) the non-recurring impact from a liability management transaction for S/42.3 million in the last quarter of 2019. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information—Non-GAAP Financial Measures."
(11) Annualized Return on average total assets is defined as net income divided by average total assets.
(12) Annualized Return on average shareholders' equity is defined as net income divided by average shareholders' equity.
(13) Regulatory capital is calculated in accordance with guidelines of the Basel III Accord, as adopted by the SBS. The minimum capitalization ratio (minimum capital requirement expressed as a percentage of risk weighted assets) required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.4% as of March 31, 2020. For the details, see "Regulation and Supervision".
(14) Dividends declared and paid divided by net income from the previous fiscal year.
(15) As reported to the SBS it is the aggregate of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk.
(16) NIM after provisions is defined as net interest margin after provisions for loan losses net of reversals.
(17) Adjusted NIM after provisions excludes (i) financial expense of S/42.3 million before taxes from the execution of a liability management transaction in 2019 and (ii) voluntary provisions to cover potential risks related to the exposure to the construction sector, net of a release of these provisions for S/70.0 million as of December 31, 2018 (S/100.0 million constituted in January 2018). As of December 31, 2019 and the three months ended March 31, 2020 and 2019, the release of such provision amounted to S/15.4 million, S/0.0 million and S/10.0 million, respectively. Adjusted NIM after provisions is a non-GAAP financial measures and should not be considered in isolation or as a substitute for NIM after provisions, or other performance measures. See "Presentation of financial and other information—Non-GAAP financial measures" and "Summary Financial and Operating Information —Non-GAAP Financial Measures."
(18) Cost of risk is defined as impairment loss on loans, net of recoveries divided by average gross loans.

(19) Adjusted cost of risk excludes voluntary provisions to cover potential risks related to the exposure to the construction sector, net of a release of these provisions for S/70.0 million as of December 31, 2018 (S/100.0 million constituted in January 2018). As of December 31, 2019 and the three months ended March 31, 2020 and 2019, the release of such provision amounted to S/15.4 million, S/0.0 million and S/10.0 million, respectively. Adjusted cost of risk is a non-GAAP financial measure and should not be considered in isolation or as a substitute for cost of risk, or other performance measures. See "Presentation of financial and other information—Non-GAAP financial measure" and "Summary Financial and Operating Information—Non-GAAP Financial Measures."

Non-GAAP Financial Measures

In this offering memorandum, we use adjusted NIM, adjusted NIM after provisions and adjusted cost of risk. These measures are not calculated in accordance with IFRS and we collectively refer to these as non-GAAP financial measures. For more information see "Presentation of Financial and other information – Non-GAAP Financial Measures".

The following tables reflect the reconciliation of adjusted NIM, adjusted NIM after provisions and adjusted cost of risk:

Period ending	Average interest-earning assets (i) (S/ in millions)	Gross financial margin (S/ in millions)	NIM	Adjustment (S/ in millions)	Adjusted NIM	Provisions for loan losses, net of recoveries (S/ in millions)	NIM after provisions	Specific provisions (release of provision), net (S/ in millions)	Adjusted NIM after provisions
December-17	39,869.3	2,358.9	5.9%		5.9%	(817.6)	3.9%		3.9%
December-18	43,183.9	2,549.1	5.9%		5.9%	(803.5)	4.0%	70.0	4.2%
December-19	47,586.4	2,863.9	6.0%	42.3	6.1%	(911.3)	4.1%	(15.4)	4.2%
March-19	45,703.0	675.9	5.9%		5.9%	(200.7)	4.2%	(10.0)	4.1%
March-20	50,613.1	751.3	5.9%		5.9%	(295.1)	3.6%		3.6%

Adjusted cost of risk		For the three-months ended March 31,		For the years ended December 31,		
		2020	2019	2019	2018	2017
		(S/ in thousands)		(S/ in thousands)		
Gross loans portfolio (i)	(A)	36,212,029	32,907,652	34,183,466	30,044,292	26,865,523
Provisions for loan losses, net of recoveries	(B)	(295,110)	(200,714)	(911,323)	(803,501)	(817,608)
Cost of risk	(C) =(B)/(A)	3.3%	2.4%	2.7%	2.7%	3.0%
Specific provision (Release of provision), net	(D)	-	(10,000)	(15,400)	70,000	-
Adjusted provisions for loan losses, after recoveries	(E) =(B)-(D)	(295,110)	(210,714)	(926,723)	(733,501)	(817,608)
Adjusted cost of risk	(F) =(E)/(A)	3.3%	2.6%	2.7%	2.4%	3.0%

(i) Average balance information for the three months ended March 31, 2020 and 2019 is calculated by the sum of the quarter-end balances of the first quarter of each year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by two. Average balance information for full fiscal years has been calculated as the sum of quarter-end balances of any such year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by five.

Adjusted efficiency ratio		For the three-months ended March 31,		For the years ended December 31,		
		2020	2019	2019	2018	2017
		(S/ in millions)		(S/ in millions)		
Gross financial margin	A	751.3	675.8	2,863.8	2,549.0	2,359.0
Income from financial services	B	241.8	244.6	1,032.8	993.1	960.1
Gain on financial transactions	C	108.6	122.4	529.2	417.5	358.0
Expenses from financial services	D	(86.4)	(80.4)	(332.8)	(346.0)	(331.5)
Total	**E = A + B + C + D**	**1,015.3**	**962.4**	**4,093.0**	**3,613.6**	**3,345.6**

Adjusted efficiency ratio		For the three-months ended March 31,		For the years ended December 31,		
		2020	2019	2019	2018	2017
Administrative expenses	F	(360.2)	(334.9)	(1,405.9)	(1,302.8)	(1,224.8)
Amortization	G	(25.6)	(20.3)	(91.2)	(73.9)	(64.8)
Depreciation	H	(16.3)	(17.6)	(72.5)	(67.2)	(64.4)
Total	I=F+G+H	(402.1)	(372.8)	(1,569.6)	(1,443.9)	(1,354.0)
Efficiency ratio	**I/E**	**39.6%**	**38.7%**	**38.3%**	**40.0%**	**40.5%**
Gain on sale of securities	J	-	-	-	128.6	-
Gain on sale of Interfondos	K	-	52.6	52.6	-	-
Gain on sale of IFS shares	L	-	-	121.3	-	-
Liability management transaction	M	-	-	(42.3)	-	-
Total adjustments	**N=J+K+L+M**	**-**	**52.6**	**131.6**	**128.6**	**-**
	O=E-N	1,015.3	909.8	3,961.4	3,485.0	3,345.6
Adjusted efficiency ratio	**O/I**	**39.6%**	**41.0%**	**39.6%**	**39.4%**	**40.5%**

SELECTED STATISTICAL INFORMATION

The following tables present certain of our selected statistical information and ratios for the periods indicated. The following information is included for analytical purposes and should be read in conjunction with the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto appearing elsewhere in this offering memorandum.

Average Balance Sheets, Income Earned from Interest-Earning Assets, Interest Paid on Interest-Bearing Liabilities

The table below sets forth, by currency of denomination, our average balances and, where applicable, interest earned on interest-earning assets and interest paid on interest-bearing liabilities for the three months ended March 31, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017. Except as otherwise indicated, average balances, when used, have been classified by currency (*soles* or foreign currency (primarily U.S. dollars)), regardless of the domestic or international origin of the relevant balances. The average balance information for the three months ended March 31, 2020 and 2019 is calculated by the sum of the quarter-end balances of the first quarter of each year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by two. The average balance information for full fiscal years has been calculated as the sum of quarter-end balances of any such year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by five. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities. In addition, loan amounts are presented after deduction for loan losses.

	For the three months ended March 31, (unaudited)						For the year ended December 31,					
	2020			2019			2019			2018		
	Average Balance	Interest Earned / Paid	Nominal Average Rate	Average Balance	Interest Earned / Paid	Nominal Average Rate	Average Balance	Interest Earned / Paid	Nominal Average Rate	Average Balance	Interest Earned / Paid	Nominal Average Rate
Interest-earning assets:												
Cash and due from banks												
Soles	1,162.5	1.0	0.3%	1,292.9	1.2	0.4%	1,179.1	3.9	0.3%	1,308.1	5.2	0.4%
Foreign Currency	8,912.3	14.9	0.7%	7,419.0	24.1	1.3%	8,307.7	103.6	1.2%	7,274.7	42.0	0.6%
Total	10,074.8	15.9	0.6%	8,712.0	25.3	1.2%	9,486.8	107.5	1.1%	8,582.7	47.2	0.5%
Investments												
Soles	4,899.1	45.7	3.7%	3,817.1	40.5	4.2%	4,158.9	163.2	3.9%	4,035.2	162.0	4.0%
Foreign Currency	891.0	6.0	2.7%	1,522.1	11.4	3.0%	1,080.4	33.3	3.1%	1,723.6	48.4	2.8%
Total	5,790.1	51.7	3.6%	5,339.2	51.9	3.9%	5,239.3	196.5	3.8%	5,758.8	210.4	3.7%
Loans												
Soles	25,515.4	832.8	13.1%	23,080.8	753.0	13.0%	24,070.6	3,222.8	13.4%	20,998.5	2,839.9	13.5%
Foreign Currency	9,232.8	137.6	6.0%	8,571.0	140.9	6.6%	8,789.7	568.0	6.5%	7,843.9	492.3	6.3%
Total	34,748.2	970.4	11.2%	31,651.8	893.9	11.3%	32,860.3	3,790.8	11.5%	28,842.4	3,332.2	11.6%
Total Interest-earning assets:												
Soles	**31,577.0**	**879.5**	**11.1%**	**28,190.8**	**794.7**	**11.3%**	**29,408.6**	**3,389.9**	**11.5%**	**26,341.8**	**3,007.1**	**11.4%**
Foreign Currency	**19,036.0**	**158.5**	**3.3%**	**17,512.1**	**176.4**	**4.0%**	**18,177.8**	**704.9**	**3.9%**	**16,842.2**	**582.7**	**3.5%**
Total	**50,613.1**	**1,038.0**	**8.2%**	**45,703.0**	**971.1**	**8.5%**	**47,586.4**	**4,094.8**	**8.6%**	**43,183.9**	**3,589.8**	**8.3%**
Interest-bearing liabilities:												
Demand deposits												
Soles	5,484.4	36.6	2.7%	5,039.1	42.4	3.4%	5,212.7	157.3	3.0%	4,325.3	117.9	2.7%
Foreign Currency	3,913.0	5.8	0.6%	3,801.9	10.0	1.1%	3,965.4	40.9	1.0%	3,590.0	27.9	0.8%
Total	9,397.5	42.4	1.8%	8,841.0	52.4	2.4%	9,178.1	198.2	2.2%	7,915.3	145.8	1.8%
Savings deposits												
Soles	7,386.9	26.2	1.4%	5,851.7	20.3	1.4%	6,269.7	88.2	1.4%	5,306.4	67.4	1.3%
Foreign Currency	4,551.6	3.0	0.3%	4,805.6	4.8	0.4%	4,739.3	18.6	0.4%	4,492.0	15.9	0.4%
Total	11,938.5	29.2	1.0%	10,657.3	25.1	0.9%	11,009.0	106.8	1.0%	9,798.5	83.3	0.9%
Time deposits												
Soles	8,587.3	78.5	3.7%	7,462.4	72.3	3.9%	8,129.6	302.8	3.7%	7,346.3	257.8	3.5%
Foreign Currency	2,999.5	12.3	1.6%	3,341.3	18.3	2.2%	3,079.5	55.8	1.8%	3,077.3	42.2	1.4%
Total	11,586.8	90.8	3.1%	10,803.7	90.6	3.4%	11,209.1	358.6	3.2%	10,423.5	300.0	2.9%
Deposits from financial entities												
Soles	1,575.1	-	0.0%	883.5	-	0.0%	1,063.6	-	0.0%	852.8	-	0.0%
Foreign Currency	109.8	0.4	1.5%	67.5	0.2	1.2%	100.2	0.9	0.9%	154.0	0.6	0.4%
Total	1,684.9	0.4	0.1%	951.0	0.2	0.1%	1,163.7	0.9	0.1%	1,006.8	0.6	0.1%
Interbank Funds and due to banks												
Soles	3,557.8	31.0	3.5%	3,023.9	30.5	4.0%	3,320.6	133.2	4.0%	3,472.0	137.5	4.0%
Foreign Currency	901.8	7.1	3.1%	716.8	8.5	4.7%	629.8	31.3	5.0%	689.1	29.5	4.3%
Total	4,459.5	38.1	3.4%	3,740.7	39.0	4.2%	3,950.3	164.5	4.2%	4,161.1	167.0	4.0%
Bonds												
Soles	983.2	30.0	12.2%	589.8	23.6	16.0%	807.0	112.0	13.9%	441.2	76.1	17.2%
Foreign Currency	4,845.5	54.6	4.5%	4,922.0	62.9	5.1%	5,124.7	283.7	5.5%	4,689.4	262.1	5.6%
Total	5,828.7	84.6	5.8%	5,511.8	86.5	6.3%	5,931.7	395.7	6.7%	5,130.6	338.2	6.6%
Account Payable and other liabilities												
Soles	1,306.7	1.0	0.3%	1,700.4	1.2	0.3%	1,530.1	5.4	0.4%	1,407.0	4.9	0.3%
Foreign Currency	528.1	0.2	0.2%	442.5	0.2	0.2%	464.5	0.8	0.2%	544.4	0.9	0.2%
Total	1,834.8	1.2	0.3%	2,142.9	1.4	0.3%	1,994.6	6.2	0.3%	1,951.4	5.8	0.3%
Total Interest-bearing liabilities:												
Soles	**28,881.3**	**203.3**	**2.8%**	**24,550.8**	**190.3**	**3.1%**	**26,333.1**	**798.9**	**3.0%**	**23,150.9**	**661.6**	**2.9%**
Foreign Currency	**17,849.3**	**83.4**	**1.9%**	**18,097.6**	**104.9**	**2.3%**	**18,103.4**	**432.0**	**2.4%**	**17,236.2**	**379.1**	**2.2%**
Total	**46,730.6**	**286.7**	**2.5%**	**42,648.4**	**295.2**	**2.8%**	**44,436.6**	**1,230.9**	**2.8%**	**40,387.1**	**1,040.7**	**2.6%**

	For the three months ended March 31, (unaudited)						For the year ended December 31					
	2020			2019			2019			2018		
	(S/ in millions, except for percentages)											
	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned Paid	Nomin Avera Rate
Total Average Assets												
Soles	33,474.8	879.5	10.5%	29,795.0	794.7	10.7%	31,097.5	3,389.9	10.9%	27,745.5	3,007.1	10.8
Foreign Currency	19,260.4	158.5	3.3%	17,683.8	176.4	4.0%	18,617.6	704.9	3.8%	17,023.5	582.7	3.4
Total	**52,735.2**	**1,038.0**	**7.9%**	**47,478.8**	**971.1**	**8.2%**	**49,715.1**	**4,094.8**	**8.2%**	**44,769.0**	**3,589.8**	**8.0**

	For the three months ended March 31, (unaudited)						For the year ended December 3					
	2020			2019			2019			2018		
	(S/ in millions, except for percentages)											
	Average Balance	Interest Earned Paid	Nominal Average Rate	Average Balance	Interest Earned Paid	Nominal Average Rate	Average Balance	Interest Earned Paid	Nominal Average Rate	Average Balance	Interest Earned Paid	Nomi Aver Ra
Total Average Liabilities												
Soles	35,976.8	203.3	2.3%	31,125.6	190.3	2.4%	33,018.7	798.9	2.4%	29,072.7	661.6	2
Foreign Currency	18,582.9	83.4	1.8%	18,802.5	104.9	2.2%	18,865.1	432.0	2.3%	18,055.2	379.1	2
Total	**54,559.8**	**286.7**	**2.1%**	**49,928.1**	**295.2**	**2.4%**	**51,883.8**	**1,230.9**	**2.4%**	**47,127.9**	**1,040.7**	**2.**

Changes in Non-Interest Earning Assets and Non-Interest Bearing Liabilities

The following table sets forth, by currency of denomination, average balances for our non-interest earning assets and non-interest bearing liabilities and shareholders' equity for the three months ended March 31, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017.

	For the three months ended March 31, (unaudited)		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(S/ in millions)		
Non-interest earning assets	**Average Balance**	**Average Balance**	**Average Balance**	**Average Balance**	**Average Balance**
Property, furniture and equipment, net					
Soles	408.2	417.3	410.7	417.7	414.4
Foreign currency	-	-	-	-	-
Total	**408.2**	**417.3**	**410.7**	**417.7**	**414.4**
Other non-interest earning assets and gain from derivatives instruments					
Soles	1,489.6	1,186.9	1,278.2	986.0	891.5
Foreign currency	224.3	171.7	439.8	181.4	107.5
Total	**1,713.9**	**1,358.6**	**1,718.0**	**1,167.3**	**999.0**
Total non-interest earning assets					
Soles	1,897.8	1,604.2	1,688.9	1,403.7	1,305.9
Foreign currency	224.3	171.7	439.8	181.4	107.5
Total	**2,122.1**	**1,775.8**	**2,128.7**	**1,585.1**	**1,413.3**
Non-bearing liabilities and loss from derivative instruments					
Other liabilities					
Soles	1,188.1	1,597.3	1,423.7	1,321.9	1,169.1
Foreign currency	528.1	442.5	464.5	544.4	464.3
Total	**1,716.2**	**2,039.8**	**1,888.2**	**1,866.3**	**1,633.4**
Shareholders' equity					
Soles	5,907.4	4,977.5	5,261.9	4,599.9	4,144.4
Foreign currency	205.6	262.3	297.2	274.6	205.3
Total	**6,112.9**	**5,239.8**	**5,559.1**	**4,874.5**	**4,349.7**
Total non-interest bearing liabilities and shareholders' equity					
Soles	7,095.5	6,574.8	6,685.6	5,921.7	5,313.5
Foreign currency	733.7	704.8	761.7	819.0	669.6
Total	**7,829.1**	**7,279.7**	**7,447.3**	**6,740.7**	**5,983.1**

Changes in Net Interest Income and Net Interest Expense: Volume and Rate Analysis

The following table sets forth, by currency of denomination, changes in our interest revenue and expenses between cha interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates from March 31, 2019 to 2018 to 2019 and from December 31, 2017 to 2018. Volume and rate variances have been calculated based on movements in a changes in nominal interest rates, average interest-earning assets and average interest-bearing liabilities. The net change attributable rate has been allocated proportionately to the change due to volume and the change due to rate.

	March 31, 2020 / 2019 (unaudited)			December 31, 2019 / 2018 (unaudited)			D
	Increase (decrease) due to changes in			Increase (decrease) due to changes in			Increas
	Rate	Volume	Net Change	Rate	Volume	Net Change	Rate
Interest earning Assets							
Interest Income							
Cash and due from banks							
Soles	(0.1)	(0.1)	(0.2)	(0.9)	(0.4)	(1.3)	(4.0
Foreign Currency	(11.7)	2.5	(9.2)	48.7	12.9	61.6	31.6
Total	**(11.6)**	**2.2**	**(9.4)**	**50.1**	**10.2**	**60.3**	**27.1**
Investment							
Soles	(9.8)	20.2	10.4	(3.7)	4.9	1.2	(16.4
Foreign Currency	(2.3)	(8.5)	(10.8)	4.7	(19.8)	(15.1)	3.6
Total	**(8.5)**	**8.1**	**(0.4)**	**5.6**	**(19.5)**	**(13.9)**	**(13.5**
Loans							
Soles	0.7	158.9	159.6	(28.4)	411.3	382.9	(164.5
Foreign Currency	(26.3)	19.7	(6.6)	14.6	61.1	75.7	(10.6
Total	**(19.9)**	**172.9**	**153.0**	**(4.9)**	**463.5**	**458.6**	**(185.4**
Total Interest-earning assets:							
Soles	(19.0)	188.6	169.6	29.3	353.5	382.8	(219.7
Foreign Currency	(61.2)	25.4	(35.8)	70.4	51.8	122.2	82.4
Total	**(67.6)**	**201.4**	**133.8**	**126.2**	**378.8**	**505.0**	**(55.0**
Interest expense							
Demand deposits							
Soles	(17.5)	5.9	(11.6)	12.6	26.8	39.4	1.5
Foreign Currency	(8.7)	0.3	(8.4)	9.1	3.9	13.0	14.6
Total	**(25.0)**	**5.0**	**(20.0)**	**25.1**	**27.3**	**52.4**	**16.9**
Savings deposits							
Soles	0.9	10.9	11.8	7.2	13.6	20.8	2.5
Foreign Currency	(3.3)	(0.3)	(3.6)	1.7	1.0	2.7	6.0
Total	**1.9**	**6.3**	**8.2**	**11.8**	**11.7**	**23.5**	**9.9**
Time deposits							
Soles	(8.2)	20.6	12.4	15.8	29.2	45.0	(50.0
Foreign Currency	(9.2)	(2.8)	(12.0)	13.6	0.0	13.6	18.9

	March 31, 2020 / 2019 (unaudited)			December 31, 2019 / 2018 (unaudited)			D
	Increase (decrease) due to changes in			Increase (decrease) due to changes in			Increas
	Rate	Volume	Net Change	Rate	Volume	Net Change	Rate
Total	**(11.9)**	**12.3**	**0.4**	**33.5**	**25.1**	**58.6**	**(23.8**
Deposits from financial entities							
Soles	-	-	-	-	-	-	-
Foreign Currency	0.1	0.3	0.4	0.8	(0.5)	0.3	0.2
Total	**(0.1)**	**0.3**	**0.4**	**(0.2)**	**0.1**	**0.3**	**0.1**
Interbank Funds and due to banks							
Soles	(8.3)	9.3	1.0	1.8	(6.1)	(4.3)	(20.4
Foreign Currency	(5.7)	2.9	(2.8)	4.7	(2.9)	1.8	12.6
Total	**(14.1)**	**12.3**	**(1.8)**	**6.3**	**(8.8)**	**(2.5)**	**(9.1**
Bonds							
Soles	(11.2)	24.0	12.8	(14.9)	50.8	35.9	49.1
Foreign Currency	(14.9)	(1.7)	(16.6)	(2.5)	24.1	21.6	(42.2
Total	**(13.0)**	**9.2**	**(3.8)**	**4.1**	**53.4**	**57.5**	**1.2**
Accountant Payable							
Soles	0.2	(0.6)	(0.4)	0.1	0.4	0.5	(1.0
Foreign Currency	(0.1)	0.1	-	0.0	(0.1)	(0.1)	(0.4
Total	**(0.0)**	**(0.4)**	**(0.4)**	**0.3**	**0.1**	**0.4**	**(1.5**
Total Interest-bearing liabilities:							
Soles	(35.0)	61.0	26.0	40.8	96.5	137.3	(50.1
Foreign Currency	(40.7)	(2.3)	(43.0)	32.2	20.7	52.9	7.4
Total	**(67.1)**	**50.1**	**(17.0)**	**78.0**	**112.2**	**190.2**	**(38.5**

Interest-Earning Assets: Net Interest Margin and Yield Spread

The following table sets forth for each of the periods indicated, by currency of denomination, our levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread, all on a nominal basis.

	For the three months ended March 31, (unaudited)		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(S/ in millions, except for percentages)		
Average interest-earning assets					
Soles	31,577.0	28,190.8	29,408.6	26,341.8	23,286.0
Foreign currency	19,036.0	17,512.1	18,177.8	16,842.2	16,583.3
Total	50,613.1	45,703.0	47,586.4	**43,183.9**	**39,869.3**
Net interest income[(1)]					
Soles	676.2	604.4	2,591.0	2,345.5	2,228.4
Foreign currency	75.1	71.5	272.9	203.6	130.5
Total	751.3	675.9	2,863.9	**2,549.1**	**2,358.9**
Gross yield[(2)]					
Soles	11.1%	11.3%	11.5%	11.4%	12.4%
Foreign currency	3.3%	4.0%	3.9%	3.5%	3.0%
Total	8.2%	8.5%	8.6%	**8.3%**	**8.5%**
Net interest margin[(3)]					
Soles	8.6%	8.6%	8.8%	8.9%	9.6%
Foreign currency	1.6%	1.6%	1.5%	1.2%	0.8%
Total	5.9%	5.9%	6.0%	**5.9%**	**5.9%**
Yield spread[(4)]					
Soles	8.3%	8.2%	8.5%	8.6%	9.3%
Foreign currency	1.5%	1.7%	1.5%	1.3%	0.8%
Total	5.7%	5.7%	5.8%	**5.7%**	**5.8%**

Investment Portfolio

The following table sets forth our investments in securities by type on the dates indicated. For more information on our investment portfolio, see note 4 to our audited financial statements and note 4 to our unaudited interim condensed financial statements appearing elsewhere in this offering memorandum.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Peruvian global and sovereign bonds	3,973.0	64.9%	2,558.5	46.0%	3,297.1	58.6%	3,025.9	51.3%	2,324.9	37.5%
Equity securities	6.4	0.1%	6.4	0.1%	6.4	0.1%	6.4	0.1%	10.9	0.2%
Corporate and financial bonds	554.8	9.1%	862.7	15.5%	596.5	10.6%	845.2	14.3%	701.9	11.3%
Negotiable bank certificates issued by Central Reserve Bank of Peru	1,131.3	18.5%	1,491.3	26.8%	1,483.5	26.4%	1,123.7	19.0%	2,124.8	34.3%
Investment in subsidiaries	26.9	0.4%	14.3	0.3%	23.7	0.4%	68.8	1.2%	78.3	1.3%
Intercorp Financial Services Inc.(IFS)	-	0.0%	299.9	5.4%	0	0	281.4	4.8%	623.4	10.1%
Other investments	433.8	7.1%	329.5	5.9%	222.4	4.0%	549.7	9.3%	332.3	5.4%
Total	**6,126.2**	**100.0%**	**5,562.6**	**100.0%**	**5,629.6**	**100.0%**	**5,901.1**	**100.0%**	**6,196.5**	**100.0%**
Less: Allowance for impairment of investments	(6.4)		(6.4)		(6.4)		(14.6)		(18.7)	
Plus: Accrued interest on marketable and held-to- maturity investments	21.4		18.6		32.3		36.1		33.1	
Total investments, net	**6,141.2**	**100.0%**	**5,574.8**	**100%**	**5,655.5**	**100%**	**5,922.6**	**100.0%**	**6,210.9**	**100.0%**

The weighted-average yield in our sol-denominated interest and dividend-earning investment portfolio was 4.5% for 2017, 4.0% for 2018, 3.9% for 2019, and 4.2% and 3.7% for the three months ended March 31, 2019 and March 31, 2020, respectively. The weighted-average yield on our foreign currency-denominated portfolio was 2.5% in 2017, 2.8% in 2018 and 3.1% in 2019, and 3.0% and 2.7% for the three months ended March 31, 2019 and March 31, 2020, respectively. The total weighted-average yield of our portfolio was 4.0% in 2017, 3.7% in 2018 and 3.8% in 2019, and 3.9% and 3.6% for the three months ended March 31, 2019 and March 31, 2020, respectively.

The following table sets forth the maturities of our investments in securities by type as of March 31, 2020.

	As of March 31, 2020 (unaudited)						
	1 month	1-3 months	3 months – 1 year	1 – 5 years	After 5 years but within 10 years	After 10 Years	Total
				(S/ in millions)			
Equity securities	-	-	-	-	-	1.8	1.8
Bonds	76.0	113.1	163.3	500.3	92.0	14.2	958.9
Investment in Peruvian debt	-	-	-	1,754.6	1,607.5	583.1	3,945.2
Negotiable bank certificates issued by the Central Reserve Bank of Peru	1,131.3	-	-	-	-	-	1,131.3
Other investments	-	-	-	-	-	104.0	104.0
Total	**1,207.2**	**113.1**	**163.3**	**2,254.9**	**1,699.5**	**703.1**	**6,141.2**
Percentage of total	19.7%	1.8%	2.7%	36.7%	27.7%	11.4%	100.0%

Loan Portfolio

The following table sets forth our loans by type of loan, at the dates indicated.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Loans	32,559.6	89.8%	29,818.9	89.6%	32,288.4	89.3%	28,916.8	88.9%	24,337.3	87.3%
Leasing Transactions	1,384.1	3.8%	1,635.6	4.9%	1,533.4	4.2%	1,682.6	5.2%	1,706.6	6.1%
Discounted notes	557.1	1.5%	467.3	1.4%	686.2	1.9%	495.0	1.5%	547.9	2.0%
Factoring transactions	355.3	1.0%	256.2	0.8%	374.2	1.0%	309.6	1.0%	162.6	0.6%
Overdrafts and advances	133.3	0.4%	38.2	0.1%	84.1	0.2%	46.5	0.1%	53.9	0.2%
Refinanced and restructured loans	258.8	0.7%	213.7	0.6%	251.2	0.7%	210.4	0.6%	273.4	1.0%
Past due loans	1,010.0	2.8%	867.4	2.6%	948.4	2.6%	857.1	2.6%	794.6	2.9%
Total gross loans	**36,258.2**	**100.0%**	**33,297.3**	**100.0%**	**36,165.9**	**100.0%**	**32,518.0**	**100.0%**	**27,876.3**	**100.0%**

Loans by economic activity

The following table sets forth the composition of our loan portfolio at the dates indicated, net of deferred interest and interest collected in advance, based on the borrower's principal economic activity.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Sector:										
Manufacturing	3,401.5	9.4%	3,532.6	10.6%	3,979.5	11.0%	3,473.4	10.7%	2,991.7	10.7%
Commerce	3,192.6	8.8%	2,723.8	8.2%	3,015.2	8.3%	2,816.2	8.7%	2,288.4	8.2%
Lease and real estate activities	3,361.0	9.3%	3,180.4	9.6%	3,333.4	9.2%	3,217.9	9.9%	2,274.9	8.2%
Electricity, gas and water	721.2	2.0%	858.7	2.6%	693.6	1.9%	892.1	2.7%	999.1	3.6%
Agriculture, herding, hunting and silviculture	1,150.6	3.2%	1,000.8	3.0%	1,225.6	3.4%	985.7	3.0%	966.5	3.5%
Financial intermediation	585.1	1.6%	625.6	1.9%	541.7	1.5%	455.5	1.4%	557.5	2.0%
Transportation, storage and communications	1,107.3	3.1%	927.4	2.8%	968.9	2.7%	946.7	2.9%	750.4	2.7%
Mining	679.9	1.9%	581.7	1.7%	575.0	1.6%	599.3	1.8%	549.1	2.0%
Construction	518.1	1.4%	385.9	1.2%	533.5	1.5%	421.5	1.3%	396.7	1.4%
Hotels and restaurants	278.9	0.8%	378.3	1.1%	262.4	0.7%	390.7	1.2%	335.1	1.2%
Fishing	229.9	0.6%	254.9	0.8%	262.7	0.7%	180.2	0.6%	133.2	0.5%
Public administration and defense	325.8	0.9%	231.5	0.7%	265.4	0.7%	241.2	0.7%	114.7	0.4%
Other activities	448.6	1.2%	633.8	1.9%	466.5	1.3%	584.4	1.8%	561.3	2.0%
Other Loans:										
Consumer	12,905.4	35.6%	11,380.6	34.2%	12,821.6	35.5%	10,891.3	33.5%	9,187.0	33.0%
Mortgage	7,352.3	20.3%	6,601.3	19.8%	7,220.9	20.0%	6,421.9	19.7%	5,770.7	20.7%
Total gross loans	**36,258.2**	**100.0%**	**33,297.3**	**100.0%**	**36,165.9**	**100.0%**	**32,518.0**	**100.0%**	**27,876.3**	**100.0%**

Loans by business lines

The following table shows the composition of our loan portfolio divided by our lines of business.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Commercial	15,028.8	41.4%	14,333.3	43.0%	15,124.1	41.8%	14,244.2	43.8%	11,999.7	43.0%
Consumer	12,286.5	33.9%	10,894.6	32.7%	12,235.1	33.8%	10,410.4	32.0%	8,647.4	31.0%
Residential mortgage	7,035.6	19.4%	6,325.4	19.0%	6,935.2	19.2%	6,145.1	18.9%	5,536.6	19.9%
Small and micro-business loans	638.5	1.8%	662.9	2.0%	671.9	1.9%	650.8	2.0%	624.4	2.2%
Refinanced and restructured	258.8	0.7%	213.7	0.6%	251.2	0.7%	210.4	0.6%	273.5	1.0%
Past due and under legal collection	1,010.0	2.8%	867.4	2.6%	948.4	2.6%	857.1	2.6%	794.7	2.9%
Total gross loans	**36,258.2**	**100.0%**	**33,297.3**	**100.0%**	**36,165.9**	**100.0%**	**32,518.0**	**100.0%**	**27,876.3**	**100.0%**

Commercial loans: Generally, short term and long term loans granted in soles and U.S. dollars to companies on an adjustable or fixed rate basis in order to finance the production and sale of goods and services / working capital or investments. They also include leasing contracts with a clause granting a lessee purchase option on leased assets at the end of the contract, in order to finance the purchase of commercial real estate, vehicles, machinery and other goods. Nearly all of our commercial loans consist of corporate loans and loans to small and medium sized commercial clients, representing approximately 74.1% and 25.9%, respectively, of the commercial loan portfolio.

Consumer loans: Generally, short-term and long-term loans granted in soles and U.S. dollars to individuals in order to finance the purchase of goods or services not related to commercial activities.

Residential mortgage loans: Residential mortgage loans are adjustable or fixed rate, long-term loans granted in soles and U.S. dollars to individuals in order to finance (1) the purchase, development and construction of an individual's home or the (2) remodeling, improvement or sub-division of an individual's existing home, in each case secured by a real property mortgage. Mortgage loans granted to directors and employees of companies are considered residential mortgage loans. All mortgage backed loans are treated as commercial loans.

Small and micro-business loans: Generally, short-term and long-term loans granted in soles and U.S. dollars to small – enterprise and individuals in order to finance commercial activities.

Refinanced and restructured loans: Refinanced loans are loans with amendments to their respective payment schedules as a result of payment delays by the relevant borrowers, as defined by SBS regulations. Restructured loans are loans granted to companies under the bankruptcy protection procedures of the Peruvian Corporate Restructuring Law.

Past due loans: Past due loans correspond to overdue loans, defined by the SBS as commercial loans for which amortization payments are 15 days overdue and loans to micro-enterprises for which amortization payments are 30 days overdue. In the case of consumer, mortgage and leasing loans, the amortization portion of a coupon is considered past due once 30 days overdue and the total amount of the loan is considered past due once an amortization payment is 90 days overdue. Beginning on January 1, 2001, SBS accounting rules require Peruvian banks to consider overdrafts past due after 30 days.

Loans by currency

The following table presents our loan portfolio divided by currency at the dates indicated.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Foreign currency denominated	26,842.5	74.0%	24,441.5	73.4%	26,688.7	73.8%	23,822.5	73.3%	20,488.9	73.5%
Sol denominated	9,415.7	26.0%	8,855.8	26.6%	9,477.2	26.2%	8,695.5	26.7%	7,387.4	26.5%
Total gross loans	**36,258.2**	**100.0%**	**33,297.3**	**100.0%**	**36,165.9**	**100%**	**32,518.0**	**100.0%**	**27,876.3**	**100.0%**

Maturity composition of our loans portfolio

The following table sets forth an analysis of our portfolio of performing loans as of March 31, 2020, by type and by the time remaining to maturity. Loan amounts are presented before deduction of allowances for loan losses.

	As of March 31, 2020 (unaudited)						
	1 month	1-3 months	3 months – 1 year	1 - 5 years	After 5 years	Past due loans	Total
	(S/ in millions)						
Loans	2,589.6	4,072.3	6,636.0	14,432.0	4,829.7	-	32,559.6
Leasing receivables	36.2	114.6	470.0	719.4	43.8	-	1,384.0
Discounted notes	242.8	240.4	73.9	-	-	-	557.1
Factoring	126.9	152.1	76.3	-	-	-	355.3
Advances and overdrafts	133.3	-	-	-	-	-	133.3
Refinanced loans	17.5	9.9	50.1	155.3	26.0	-	258.8
Past due and under legal collection loans						1,010.0	1,010.0
Total gross loans	3,146.3	4,589.3	7,306.3	15,306.7	4,899.5	1,010.0	36,258.1

Classification of our loan portfolio

We classify our loan portfolio in accordance with SBS regulations. See "Regulation and Supervision — Loan Loss Reserves" for a description of our loan classification and risk management policies. The following table provides statistical data regarding the classification of our loans as of the end of the periods indicated.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2020		2019		2018	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
A: Normal	37,816.5	93.9%	34,798.7	93.1%	37,731.4	93.4%	34,123.1	93.0%	29,676.1	92.3%
B: With potential problems	558.5	1.4%	887.5	2.4%	703.9	1.7%	913.4	2.5%	910.2	2.8%
C: Substandard	584.2	1.5%	428.2	1.1%	586.4	1.5%	431.8	1.2%	419.5	1.3%
D: Doubtful	593.6	1.5%	538.8	1.4%	583.9	1.5%	537.7	1.5%	512.8	1.6%
E: Loss	710.9	1.8%	708.5	1.9%	783.7	1.9%	689.9	1.9%	647.2	2.0%
Total[(1)]	**40,263.7**	**100.0%**	**37,361.7**	**100.0%**	**40,389.3**	**100.0%**	**36,695.9**	**100.0%**	**32,165.8**	**100.0%**
Direct loan portfolio before allowance for loan losses	36,258.2	90.1%	33,297.3	89.1%	36,165.9	89.5%	32,518.0	88.6%	27,876.3	86.7%
Indirect loan portfolio before allowance for loan losses	4,005.5	9.9%	4,064.4	10.9%	4,223.4	10.5%	4,177.9	11.4%	4,289.5	13.3%
Total	**40,263.7**	**100.0%**	**37,361.7**	**100.0%**	**40,389.3**	**100.0%**	**36,695.9**	**100.0%**	**32,165.8**	**100.0%**

(1) See Loan loss reserves.

Allowance for loan losses

Our allowance for loan losses is recorded in accordance with SBS regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Allowance for Loan Losses" for a description of the guidelines and procedures used in the review of our loan portfolio and the calculation of our allowances for loan losses. The following table presents our allowances for loan losses.

	For the three-months ended March 31,		For the years ended December 31,		
	2020	2019	2019	2018	2017
	(S/ in millions)			(S/ in millions)	
Balance at the beginning of year	**1,757.5**	**1,589.1**	**1,589.1**	**1,412.8**	**1,325.9**
Provisions recognized as expense for the period	336.4	249.9	1,082.3	986.0	1,015.6
Recoveries	(41.3)	(49.2)	(171.0)	(182.5)	(198.1)
Write-offs, extinguishment of debt and sales	(256.0)	(193.0)	(874.1)	(791.2)	(882.3)
Recoveries of written-off accounts	27.8	31.3	136.5	145.6	128.1
Provision from the portfolio acquired	-	-	-	6.6	32.8
Exchange result, net	11.2	(5.0)	(5.3)	11.8	(9.3)
Balance at year end[(1)]	**1,835.6**	**1,623.1**	**1,757.5**	**1,589.1**	**1,412.7**

	For the three-months ended March 31,		For the years ended December 31,		
	2020	2019	2019	2018	2017
	(S/ in millions)			(S/ in millions)	
Provisions for contingent loans	**82.3**	**87.5**	**83.5**	**89.3**	**84.1**

(1) Includes provision for indirect loans.

The following table shows the allocation of our allowance for loan losses for each type of loan at the dates indicated.

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Corporate Loans	494.4	26.9%	467.7	28.8%	484.5	27.6%	461.0	29.0%	300.0	21.2%
Consumer Loans	944.5	51.5%	780.0	48.1%	889.3	50.6%	754.8	47.5%	744.7	52.7%
Residential mortgage loans	314.5	17.1%	287.9	17.7%	300.2	17.1%	283.9	17.9%	248.1	17.6%
Leasing transactions	-	0.0%	-	0.0%	-	0.0%	-	0.0%	35.8	2.5%
Provisions for contingent loans	82.3	4.5%	87.5	5.4%	83.5	4.8%	89.3	5.6%	84.1	6.0%
Total provisions for loan losses	**1,835.6**	**100.0%**	**1,623.1**	**100.0%**	**1,757.5**	**100.0%**	**1,589.1**	**100.0%**	**1,412.7**	**100.0%**

Composition of Deposits and Other Commitments

The following table sets forth the composition of our deposits[(1)] and similar commitments at the dates indicated:

	As of March 31, (unaudited)				As of December 31,					
	2020		2019		2019		2018		2017	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Time deposits										
Soles	8,008.5	24.1%	6,871.5	21.6%	9,166.0	26.9%	8,053.4	26.7%	7,582.0	25.7%
Foreign currency	2,719.9	8.2%	3,806.9	12.0%	3,279.1	9.6%	**2,875.7**	**9.5%**	**3,958.0**	**13.4%**
Total	**10,728.4**	**32.3%**	**10,678.4**	**33.5%**	**12,445.1**	**36.5%**	**10,929.1**	**36.2%**	**11,540.0**	**39.1%**
Savings deposits										
Soles	7,857.3	23.6%	5,853.2	18.4%	6,916.6	20.3%	5,850.1	19.4%	4,756.3	16.18%
Foreign currency	4,668.7	14.0%	4,788.5	15.0%	4,434.6	13.0%	**4,822.7**	**16.0%**	**4,289.0**	**14.5%**
Total	**12,526.0**	**37.7%**	**10,641.7**	**33.4%**	**11,351.2**	**33.3%**	**10,672.8**	**35.4%**	**9,045.3**	**30.7%**
Demand deposits										
Soles	5,045.6	15.2%	5,722.0	18.0%	5,923.2	17.4%	4,356.1	14.4%	4,293.3	14.6%
Foreign currency	4,216.2	12.7%	4,124.3	13.0%	3,609.9	10.6%	**3,479.6**	**11.5%**	**3,932.0**	**13.3%**
Total	**9,261.8**	**27.9%**	**9,846.3**	**30.9%**	**9,533.1**	**28.0%**	**7,835.7**	**26.0%**	**8,225.3**	**27.9%**
Others										
Soles	513.3	1.5%	500.9	1.6%	540.3	1.6%	503.8	1.7%	436.0	1.5%
Foreign currency	219.6	0.7%	169.5	0.5%	210.4	0.6%	**223.9**	**0.7%**	**241.2**	**0.8%**
Total	**732.9**	**2.2%**	**670.4**	**2.1%**	**750.7**	**2.2%**	**727.7**	**2.4%**	**677.2**	**2.3%**
Total deposits										
Soles	21,424.7	64.4%	18,947.6	59.5%	22,546.1	66.2%	18,763.4	62.2%	17,067.6	57.9%
Foreign currency	11,824.4	35.6%	12,889.2	40.5%	11,534.0	33.8%	**11,401.9**	**37.8%**	**12,420.2**	**42.1%**
Total[(2)]	**33,249.1**	**100.0%**	**31,836.8**	**100.0%**	**34,080.1**	**100.0%**	**30,165.3**	**100.0%**	**29,487.7**	**100.0%**

(1) Does not include deposits with financial entities.
(2) Does not include other deposits, which mainly correspond to deposits made by customers as guarantees for direct and indirect loans disbursed by the bank. Such deposits represent approximately 5.2% of our deposits and other commitments. The inclusion of other deposits would result in a slight variation in the percentages.

Maturity of Deposits

The following table sets forth information regarding the maturity of our deposits as of March 31, 2020.

	As of March 31, 2020 (unaudited)				
	1 month	1-3 months	3 months - 1 year	1 - 5 years	Total
	(S/ in millions)				
Time deposits	2,478.7	1,649.4	4,185.4	2,414.9	10,728.4
Saving deposits	1,265.0	880.7	0.0	10,380.2	12,525.9
Demand deposits	3,412.5	1,451.2	0.0	4,398.2	9,261.8
Total	**7,156.1**	**3,981.3**	**4,185.4**	**17,193.2**	**32,516.1**
Percentage of Total	22.0%	12.2%	12.9%	52.9%	100.0%

Short-Term Borrowings

Our short term borrowings, defined as interbank funds and due to banks and correspondents with a maturity of less than 1 year, amounted to S/3,267.4 million as of March 31, 2020, S/2,518.3 million as of December 31, 2019, S/2,168.6 million as of December 31, 2018 and S/2,451.0 million as of December 31, 2017.

Return on Equity and Assets

The following table sets forth our return on average total assets and average shareholders' equity and related information for the periods indicated.

	For the three months ended March 31 (unaudited),		For the year ended December 31,		
	2020	2019	2019	2018	2017
Return on average total assets[(1)]	1.8%	2.4%	2.5%	2.3%	2.2%
Return on average shareholders' equity[(2)]	15.2%	21.9%	22.0%	21.3%	20.7%
Equity to assets ratio[(3)]	11.6%	11.0%	11.2%	10.9%	10.5%
Dividend payout ratio[(4)]	0.0%	44.9%	44.9%	45.0%	45.0%

(1) Net income as a percentage of average total assets.
(2) Net income as a percentage of average shareholders' equity.
(3) Average shareholders' equity as a percentage of average assets.
(4) Dividends declared and paid divided by net income from the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited financial statements and unaudited financial statements, together with the notes thereto, included elsewhere in this offering memorandum. Our financial statements are prepared in accordance with Peruvian GAAP for financial entities, which differ in significant respects from IFRS. See "Presentation of Financial and Other Information" and "Annex A–Principal Differences Between Peruvian GAAP and IFRS". We have not quantified the effects of such differences and therefore cannot assure you that we have identified all of the differences that are material. Our financial statements have not been reconciled to IFRS. Any such reconciliation would result in material differences.

Overview

We are a leading provider of a wide range of financial products and banking services for retail customers and commercial clients in Peru.

Our purpose is to be side by side with Peruvians so they can reach their dreams, today, and, as such, we have built an integrated financial services platform in the fast-growing, underpenetrated and profitable Peruvian financial system. We have invested in building a leading and scalable digital platform (mobile and online), which is rapidly being adopted by existing and new customers. Our digital platform is complemented by one of the largest distribution networks in the country which includes financial stores, ATMs, correspondent agents, dedicated sales forces, financial advisors and call centers.

Together our digital platform and distribution network provide our 3.7 million customers, and a potential market of more than 32.5 million Peruvians, and economically active population of 17.5 million and 9.8 million businesses, with access to our products and services and a distinctive and convenient customer experience.

Our key strategic priority is to achieve digital excellence for our customers by providing them with a world-class, flexible and secure digital platform. More than ever, we believe our digital transformation is vital to our continued growth and profitability, and for this reason we have been investing in developing the capabilities necessary to offer a variety of digital products and services to our customers. In March 2020, more than 1.3 million retail customers utilized our digital platform compared to more than 620,000 in December 2017 and approximately 975,000 in March 2019. We aim to allow our customers the opportunity to have a 100% digital relationship with us in an efficient and secure manner. We have also streamlined our physical presence and reduced the number of branches by approximately 7% since 2017, focusing on educating our customers in the use of our digital platform. To accompany this transformation we are in the process of redesigning our physical presence in order to better serve the evolving needs of our customers. We have substantially increased migration of low-value-added transactions to more efficient digital channels, and we have increased sales of products to existing customers, as well as increased new customer acquisition of which a growing number are being acquired digitally or "born-digital." This process of digital customer acquisition and sales continued to accelerate, for example, in March 2020, 21% of new retail clients were acquired digitally compared to 12% in March 2019.

We are the second largest provider of consumer loans (retail loans other than mortgages) in Peru with a 22.8% market share in terms of total gross consumer loans outstanding as of March 31, 2020, according to the SBS. Within the consumer loan business in Peru, we are the largest provider of gross consumer credit card loans with a 27.5% market share and the largest private bank provider of gross payroll deductible loans to public sector employees with a 26.4% as of March 31, 2020, according to the SBS. Additionally, we are the fourth largest bank in Peru in terms of retail mortgages and commercial lending, as well as overall deposits and total assets according to the SBS. We have built one of the most convenient and extensive retail banking distribution networks in Peru including, online banking, mobile applications, a total of 253 financial stores, more than 1,594 ATMs and more than 3,363 own correspondent agents, as of March 31, 2020. Moreover, we have developed state-of-the-art and user friendly digital platforms to better serve our client's needs.

For the three months ended March 31, 2020 and 2019, our net income was S/231.9 million (US$67.5 million) and S/286.7 million, respectively. As of March 31 2020 and 2019, we had shareholders' equity of S/6,196.9 million (US$1,803.0 million) and S/5,172.8 million, respectively. Our annualized ROE as of March 31, 2020 and 2019 was 15.2% and 21.9%, respectively, and our annualized ROA for the three months ended March 31, 2020 and 2019 was

1.8% and 2.4%, respectively. Despite this slowdown in the first quarter of 2020, which is largely attributable to the COVID-19 pandemic, we expect that our medium to long term performance will continue to demonstrate our strong cash flow generation capacity and provide us with resources for the repayment of financing facilities.

For the years ended December 31, 2019, 2018 and 2017, our net income was S/1,221.5 million (US$355.4 million), S/1,040.1 million and S/902.0 million, respectively. As of December 31, 2019, 2018 and 2017, we had shareholders' equity of S/6,029.0 million (US$1,754.1 million), S/5,306.8 million and S/4,757.0 million respectively. Our annual ROE for the years ended December 31, 2019, 2018 and 2017 was 22.0%, 21.3% and 20.7%, respectively, and our annual ROA for the years ended December 31, 2019, 2018 and 2017 was 2.5%, 2.3% and 2.2%, respectively.

Factors Affecting Our Results of Operations

Peruvian Economic Environment

Substantially all of our operations are conducted in Peru. Accordingly, our results of operations and financial condition are dependent on economic conditions, consumer spending and investment levels in Peru. During the 1980s, Peru experienced a severe economic crisis and high levels of inflation. Beginning in the 1990s, however, the Peruvian government implemented a series of structural reforms, which helped stabilize the Peruvian economy and foster continued GDP growth, lower inflation and interest rates, more stable currency and significantly improved public finances. Moreover, and as a result of the financial instability in 2008 and 2009, which was accompanied by the worst global economic downturn in many decades, the Peruvian economy, while affected, was one of the few economies in Latin America to experience growth in 2009. Peru's real GDP grew at a rate of 1.0% in 2009, supported by the Peruvian government's fiscal stimulus programs.

Nonetheless, the country has experienced a slowdown in recent years, mainly explained by lower domestic demand, as a result of a lower growth in private investment. This slowdown was intensified due to several factors, such as (i) a strong *El Niño* phenomenon, which adversely affected agricultural production, transportation services, tourism and commercial activity, and resulted in a 1.5% drop in GDP growth in 2017; (ii) corruption scandals related to the activities of certain Brazilian and Peruvian companies in the construction sector, which resulted in suspension or delay of important infrastructure projects during 2018; (iii) political disputes between the Peruvian government and the opposition, which resulted in the resignation of former President Pedro Pablo Kuczynski in March 2018 and the appointment of former Vice-President Martin Vizcarra as the new President of Peru; and (iv) political disputes between President Martin Vizcarra and Congress which led the President to dissolve Congress in September 2019. Despite these factors and subsequent corruption scandals related to the Peruvian judiciary system and other political figures, in 2019, the Peruvian economy continued to outperform its peer countries, supported by solid macroeconomic fundamentals and strong fiscal and monetary policies.

The table below sets forth additional details regarding Peru's recent economic performance:

	March-2020	**2019**	**2018**	**2017**	**2016**	**2015**
Peruvian real GDP growth rate	(3.4%)	2.2%	4.0%	2.5%	4.0%	3.3%
Domestic demand growth	(1.2%)	2.3%	4.2%	1.5%	1.1%	2.6%
Private consumption growth	(1.7%)	3.0%	3.8%	2.6%	3.7%	4.0%
Fixed private investment (real growth)	(16.8%)	4.0%	4.2%	0.2%	(0.4)%	(4.0)%
Reference interest rate	1.3%	2.3%	2.8%	3.3%	4.3%	3.8%
Fiscal (deficit) (% of GDP)	(1.1%)	(1.6)%	(2.3)%	(3.0)%	(2.3)%	(1.9)%
Variation in Consumer Price Index ("CPI")	1.8%	1.9%	2.2%	1.4%	3.2%	4.4%
Unemployment rate	7.8%	5.4%	5.7%	6.9%	7.0%	6.2%
Disposable income growth	(0.8%)	2.4%	3.8%	3.2%	3.8%	1.7%
Public external debt as a percentage of Peruvian GDP	8.8%	8.5%	8.8%	8.8%	10.4%	11.1%
Net international reserves (US$ in millions)	68,022	68,316	60,121	63,621	61,686	61,485

Sources: Central Reserve Bank of Peru and INEI.

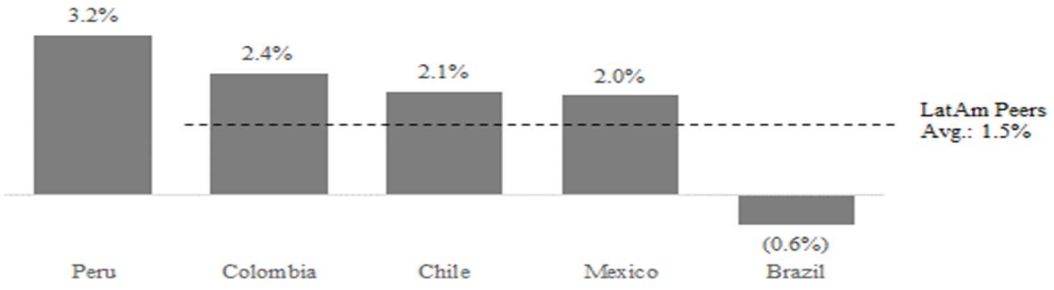
In this context, the Peruvian government's prudent management of the economy, conservative fiscal policy, coupled with the Central Reserve Bank of Peru's cautious management of inflation and international reserves have contributed to economic development, increased internal consumption and strong macroeconomic fundamentals,

including low levels of public debt, low inflation, low fiscal deficit and high levels of international reserves. Based on Peru's strong macroeconomic base, the Peruvian government has deployed various expansionary fiscal and monetary policies to control and mitigate the impact of COVID-19 on the Peruvian economy and population. Peru's strong track record of macroeconomic policy credibility, consistency and ability to adapt to changes has helped it to achieve investment grade ratings of A3 by Moody's, BBB+ by S&P and BBB+ by Fitch as of March 31, 2020. On June 3, 2020, in light of the COVID-19 pandemic, Fitch reduced Peru's local currency rating from A- to BBB+.

In its most recent forecast as of December 2019, the Central Reserve Bank of Peru had estimated real GDP growth for Peru of 3.8% for both 2020 and 2021, above the 2.2% registered in 2019. While this estimate has not yet been updated by the Central Reserve Bank of Peru, the IMF has updated GDP growth outlook for Latin America, estimating an economic contraction of 5.2% for the region and Peru's GDP to contract 6.5% in 2020. For the three-month period ended March 31, 2020, Peru reported a GDP contraction of 3.4%. As of the date of this offering memorandum, the COVID-19 pandemic continues to negatively affect Peru's growth in 2020.

Prior to the effects of the COVID-19 pandemic, the Peruvian economy had been one of the best performing in Latin America as a result of prudent macroeconomic policy and strong fundamentals. From 2015 to 2019, according to the Economist Intelligence Unit ("EIU"), the Peruvian economy was the fastest growing as compared to the peer countries in Latin America in terms of average real GDP growth rates. Economic growth has been mostly driven by higher internal demand which grew at a CAGR of 2.3% for the period from 2015 to 2019.

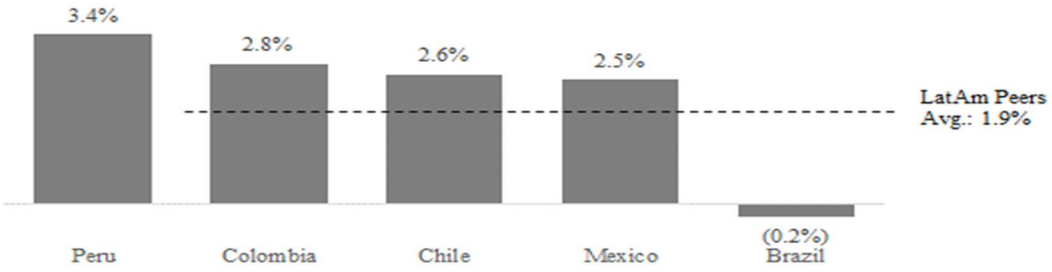
Average Real GDP Growth Rate (2015 - 2019)



Source: EIU

The following chart sets forth Peru's average private consumption growth rate from 2015 to 2019, as compared to the group of peer countries in Latin America.

Average Private Consumption Growth Rate (2015 - 2019)



Source: EIU

Interest Rates

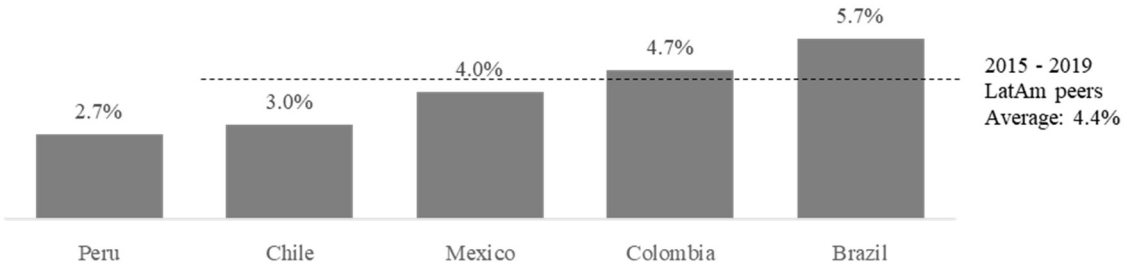
In general, increases in prevailing interest rates result in more interest revenue from loans. An increase of prevailing interest rates may, however, adversely affect Interbank as a result of reduced overall demand for loans and greater risk of default by its clients. In addition, relatively high interest rates affect Interbank's funding costs, and can adversely affect spreads on its loan portfolio if Interbank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can reduce Interbank's revenue from its loan portfolio. This revenue decrease may be offset by an increase in the volume of loans resulting from higher demand and/or a decrease in Interbank's funding costs. Most recently, as a result of the COVID-19 pandemic, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from 2.25% to 0.25%. This measure may affect both interest income and interest expense. See "Recent Developments—Measures implemented by the Peruvian government in the face of the COVID-19 pandemic—Measures aimed at strengthening the financial sector" and "Risk Factors—Interest rate changes could have a material adverse effect on our financial condition and results of operations."

Inflation

Our performance may be impacted by inflation, because substantially all of our assets are not adjusted for the effects of inflation. During the 1980s, Peru experienced hyperinflation, negative economic growth and substantial currency devaluation. Inflation rates in Peru began to decrease in the 1990s and in the last 14 years Peru had one of the lowest average inflation rates in the region, partly due to the monetary policy implemented by the Central Reserve Bank of Peru and partly due to the conservative fiscal policy of the Peruvian government. In 2002, in order to maintain low inflation rates, the Central Reserve Bank of Peru established an annual inflation target of 2.5% within a range of one percentage point. In 2007, the target was lowered to 2.0%, within a range of one percentage point. The Central Reserve Bank of Peru has maintained its target inflation range ever since. The inflation rate in Peru, as measured by changes in the consumer price index by the Central Reserve Bank, 1.4% in 2017, 2.2% in 2018 and 1.9% in 2019, and 1.8% in the three months ended March 31, 2020. In its most recent forecast as of March 2020, the Central Reserve Bank of Peru has estimated Peru's inflation to be 2.0% in both 2020 and 2021. Nevertheless, the COVID-19 pandemic may reduce inflation levels in 2020, mainly due to the lower commercial activity in the country.

The following chart sets forth Peru's average consumer price inflation rate from 2015 to 2019, as compared to the group of peer countries in Latin America.

Average Consumer Price Inflation Rate (2015 - 2019)



Source: EIU and BCRP

Depreciation and Appreciation of the Sol

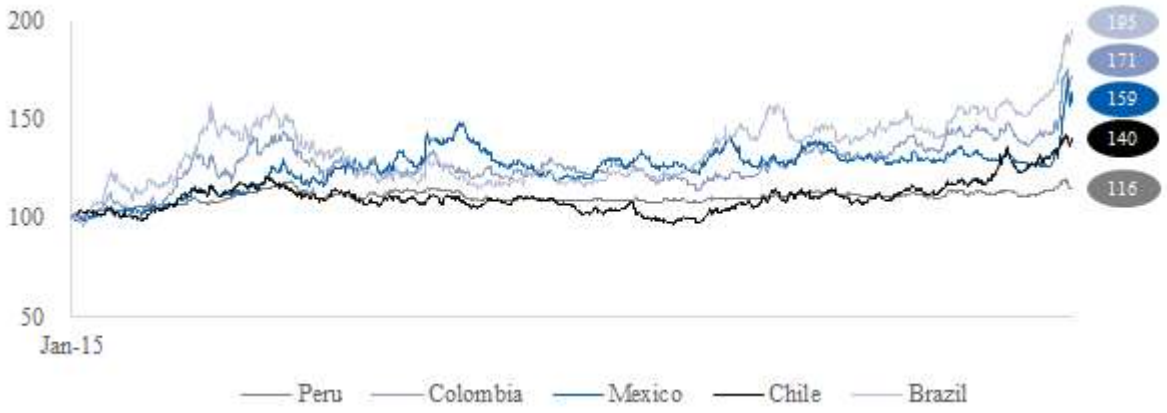
The *sol* floats freely against other currencies. Nevertheless, the Central Reserve Bank of Peru participates in the market (buying or selling *soles*) in order to avoid any large fluctuations in the exchange rate because of the effects that it could have on the Peruvian economy, which remains partly dollarized. Because our assets and liabilities are denominated in U.S. dollars and our audited annual consolidated financial statements are prepared in soles, the results reflected in our audited annual financial statements are affected by fluctuations in the exchange rates between the sol and the U.S. dollar.

In 2015, the *sol* depreciated significantly against the U.S. dollar. Since then, the *sol* has remained relatively stable. However, during the first quarter of 2020, the *sol* rapidly depreciated against the U.S. dollar as a result of the COVID-19 pandemic and is expected to remain at relatively high levels of depreciation during 2020. In this context, any future changes in the value of the sol against the U.S. dollar and other foreign currencies could adversely affect our financial condition and results of operations to the extent that our subsidiaries maintain a gap between foreign denominated assets and liabilities. See "Exchange Rates."

The Peruvian government adopted a policy to encourage the de-dollarization of the Peruvian economy. This policy included promoting the development of a *sol* capital market and local currency yield curves. The proportion of outstanding loans in the banking system denominated in U.S. dollars has fallen from 51.0% as of December 31, 2011 to 30.6% (including Peruvian banks offshore subsidiaries) as of March 31, 2020, according to figures published by the SBS; while, the percentage of liabilities in the banking system denominated in U.S. dollars was approximately 53.8% as of December 31, 2011 compared to 42.4% as of March 31, 2020.

The following chart displays the local currency exchange rate versus the U.S. dollar indexed to January 2015 for Peru and the group of peer countries in Latin America.

Local Currency Exchange Rate Versus the U.S. Dollar (Indexed to 100)



Source: EIU and BCRP

Monetary Policy

In April 2010, as a result of significant economic growth, the Central Reserve Bank of Peru began tightening its monetary policy, raising the reference rate and increasing reserve requirements. This tightening policy had the goal of mitigating speculative capital inflows and cooling the expansion of credit.

However, since the beginning of 2017, the Central Reserve Bank of Peru started loosening its monetary policy. In this context, from January 2017 up to December 2019, the minimum legal reserve requirements were reduced from 70.0% to 35.0% in foreign currency and from 6.5% to 5.0% in local currency; while the reference rate decreased from 4.25% to 2.75%. On March 19, 2020, the Central Reserve Bank of Peru reduced its reference rate by 100 basis points to 1.25%. Likewise, on March 26, 2020, the Central Reserve Bank of Peru reduced the minimum legal reserve requirements from 5.0% to 4.0% in local currency and from 50.0% to 9.0% for foreign currency obligations with foreign banks for tenors up to two years. These latest changes in reserve requirements came into effect in April 1, 2020.

Most recently, as a result of the COVID-19 pandemic, the Central Reserve Bank of Peru took several measures, such as reducing the reference interest rate by 200 basis points from 2.25% to 0.25%. See "Recent Developments—Measures implemented by the Peruvian government in the face of the COVID-19 pandemic—Measures aimed at strengthening the financial sector."

Competition

We face intense competition, which can affect our margins, growth and profitability. See "Business—Competitive Environment".

Demographic and Socioeconomic Trends

Peru's economic growth has been supported by favorable demographic trends. According to INEI, the poverty rate in Peru has declined to 20.2% in 2019, from 30.8% in 2010, while GDP per capita in U.S. dollars has increased from US$5,055 in 2010 to US$7,058 in 2019, reflecting a robust increase in purchasing power.

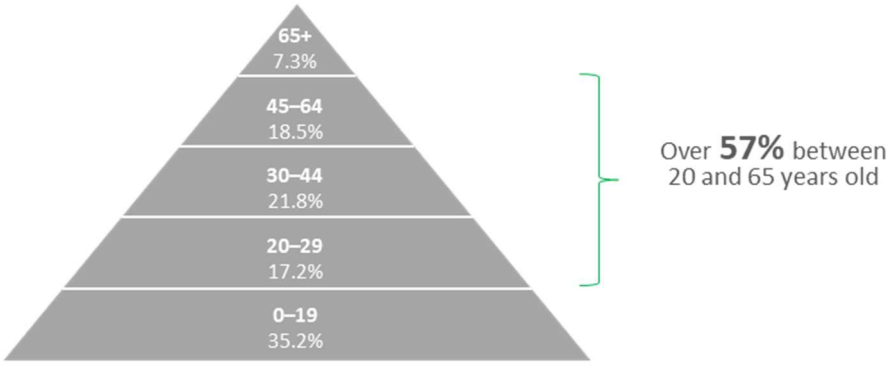
As of 2010 and 2019, the Peruvian population was distributed by socioeconomic segment as follows:

Socioeconomic Segments	2010	2019
A	2.7%	2.3%
B	10.3%	13.8%
C	28.9%	35.5%
D	35.0%	31.8%
E	23.1%	16.6%

Source: APEIM – ENAHO

As of 2019, Peruvian population by age group was distributed as follows:

Peruvian Population by Age Group (%)



COVID-19 Pandemic

As previously mentioned, our business is dependent on our customers' willingness and ability to conduct banking and other financial transactions. In this sense, the spread of COVID-19 could disrupt our business and impact our operations in the following ways:

- Lower loan revenues due to the deceleration of loan portfolio growth and the decrease in market interest rates

- Higher provision expenses and lower growth in recoveries due to a decrease in asset quality.
- Growth in retail deposits in connection with the Peruvian government's authorization of withdrawals from private pension funds accounts, among other reasons.
- Lower cost of funding following a year of declining reference interest rates
- Decreased income from financial services due to the economic slowdown and decreased demand for products and services.
- Implementation of measures to reduce operating expenses and maintain optimal cost and efficiency levels.

See "Recent Developments".

Critical Accounting Policies

Critical accounting principles and practices used in the preparation of the financial statements included in this offering memorandum are described below. For additional information regarding the accounting principles described below, see the notes to our financial statements included elsewhere in this offering memorandum.

Basis of Presentation, Use of Estimates and Accounting Changes

Basis of presentation and use of estimates:

Our audited annual financial statements as of December 31, 2019 and 2018 and our interim condensed financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019 included in this offering memorandum have been prepared in *soles* from our accounting records, which are maintained in nominal monetary and terms at each transaction's date, in accordance with SBS regulations in effect in Peru, and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards (IFRS) approved in Peru through resolutions issued by the Peruvian Accounting Council, "CNC" by its Spanish acronym at those dates. The SBS regulations regarding the notes to the interim condensed financial statements follows IAS 34 "Interim Financial Reporting".

The preparation of our audited annual financial statements and our interim condensed financial statements included herein requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the reporting date, as well as the income and expense figures reported during the current period. Actual results may differ from those estimates and assumptions. The most significant estimates included in the accompanying financial statements correspond to the provision for loan losses, valuation and impairment of investments and the valuation of derivative financial instruments, the useful life of tangible and intangible assets, and the estimation of deferred income tax assets and liabilities. The accounting criteria for the principal estimates are described below.

The accounting records of our Panamanian branch (the "Panamanian Branch") are maintained in U.S. dollars and, for purposes of incorporation, have been translated into *soles* at the exchange rate prevailing at the date of each statements of financial position. The effects of said translation are recognized in the income statements of each period. Likewise, the accounting principles used by the Panamanian Branch have been standardized to the SBS accounting regulations.

Our annual audited financial statements and our interim condensed financial statements do not include the effects of the consolidation of the Bank with its subsidiaries because their non-consolidation, individually or in aggregate, does not significantly affect the bank's financial position, operating results and cash flows. The subsidiaries are accounted using the equity method after adjustments to standardize their balances according to SBS rules. Their consolidation would not have changed the bank's reported net income or equity as of March 31, 2020 and 2019, and December 31, 2019, 2018 and 2017.

On December 18, 2018, the Bank's Board of Directors approved the sale of 100 percent of the capital stock of Interfondos S.A., Sociedad Administradora de Fondos ("Interfondos"), which consists of 39,430,595 shares, to Inteligo Perú Holding S.A.C., an affiliate subsidiary of Inteligo Group Corp. The transaction became effective on January 8, 2019, through an agreement between the Bank and Inteligo Perú Holding S.A.C. The purchase price of the Interfondos shares amounted to US$30,000,000 (equivalent to approximately S/100,470,000), recording a profit of S/52,580,000.

As of March 31, 2020, there were no changes in the composition and ownership of the Bank's investments in subsidiaries and associates, as compared to the information presented in the 2019 annual financial statements.

Financial Instruments

Financial instruments are classified as assets, liabilities or equity, according to the substance of the respective contractual arrangements that originated them. Interests, dividends, gains and losses generated from a financial instrument classified as asset or liability are recorded as income or expense, respectively. Financial instruments are offset when the Bank has a legally enforceable right to offset them and management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported in the statements of financial position include cash and due from banks, inter-bank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity investments, loan portfolio, net, assets reported in the caption "Other assets, net", except for those identified as non-financial instruments, and liabilities in general, except for those identified as non-financial instruments.

Recognition of Revenues and Expenses

Revenues and expenses from interest are recorded in the income statements of the period in which they are incurred, based on the effective term of the underlying transactions and the interest rates freely agreed upon with customers; except for interest accrued on past due loans, refinanced, restructured or in legal collection, as well as loans classified as doubtful or loss, which interests are recognized as collected. When management determines that the debtor's financial condition has improved and the loan is reclassified as current in the category of normal, potential problems or substandard, such interests are recognized again on an accrual basis.

Interest revenues include interest accrued on fixed income investments classified as available-for-sale and held-to-maturity, as well as income from discounts and premiums on the bank's financial instruments. Dividends are recognized as income when declared.

Commissions from financial services related to the maintenance of loans granted are recognized as income when collected.

Commissions and expenses for loans structuration, credit facility, assessment and credit evaluation of direct and indirect loans are recorded as income on an accrual basis over the agreement period.

Other income and expenses are recognized as earned or incurred in the period in which they accrue.

Allowance for Loan Losses

Direct loans are recorded when the funds are disbursed in favor of the customers. In the case of credit cards operations, these are recorded as loans for the amount consumed and/or cash withdrawals made. Indirect loans (contingent loans) are recorded when documents supporting such facilities are issued.

In the case of financial leases, the bank recognizes the present value of the lease payments as credit granted. The difference between the total amount of installments receivable and their present value is recorded as unrealized interest and is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodical rate of return. The bank does not grant operating leases.

The provision for loan losses was determined following the guidelines established by SBS Resolution No.11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and SBS Resolution No.6941-2008 "Regulation for the Managing of the Risk from Retail Debtors with High Leverage

Levels", in each case, as amended. In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among others, the following factors: the debtor's payment experience, the payment history of the specific loan, the bank's dealings history with the debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on repayment capability measured in accordance with its compliance reflected on how long payments are overdue.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the customer's debts are backed by preferred self-liquidating guarantees – LWPSLG (cash deposits and rights over credit letters) or by preferred guarantees that may be readily liquidated – LWRLPG (treasury bonds issued by the Peruvian government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees – LWPG (primary pledge on financial instruments and property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, computing the provision must consider the credit classification of the guarantor or guaranteeing party for credits subject to counterparty substitution by a financial or insurance entity (CAC).

The provisions for customers classified as doubtful or loss for more than 36 and 24 months, respectively, are computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the bank must record additional provisions.

The provision for indirect loans in determined on the basis of the "Exposure equivalent to indirect credit risk", according to the indirect credit conversion factor.

The provision for over-indebtedness of the retail loan portfolio requires that financial entities must establish a risk management system that reduces debt over-indebtedness risk before and after the granting of the loan; carry out permanent monitoring of the portfolio in order to identify the over-indebted debtors, which includes a periodic evaluation of control mechanisms used, as well as the corrective action or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer debtors, and on the basis of said amount, compute the provision according to the debtor's classification.

On March 13, 2020, March 16, 2020, March 20, 2020 and May 29, 2020, the SBS issued *Oficios Múltiples* No. 10997-2020-SBS, No. 11150-2020-SBS, No. 11170-2020-SBS and No. 13805-2020, respectively. Through these regulations, the SBS established the following exceptional measures applicable to the loan portfolio, in order to facilitate debt repayment from customers of financial entities within the Peruvian financial institutions affected by the COVID-19 pandemic:

- Entities of the financial system may modify or amend contractual conditions of loans without characterizing such modifications or amendments as refinancing insofar as the total term does not extend for more than six months of the original term. Also, debtors must have a maximum of 15 days overdue in their payments as of February 29, 2020.

- For retail loans with modification of contractual conditions, the interest associated may continue to be recognized on an accrual basis. However, if the debtor changes its situation to a past-due after setting new terms of credit, the financial institution must revert the accrued interest of such loan proportionally in a period of six months.

- For non-retail loans with modification of contractual conditions, the interest associated must be recognized on a cash basis. Uncollected accrued interest related with these loans must be revert as of the date of modification.

- For debtors with more than 15 days overdue as of February 29, 2020, the computation of overdue days shall be suspended as long as the national health emergency is maintained.

- If a debtor has overdue payments after contractual modifications, such loan will be considered as refinanced credit, following the general criteria of SBS Resolution No.11356-2008, as indicated in the audited financial statements.

In accordance with the *Oficio Múltiple* SBS No.11150-2020, the scope of the facilities mentioned above will be determined by each entity of Peruvian financial system, after analyzing the level of impact on its loan portfolio.

Considering the above, as of March 31, 2020, Interbank had modified credits for an approximate amount of S/4,220,593,000 and recognized less accrued interest for an approximate amount of S/10,793,000. Additionally, according to an evaluation made by Interbank's management, it decided to record voluntary provisions, as allowed by the SBS for an approximate amount of S/146,929,000.

For more information, see note 2.2 to our unaudited interim condensed financial statements.

Functional and Reporting Currency

The bank considers the *sol* as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the bank, given that its main operations and/or transactions such as: loans granted, financing obtained, financial revenue and expenses, as well as its main purchases, are established and settled in *soles*.

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into *soles* at the closing exchange rate of the corresponding month using the exchange rate set by the SBS. Gains or losses resulting from the translation of monetary assets and liabilities in foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the income statements of the period as "Gain on exchange difference and exchange operations" of the caption "Gain on financial transactions".

The accounting records of the bank's branch established abroad are maintained in U.S. dollars and, for consolidation purposes, have been translated into *soles* at the exchange rate prevailing at the date of each statement of financial position, recording the effects of such translation in the income statements of each period.

Derivative Financial Instruments

SBS Resolution No. 1737-2006 ("Regulation for Trading and Accounting of Derivatives for Financial Entities"), as amended, establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

Trading Derivatives

Derivative financial instruments are initially recognized in the statements of financial position at cost and are subsequently carried at fair value, recognizing an asset or liability in the statements of financial position and the correspondent gain or loss in the income statements. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at its notional amount in the committed currency.

The fair values are determined based on market exchange rates and interest rates.

Hedging Derivatives

A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80% and 125%.

For this type of hedging instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption "Unrealized results" as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the income statements. Amounts accumulated in equity for hedging cash flows are transferred to the income statements in the periods when the hedged item is recorded in the income statements or when an expected transaction occurs.

On the other hand, if the hedge instrument expires, is sold, settled or exercised, or at the moment that the hedge instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospectively manner and the balances recorded in the equity are transferred to the income statements during the hedged item's term.

Embedded (Implicit) Derivatives

Certain derivatives incorporated in other financial instruments (principal or host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to the risks of the host contract and when the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and are recognized at fair value in the income statements, unless the Bank chooses to designate the hybrid contract (host and embedded derivatives) at its fair value through profit or loss. As of March 31, 2020 and December 31, 2019 and 2018, Interbank did not hold financial instruments for which embedded derivatives must be separated.

Investments at Fair Value through Profit or Loss, Available-for-Sale and Held-to-Maturity

Investments are evaluated following SBS Resolutions No.10639-2008 and No.7033-2012, SBS No. 2610-2018 and amendments. The criteria for the classification and valuation of said investments are as follows:

Classification

Investments at fair value through profit and loss:

This category has two sub-categories:

- Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.
- Investments at fair value through profit and loss, since their inception, which are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term.

Available-for-sale investments:

Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered as at fair value through profit and loss or held-to-maturity.

Held-to-maturity investments

The financial instruments that are classified in this category must comply with the following requirements:

- Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
- They must have risk ratings as required by the SBS.

In order to classify their investments in this category, financial entities must assess they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

Initial Recognition Date

Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within the term established by regulations and the usual practice on the market at which the operation takes place.

Initial Recognition and Measurement

Investments at fair value through profit or loss:

Their initial accounting is carried out at fair value, recording the transaction costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the income statements.

Available-for-sale Investments:

The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the income statements of the period.

In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the variation resulting of the amortized cost is used for the recognition of the gains and losses.

Held-to-maturity investments:

Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

The difference between the revenues received from the disposal of these investments and their book value is recognized in the income statements.

Impairment Assessment

SBS Resolution No. 7033-2012, as amended by SBS Resolution No. 2610-2018, established a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. This methodology is applied quarterly to all debt-representing and equity instruments classified into the following categories:

(i) Debt instruments:

At the end of each quarter, the following occurrences must be assessed for the entire debt-representing portfolio:

1. Weakening in the financial situation or financial ratios of the issuer and of its economic group.

2. Discount in any of the credit ratings of the instrument or of the issuer, in at least two notches, from the moment the instrument was acquired; where a notch corresponds to the minimum difference between two risk ratings within the same rating scale.

3. Interruption of transactions or of an active market for the financial asset, due to the issuer's financial difficulties.

4. The observable data indicates that since the initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with the group's individual financial assets.

5. Decrease in value due to regulatory changes (taxing, regulatory or other governmental).

6. Significant decrease in the fair value below its amortized cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its amortized cost as of that date.

7. Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased at least 20 percent compared to the amortized cost of the previous twelve months, and the fair value at the closing date of each month during the previous period of twelve months has always remained below the amortized cost corresponding to the closing date of each month.

   The fair value to be used for assessing criteria 6 and 7 is the one considered for the valuation of available-for-sale debt instruments, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification of the debt instrument. However, if the decrease in the fair value of the debt instrument is the result of an increase in the risk-free interest rate, this decrease should not be considered as a sign of impairment.

   In the event that at least two of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence of impairment:

   a) Non-compliance of contractual clauses, such as interruption in the payment of interest or principal.

   b) Renegotiation of the instrument's contractual conditions due to legal factors or financial problems related to the issuer.

   c) Evidence that the issuer is in the process of forced restructuring or bankruptcy.

   d) When the risk rating of an instrument that was classified as investment grade is reduced, towards a rating that is below the investment grade.

(ii) Equity Instruments:

At the end of each quarter, the following occurrences must be assessed for the entire portfolio of equity instruments:

1. When the risk rating of a debt instrument of the issuer that was classified as an investment grade is reduced, towards a classification that is below the investment grade.

2. There have been significant changes in the technological, market, economic or legal environment within which the issuer operates, which may have adverse effects on the recovery of the investment.

3. Weakness in the financial situation or financial ratios of the issuer and its economic group.

4. Interruption of transactions or an active market for the financial asset, due to financial difficulties of the issuer.

5. The observable data indicates that since the initial recognition of a group of financial assets similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.

6. Decrease in value due to regulatory changes (tax, regulatory or other governmental).

In the event that at least two of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence impairment:

a) Significant decrease in fair value below its acquisition cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its cost. As cost value or acquisition cost, the initial cost will always be taken as a reference, regardless of whether a deterioration in value has been previously recognized for the equity instrument analyzed.

b) Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20 percent compared to the fair value of the previous twelve (12) months, and the fair value at the closing date of each month during the previous twelve (12) months has always remained below the acquisition cost.

c) Breach of the statutory provisions by the issuer, related to the payment of dividends.

d) Evidence that the issuer is in the process of forced restructuring or bankruptcy.

The fair value to be used for assessing the situations indicated in clauses a) and b) above, is the fair value considered for the purposes of the valuation of the available-for-sale equity instruments, in accordance with the guidelines established in the aforementioned Resolution. The aforementioned clauses a) and b) are not applicable to equity instruments classified in the category available-for-sale and valued at cost due to the absence of a reliable fair value.

On the other hand, if the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument, and must be recorded in the income statements of the period in which the SBS requires such provision.

Recognition of Exchange Differences

Any gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the income statements, while those related to the difference between the amortized cost and the fair value are recorded in the statements of shareholders' equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of shareholders' equity.

Changes in Classification Category

In the case of changes in the classification category from available-for-sale investment to held-to-maturity investment, the fair value of the financial asset on the date of transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss. During 2020 to the date of this offering memorandum and in 2019, Interbank did not perform any reclassifications; however, in 2018 Interbank reclassified a group of available-for-sale investments into held-to-maturity investments for an amount of S/152,134,000.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, the difference between the carrying amount of the original and the new financial liability is recognized in the income statements.

Investments in Subsidiaries and Associates

This category includes only securities representing the capital acquired with the purpose of holding equity participation, control and/or significant influence in other entities or institutions.

These investments are initially accounted at fair value, including the transaction costs that are directly attributable to their acquisition. Subsequently to their original registration, these investments are measured through the equity method. In the case of investments quoted on security exchanges, when their market value shows a decreasing tendency for reasons considered non-temporary, the bank records a provision; nonetheless, the SBS can require additional provisions. Under the equity method, dividends declared by the subsidiaries and paid in cash are recorded by decreasing the value of the investment.

Repurchase Agreements

Through SBS Resolution No. 5790-2014, in force since September 3, 2014, the SBS approved the "Regulation for Repo Transactions Applicable to Financial Entities". This Resolution allows the performance of sales operations with repurchase agreements, simultaneous operations of sale and purchase of securities and operations of temporary transfer of securities; also, it establishes the accounting criteria applicable to said transactions.

The operations of currency repos performed by the Central Reserve Bank of Peru are considered in accordance with the Circular Letter No. 002-2015-BCRP.

The funds in foreign currency and the securities delivered as guarantees are included in the captions "Cash and due from banks – Restricted funds" and "Available-for-sale investments", respectively, while the corresponding liabilities are presented in the "Payables from repurchase agreements" caption of the statements of financial position, reflecting the economic substance of the transaction as a loan received by the bank.

Income Tax

Current Income Tax

Current income tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Deferred Income Tax

The Bank has recorded deferred income taxes, considering the guidelines of IAS 12 "Income Tax". The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years when temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank expects to recover or eliminate the carrying amount of its assets and liabilities at the statements of financial position dates.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At the date of each statements of financial position, management evaluates the non-recognized deferred assets and the carrying amount of the recognized deferred tax assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing a deferred asset to the extent that it is not likely that future tax benefits will be sufficient to allow the use of part or all of the deferred assets previously recognized.

In accordance with IAS 12, the bank determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

Contingencies

Contingent liabilities are not recorded in the financial statements. They are disclosed in the Notes to the Financial Statements, unless the possibility of an outflow of economic benefits is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is probable.

Results of Operations for the Three Months ended March 31, 2020 compared to the Three Months ended March 31, 2019

The following table sets forth the principal components of our net income for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Interest income	1,038.0	971.1	66.9	6.9%
Interest expenses	(286.7)	(295.2)	8.5	(2.9%)
Gross financial margin	**751.2**	**675.8**	**75.4**	**11.2%**
Provision for loan losses, net	(295.1)	(200.7)	(94.4)	47.0%
Net financial margin	**456.1**	**475.1**	**(19.0)**	**(4.0%)**
Income from financial services	241.8	244.6	(2.8)	(1.2%)
Expenses for financial services	(86.4)	(80.4)	(5.9)	7.4%
Operating margin	**611.5**	**639.3**	**(27.8)**	**(4.3%)**
Gain on financial transactions	108.6	122.4	(13.7)	(11.2%)
Administrative expenses	(360.2)	(334.9)	(25.3)	7.6%
Depreciation	(16.3)	(17.6)	1.3	(7.4%)
Amortization	(25.6)	(20.3)	(5.2)	25.8%
Net operating margin	**318.1**	**388.9**	**(70.8)**	**(18.2%)**
Provision for contingencies and other provisions	(1.9)	(3.8)	1.9	(50.5%)
Other income net	(2.1)	1.8	(3.9)	N/M
Income before income tax	**314.1**	**386.8**	**(72.7)**	**(18.8%)**
Income tax	(82.3)	(100.2)	17.9	(17.9%)
Net income	**231.9**	**286.7**	**(54.8)**	**(19.1%)**

Net income was S/231.9 million for the three months ended March 31, 2020, representing a 19.1% decrease compared to the corresponding period in 2019. This was primarily driven by (i) increases of S/94.4 million in provision for loan losses and S/25.3 million in administrative expenses, (ii) decreases of S/13.7 million in gain on financial transactions and S/8.8 million in income from financial services, net, and (iii) a S/5.2 million increase in amortization expenses. These effects were partially offset by an increase of S/75.4 million in gross financial margin, as well as by a lower income tax (explained by the reduction in income before income tax).

The increase in gross financial margin was mainly due to higher interest and commissions on loans, in addition to lower interest and commissions on deposits and obligations.

The increase in provision for loan losses was mainly explained by higher provision requirements in consumer loans and mortgages, partially related to the impacts of the COVID-19 pandemic in asset quality, as well as by lower provision recoveries in commercial loans.

The decrease in income from financial services, net, was mainly due to lower fees from credit card services, in addition to higher variable expenses related to credit cards.

Gain on financial transactions decreased mainly due to a base effect, explained by the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo Group in January 2019.

The increase in administrative expenses was mainly attributed to higher expenses related to services received from third parties. Increased amortization charges mainly reflect higher amortization of software, associated with the bank's digital transformation efforts.

The negative result in other income was mainly due to lower provision recoveries from past periods and a reduction in income from leasing operations.

Income before tax decreased 18.8% in the three months ended March 31, 2020 compared to the corresponding period in 2019. However, due to a higher effective tax rate, the decrease in the net income was 19.1%. The effective tax rate increased from 25.9% for the three months ended March 31, 2019 to 26.2% for the corresponding period of 2020, mainly due to certain tax efficiencies related to investments registered as of the three months ended March 31, 2019.

Interest Income

The following table presents the components of our interest income for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Interest and commissions on loans[1]	969.7	893.1	76.6	8.6%
Interest on due from banks and interbank funds	15.9	25.2	(9.3)	(36.8%)
Interest on investments[2]	51.7	51.9	(0.3)	(0.5%)
Other income	0.6	0.8	(0.1)	(18.8%)
Total interest income	**1,038.0**	**971.1**	**66.9**	**6.9%**

(1) Includes fees on direct loans.
(2) Includes certificates of deposit issued by the Central Reserve Bank of Peru.

The 6.9% increase in interest income for the three months ended March 31, 2020 was mainly due to growth of 8.6% in interest and commissions on loans, partially offset by a 36.8% decrease in interest on due from banks and interbank funds. Interest on investments remained relatively stable.

The increase in interest and commissions on loans was due to a 9.8% growth in the average volume of loans, partially offset by a 13 basis point decrease in the average yield.

The higher average volume of loans was attributed to increases of 14.0% in retail loans and 5.3% in commercial loans. In the retail portfolio, volumes grew 16.7% in credit cards, 12.0% in mortgages and 8.7% in payroll deduction loans. In the commercial portfolio, the higher average volume was mainly due to growth of 19.9% in trade finance loans and 2.6% in short and medium-term loans, partially offset by a 12.1% decrease in leasing operations.

The decrease in the average rate on loans was due to reductions of 64 basis points in commercial loans and 7 basis points in retail loans. The decrease in commercial loans was due to lower yields on all types of loans, while the reduction in retail loans was due to lower yields on consumer loans and mortgages. These decreases in yields on commercial loans were partially explained by the loan rescheduling carried out as part of the measures implemented to address the impact of the COVID-19 pandemic.

The decrease in interest on due from banks and interbank funds was due to a 53 basis point decrease in the average yield, partially offset by a 15.6% growth in the average volume. The decrease in the nominal average rate was mainly related to lower returns on deposits and reserve funds at the Central Reserve Bank of Peru, partially offset by higher yields on interbank funds. On the other hand, the increase in the average volume was explained by higher reserve funds and deposits at the Central Reserve Bank of Peru, partially offset by a lower average balance of interbank funds.

Interest on investments remained stable as a 32 basis point reduction in the average yield was offset by an 8.4% increase in the average volume. The decrease in the average rate was due to lower yields on global bonds, sovereign bonds, Central Reserve Bank of Peru Certificates of Deposits ("CDBCR") and corporate bonds from non-financial institutions. On the other hand, growth in the average volume was the result of higher average balances of sovereign bonds.

Interest Expenses

The following table presents the components of our interest expenses for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Interest and commissions on deposits and obligations	(162.4)	(168.2)	5.8	(3.4%)
Interest and fees on deposits from financial entities	(37.5)	(37.9)	0.4	(1.0%)
Interest on bonds and other obligations	(84.7)	(86.5)	1.9	(2.1%)
Other expenses	(2.1)	(2.6)	0.5	(18.0%)
Total interest expenses	**(286.7)**	**(295.2)**	**8.5**	**(2.9%)**

The 2.9% decrease in interest expenses for the three months ended March 31, 2020 was mainly due to a decrease of 3.4% in interest and commissions on deposits and obligations, 2.1% in interest on bonds and other obligations, and 1.0% in interest and fees on deposits from financial entities.

Interest and commissions on deposits and obligations decreased 3.4%, explained by a reduction of 27 basis points in the nominal average cost, partially offset by a 10.6% increase in the average volume. The lower average cost was due to reductions in rates paid on institutional and commercial deposits, partially offset by a higher rate on retail deposits. The higher average volume was explained by growth of 13.5% in institutional deposits, 13.3% in retail deposits, and 6.5% in commercial deposits.

Interest on bonds and other obligations decreased due to higher efficiencies in this funding component, such as the lower interest attributable to the early redemption of a US$30 million subordinated bond in July 2019.

The 1.0% decrease in interest and fees on deposits from financial entities was explained by a reduction of 64 basis points in the nominal average cost, partially offset by a 17.1% increase in the average volume. The decrease in the average cost was due to lower rates paid to funding from correspondent banks abroad, the Central Reserve Bank of Peru and COFIDE. On the other hand, the higher average volume was explained by growth in funding from the Central Reserve Bank of Peru, correspondent banks abroad and COFIDE.

Gross Financial Margin

Gross financial margin represents the difference between interest income and interest expenses. As a result of the factors discussed above, our gross financial margin grew 11.2% for the three months ended March 31, 2020, compared to the corresponding period in 2019. Net interest margin remained stable at 5.9% for the three months ended March 31, 2020, when compared to the corresponding period in 2019, as the increase in gross financial margin was compensated by a 10.8% increase in interest-earning assets.

Provision for Loan Losses, Net of Recoveries

The following table presents the components of our provision for loan losses, net, for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Provisions recognized as expense for the period	336.4	249.9	86.5	34.6%
Provision recoveries	(41.3)	(49.2)	7.9	(16.1%)
Provision for loan losses, net	**295.1**	**200.7**	**94.4**	**47.0%**

The 47.0% increase in provision expenses for the three months ended March 31, 2020 compared to the corresponding period in 2019 was mainly explained by higher provision requirements in consumer loans and

mortgages, partially related to the impacts of the COVID-19 pandemic in asset quality, as well as by lower provision recoveries in commercial loans.

The following table presents the effect on allowance for loan losses, as recorded on our statements of financial position as of March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Balance at the beginning of year	**1,757.5**	**1,589.1**	**168.4**	**10.6%**
Provisions recognized as expense for the period	336.4	249.9	86.5	34.6%
Recoveries	(41.3)	(49.2)	7.9	(16.1%)
Write-offs, extinguishment of debt and sales	(256.0)	(193.0)	(63.0)	32.6%
Recoveries of written-off accounts	27.8	31.3	(3.5)	(11.2%)
Exchange result, net	11.2	(5.0)	16.2	N/M
Balance at year end(1)	**1,835.6**	**1,623.1**	**212.5**	**13.1%**
Provision for losses on indirect loan portfolio	82.3	87.5	(5.2)	(6.0%)

(1) Includes provisions for contingent loans.

The ratio of past due loans over total loans was 2.8% as of March 31, 2020, above the 2.6% registered as of the corresponding period in 2019. The coverage ratio of past due loans decreased from 177.0% as of March 31, 2019 to 173.6% as of March 31, 2020.

Net Financial Margin

Net financial margin represents gross financial margin less provisions for loan losses, net. As a result of the factors discussed above, our net financial margin decreased S/19.0 million, or 4.0%, from S/475.1 million in the three months ended March 31, 2019 to S/456.1 million in the corresponding period of 2020.

Income from Financial Services, Net

The following table sets forth the components of our income from financial services, net, for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Income from financial services	241.8	244.6	(2.8)	(1.2%)
Expenses for financial services	(86.4)	(80.4)	(5.9)	7.4%
Fee income from financial services, net	**155.4**	**164.2**	**(8.8)**	**(5.3%)**

Income from financial services, net, decreased 5.3% mainly due to lower fees from credit card services, in addition to higher variable expenses related to credit cards. These effects were partially offset by higher net income from the sale of insurance products.

Operating Margin

Operating margin represents the sum of net financial margin and income from financial services, net. As a result of the factors discussed above, operating margin decreased S/27.8 million, or 4.3%, from S/639.3 million in the three months ended March 31, 2019 to S/611.5 million in the corresponding period of 2020.

Gain on Financial Transactions

The following table sets forth the components of our gain on financial transactions for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Income from sale and valuation of investments, net	36.8	11.8	25.0	N/M
Exchange difference, net	128.8	41.8	87.0	N/M
Trading derivatives	(65.2)	6.0	(71.3)	N/M
Income from equity participation in subsidiaries and associated companies	8.4	9.7	(1.3)	(12.9%)
Income from sale of subsidiary	-	52.6	(52.6)	N/M
Other	(0.2)	0.5	(0.7)	N/M
Income from financial transactions	**108.6**	**122.4**	**(13.7)**	**(11.2%)**

Gain on financial transactions decreased 11.2% mainly due to a base effect, explained by the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo Group in January 2019.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Services received from third parties	(185.6)	(167.2)	(18.4)	11.0%
Personnel and board of directors expenses	(167.7)	(161.3)	(6.4)	4.0%
Taxes and contributions	(6.9)	(6.3)	(0.6)	8.8%
Total administrative expenses	**(360.2)**	**(334.9)**	**(25.3)**	**7.6%**

Administrative expenses grew 7.6% mainly explained by increases of 11.0% in expenses related to services received from third parties and 4.0% in personnel and board of directors' expenses.

Our efficiency ratio is calculated by dividing administrative expenses plus depreciation and amortization over gross financial margin, income from financial services and gain on financial transactions. Our efficiency ratio increased to 39.6% for the three months ended March 31, 2020, from 38.7% for the corresponding period in 2019. However, excluding the gain on sale of Interfondos in January 2019, our adjusted efficiency ratio for the three months ended March 31, 2019 was 41.0%.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment decreased to S/16.3 million in the three months ended March 31, 2020, compared to S/17.6 million in the corresponding period in 2019, as a result of lower depreciation expenses related to furniture and equipment, as well as to lower depreciation of assets acquired under leases.

Amortization

Amortization of intangibles increased by S/5.2 million to S/25.6 million in the three months ended March 31, 2020, compared to S/20.3 million in the corresponding period in 2019, mainly due to higher amortization expenses related to software systems, in line with the bank's digital transformation efforts.

Net Operating Income

Net operating income represents operating margin plus gain on financial transactions minus administrative expenses, depreciation of property, plant and equipment, amortization of intangibles and amortization of goodwill. As a result of the factors discussed above, our net operating income decreased by S/70.8 million, from S/388.9 million in the three months ended March 31, 2019 to S/318.1 million in the corresponding period of 2020.

Provisions for Contingencies and Other

Provisions for contingencies and other decreased by S/1.9 million, from S/3.8 million in the three months ended March 31, 2019 to S/1.9 million in the corresponding period of 2020, which reflects management's estimates of contingencies for which provisions are required in accordance with accounting rules.

Other Income, Net

The following table presents the components of our other income, net, for the three months ended March 31, 2020 and 2019.

	For the three months ended March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Other income				
Leases and others, services provided to third parties and investment income	3.8	4.6	(0.8)	(17.4%)
Other income	5.5	9.1	(3.6)	(39.6%)
Total other income	**9.3**	**13.7**	**(4.4)**	**(32.1%)**
Other expenses				
Donations	(1.1)	(1.3)	0.2	(15.4%)
Other expense	(10.3)	(10.6)	0.3	(2.8%)
Total other expenses	**(11.4)**	**(11.9)**	**0.5**	**(4.2%)**
Other income, net	**(2.1)**	**1.8**	**(3.9)**	**N/M**

Other income, net, decreased by S/3.9 million mainly due to lower provision recoveries on purchases from past periods and a reduction in income from leasing operations.

Income Tax

We are subject to Peruvian income tax and must calculate our income tax expense on a non-consolidated basis. As of March 31, 2020 and 2019, the applicable corporate income tax was 29.5%.

However, the effective tax rates including current and deferred income tax were 26.2% for the three months ended March 31, 2020 and 25.9% for the corresponding period in 2019, which were lower than the applicable rate of 29.5%, due to tax-exempt items in our revenues and tax-deductible expenses.

Results of Operations for the Year Ended December 31, 2019 compared to the Year Ended December 31, 2018

The following table sets forth the principal components of our net income for the years ended December 31, 2019 and 2018.

	For the years ended December 31,		Change	
	2019	2018		
	(S/ in millions)		(S/ in millions)	%
Interest income	4,094.8	3,589.8	505.1	14.1%
Interest expenses	(1,231.0)	(1,040.7)	(190.3)	18.3%
Gross financial margin	**2,863.8**	**2,549.0**	**314.7**	**12.3%**
Provision for loan losses, net	(911.3)	(803.5)	(107.8)	13.4%
Net financial margin	**1,952.5**	**1,745.5**	**206.9**	**11.9%**
Income from financial services	1,032.8	993.1	39.7	4.0%
Expenses for financial services	(332.8)	(346.0)	13.1	(3.8%)
Operating margin	**2,652.4**	**2,392.6**	**259.8**	**10.9%**
Gain on financial transactions	529.2	417.5	111.7	26.8%
Administrative expenses	(1,405.9)	(1,302.8)	(103.0)	7.9%
Depreciation	(72.5)	(67.2)	(5.3)	7.8%
Amortization	(91.2)	(73.9)	(17.3)	23.4%
Net operating margin	**1,612.2**	**1,366.3**	**245.9**	**18.0%**
Provision for contingencies and other provisions	(6.3)	(4.7)	(1.6)	34.0%
Other income net	10.9	2.7	8.2	N/M
Income before income tax	**1,616.7**	**1,364.2**	**252.5**	**18.5%**
Income tax	(395.2)	(324.1)	(71.1)	21.9%
Net income	**1,221.5**	**1,040.1**	**181.4**	**17.4%**

Net income was S/1,221.5 million in 2019, a 17.4% increase compared to 2018. This was primarily driven by growth of S/314.7 million in gross financial margin, S/111.7 million in gain on financial transactions, S/52.9 million in income from financial services, net, and S/8.2 million in other income. These effects were partially offset by increases of S/107.8 million in provision for loan losses, S/103.0 million in administrative expenses, S/71.1 million in income tax, S/17.3 million in amortization expenses and S/5.3 million in depreciation expenses.

The increase in our gross financial margin was mainly due to growth in interest and commissions on loans, and interest on due from banks and interbank funds, partially offset by higher interest and commissions on deposits and obligations, and interest on bonds and other obligations.

The increase in provision for loan losses was mainly explained by higher requirements and provision recoveries in consumer loans and the SME portfolio, partially offset by lower requirements and higher provision recoveries in commercial loans and mortgages. It is worth mentioning that S/15.4 million of the remaining voluntary provisions constituted in 2018 to cover potential risks associated with our exposure to the construction sector were reversed throughout 2019. As of the end of December 31, 2018 and 2019, these remaining voluntary provisions accounted for S/70.0 million and S/54.6 million, respectively.

Growth in income from financial services, net, was mainly due to higher commissions from credit card services.

Gain on financial transactions increased mainly due (i) the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo Group for S/52.6 million in January 2019, and (ii) the gain, after deducting from brokerage fees, on sale of IFS shares that Interbank held as part of its investment portfolio, and that were part of IFS' initial public offering on the NYSE, for S/121.3 million in July 2019 (before deducting from brokerage fees, the gain on sale of IFS shares was S/129.3 million).

The increase in administrative expenses was mainly attributed to higher expenses related to services received from third parties, mostly related to advertising and repair and maintenance services. Moreover, the increase in

administrative expenses was also explained by higher personnel and board of directors' expenses, related to a higher profit sharing as the result of the increase in net income. The increase in amortization charges was mainly due to higher amortization of software related to the bank's digital transformation efforts, while the increase in depreciation was mainly due to higher depreciation of assets acquired under leases.

The increase in other income was mainly due to lower expenses related to properties seized through enforcement proceedings.

Income before tax increased 18.5% in 2019 compared to 2018. However, due to a higher effective tax rate, the increase in the net income was 17.4%. The effective tax rate increased from 23.8% in 2018 to 24.4% in 2019, mainly due to certain tax efficiencies related to investments in 2018.

Interest Income

The following table presents the components of our interest income for the years ended December 31, 2019 and 2018.

	For the years ended December 31,		Change	
	2019	**2018**		
	(S/ in millions)		**(S/ in millions)**	**%**
Interest and commissions on loans[(1)]	3,788.0	3,328.3	459.8	13.8%
Interest on due from banks and interbank funds	107.5	47.2	60.3	N/M
Interest on investments[(2)]	196.5	210.4	(13.9)	(6.6%)
Other income	2.8	3.9	(1.1)	(27.9%)
Total interest income	**4,094.8**	**3,589.8**	**505.0**	**14.1%**

(1) Includes fees on direct loans.
(2) Includes certificates of deposit issued by the Central Reserve Bank of Peru.

The 14.1% increase in interest income in 2019 was mainly due to growth of more than two-fold in interest on due from banks and interbank funds, and 13.8% growth in interest and commissions on loans, partially offset by a 6.6% decrease in interest on investments.

Interest on due from banks and interbank funds increased by S/60.3 million, mainly due to increases of 58 basis points in the nominal average rate and 10.5% in the average volume. The higher nominal average rate was due to improved returns on reserve requirements at the Central Reserve Bank of Peru, interbank funds and deposits at the Central Reserve Bank of Peru. On the other hand, growth in the average volume was the result of higher balances of reserve requirements and deposits at the Central Reserve Bank of Peru, partially offset by lower restricted funds and interbank funds. The increase in reserve requirements was related to higher gathering of deposits, while the lower restricted funds, to fewer Repo transactions with the Central Reserve Bank of Peru throughout the year.

The increase in interest and commissions on loans accounted for most of the growth in interest and similar income, and was mainly attributable to a 13.9% increase in average volume, while the nominal average rate remained stable at 11.5%.

The increase in average volume of loans was mainly due to increases of 17.0% in retail loans and 10.7% in commercial loans. In the retail portfolio, the increase was mainly explained by growth of 25.3% in credit cards, 13.0% in payroll deduction loans and 12.7% in mortgages. In the commercial portfolio, we observed increases of 14.7% in trade finance loans and 12.1% in short and medium-term loans, partially offset by a 5.2% reduction in leasing operations.

The nominal average rate on loans remained relatively stable as higher yields on commercial loans were offset by lower returns on retail loans. The higher yield on the commercial portfolio was due to increased returns on mid-sized companies' operations, while the reduction in the retail portfolio, to lower rates on credit cards, payroll deduction loans and mortgages.

Interest on investments decreased 6.6% due to a 9.0% decrease in average volume, partially offset by a 10 basis point increase in the average rate to 3.7%. The reduction in volume was a result of lower investments in global bonds, CDBCR and corporate bonds, partially offset by higher balances of sovereign bonds. The increase in the average rate was due to higher returns on corporate bonds from financial institutions and global bonds, partially offset by lower returns on corporate bonds from non-financial institutions, sovereign bonds and CDBR.

Interest Expenses

The following table presents the components of our interest expenses for the years ended December 31, 2019 and 2018.

	For the years ended December 31,			
	2019	**2018**	**Change**	
	(S/ in millions)		**(S/ in millions)**	**%**
Interest and commissions on deposits and obligations	(663.7)	(529.1)	(134.5)	25.4%
Interest and fees on deposits from financial entities	(160.9)	(161.0)	0.0	(0.0%)
Interest on bonds and other obligations	(395.7)	(338.2)	(57.5)	17.0%
Other expenses	(10.7)	(12.4)	1.7	(13.7%)
Total interest expenses	**(1,231.0)**	**(1,040.7)**	**(190.3)**	**18.3%**

The 18.3% increase in interest expenses in 2019 was due to growth of 25.4% in interest and commissions on deposits and obligations and 17.0% in interest on bonds and other obligations. Interest and fees on deposits from financial entities remained relatively stable in 2019 when compared to 2018.

The higher interest on deposits was due to increases of 11.5% in the average volume and 22 basis points in the average cost. Growth in volume was attributed to increases of 14.2% in commercial deposits, 13.4% in retail deposits and 1.7% in institutional deposits. The higher cost of deposits resulted from increases in rates paid to institutional, commercial and retail deposits, mainly in institutional time deposits, commercial current accounts and retail savings accounts.

Interest on bonds and other obligations grew 17.0%, as a result of two bond placements in the international market in September 2019, for S/312 million and US$ 400 million, both due in October 2026, in addition to other two issuances in the local market in March 2019: (i) certificates of deposit for S/150 million due March 2020, and (ii) corporate bonds for S/150 million due March 2029. Additionally, the higher financial expense on bonds was also due to the execution of an optional redemption of our 5.75% Senior Notes due 2020 which resulted in a expense of S/42.3 million, due to the cost of the make-whole.

Interest and fees on deposits from financial entities remained stable as a 3.4% reduction in the average volume was offset by a 14 basis point increase in the average cost. The reduction in the average volume was mainly due to lower funding provided by the Central Reserve Bank of Peru. The increase in the nominal average cost was explained by higher rates on funding from correspondent banks abroad, partially offset by a lower rate on funds provided by the Central Reserve Bank of Peru.

Gross Financial Margin

Gross financial margin represents the difference between interest income and interest expenses. As a result of the factors discussed above, our gross financial margin grew 12.3% in 2019 when compared to 2018. Net interest margin increased from 5.9% in 2018 to 6.0% in 2019.

Provision for Loan Losses, Net of Recoveries

The following table presents the components of our provision for loan losses, net, for the years ended December 31, 2019 and 2018.

	For the years ended December 31,			
	2019	2018	Change	
	(S/ in millions)		(S/ in millions)	%
Provisions recognized as expense for the period	1,082.3	986.0	96.3	9.8%
Provision recoveries	(171.0)	(182.5)	11.5	(6.3%)
Provision for loan losses, net	**911.3**	**803.5**	**107.8**	**13.4%**

Provision for loan losses increased 13.4% in 2019 compared to 2018 mainly explained by higher reserve requirements and lower provision recoveries in consumer loans and the SME portfolio, partially offset by lower requirements and higher provision recoveries in commercial loans and mortgages. It is worth mentioning that S/15.4 million of the remaining voluntary provisions constituted in 2018 to cover potential risks associated with our exposure to the construction sector were reversed throughout 2019. As of the end of December 31, 2018 and 2019, these remaining voluntary provisions accounted for S/70.0 million and S/54.6 million, respectively.

The following table presents the effect on allowance for loan losses, as recorded on our statements of financial position as of December 31, 2019 and 2018.

	For the years ended December 31,			
	2019	2018	Change	
	(S/ in millions)		(S/ in millions)	%
Balance at the beginning of year	1,589.1	1,412.8	176.3	12.5%
Provisions recognized as expense for the period	1,082.3	986.0	96.3	9.8%
Recoveries	(171.0)	(182.5)	11.5	(6.3%)
Write-offs, extinguishment of debt and sales	(874.1)	(791.2)	(82.9)	10.5%
Recoveries of written-off accounts	136.5	145.6	(9.1)	(6.3%)
Provision from the portfolio acquired	-	6.6	(6.6)	N/M
Exchange result, net	(5.3)	11.8	(17.1)	N/M
Balance at year end[(1)]	**1,757.5**	**1,589.1**	**168.4**	**10.6%**
Provision for losses on indirect loan portfolio	83.5	89.3	(5.9)	(6.6%)

(1) Includes provisions for contingent loans

The ratio of past due loans over total loans remained stable at 2.6% in 2019 when compared to 2018. The coverage ratio of past due loans increased from 175.0% in 2018 to 176.5% in 2019.

Net Financial Margin

Net financial margin represents gross financial margin less provisions for loan losses, net. As a result of the factors discussed above, our net financial margin increased S/206.9 million, or 11.9%, from S/1,745.5 million in 2018 to S/1,952.5 million in 2019.

Income from Financial Services, Net

The following table sets forth the components of our income from financial services, net, for the years ended December 31, 2019 and 2018.

	For the years ended December 31,		Change	
	2019	2018		
	(S/ in millions)		(S/ in millions)	%
Income from financial services	1,032.8	993.1	39.7	4.0%
Expenses for financial services	(332.8)	(346.0)	13.1	(3.8%)
Fee income from financial services, net	**700.0**	**647.1**	**52.9**	**8.2%**

Income from financial services, net, increased 8.2% mainly due to higher commissions from credit card services, as well as lower expenses related to the sale of insurance products.

Operating Margin

Operating margin represents the sum of net financial margin and income from financial services, net. As a result of the factors discussed above, operating margin increased S/259.8 million, or 10.9%, from S/2,392.6 million in 2018 to S/2,652.4 million in 2019.

Gain on Financial Transactions

The following table sets forth the components of our gain on financial transactions for the years ended December 31, 2019 and 2018.

	For the years ended December 31,		Change	
	2019	2018		
	(S/ in millions)		(S/ in millions)	%
Income from sale and valuation of investments, net	170.6	151.1	19.5	12.9%
Exchange difference, net	196.3	219.4	(23.2)	(10.6%)
Trading derivatives	64.6	(8.8)	73.5	N/M
Income from equity participation in subsidiaries and associated companies	34.3	42.5	(8.2)	(19.3%)
Income from sale of subsidiary	52.6	-	52.6	N/M
Other	10.9	13.4	(2.5)	(18.6%)
Income from financial transactions	**529.2**	**417.5**	**111.7**	**26.8%**

Gain on financial transactions increased 26.8% mainly due (i) the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo Group for S/52.6 million in January 2019, and (ii) the gain on sale, after deducting from brokerage fees, of IFS shares that Interbank held as part of its investment portfolio and that were part of IFS' initial public offering in NYSE, for S/121.3 million in July 2019 (before deducting from brokerage fees, the gain on sale of IFS shares was S/129.3 million). These results were partially offset by reductions of S/23.2 million in exchange difference, net, and S/8.2 million income from equity participation in subsidiaries and associated companies.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the years ended December 31, 2019 and 2018.

	For the years ended December 31,			
	2019	2018	Change	
	(S/ in millions)		(S/ in millions)	%
Services received from third parties	(723.0)	(659.6)	(63.4)	9.6%
Personnel and board of directors expenses	(656.8)	(619.1)	(37.7)	6.1%
Taxes and contributions	(26.0)	(24.1)	(1.9)	7.9%
Total administrative expenses	**(1,405.9)**	**(1,302.8)**	**(103.0)**	**7.9%**

Administrative expenses grew 7.9% mainly due to higher expenses related to services received from third parties, mostly related to advertising and repair and maintenance services. Moreover, the increase in administrative expenses was also explained by higher personnel and board of directors' expenses, related to a higher profit sharing as the result of the increase in net income.

Our efficiency ratio decreased, from 40.0% in 2018 to 38.3% in 2019. It is worth mentioning that excluding the gain on sale of securities for S/ 128.6 million in January 2018, our adjusted efficiency ratio was 41.4% in such year. Moreover, excluding (i) the gain on sale of Interfondos to Inteligo for S/ 52.6 million in January 2019, (ii) the gain on sale, after deducting from brokerage fees, of IFS shares in NYSE for S/ 121.3 million in July 2019 (before deducting from brokerage fees, the gain on sale of IFS shares was S/129.3 million) and (iii) the one-off impact of a liability management transaction for S/ 42.3 million in the last quarter of 2019, our efficiency ratio was 39.6% in such year.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased to S/72.5 million in 2019 compared to S/67.2 million in 2018 as a result of a higher depreciation of assets acquired under leases.

Amortization

Amortization of intangibles increased by S/17.3 million, from S/73.9 million in 2018 to S/91.2 million in 2019, mainly due to higher amortization of software related to the bank's digital transformation efforts.

Net Operating Income

Net operating income represents operating margin plus gain on financial transactions minus administrative expenses, depreciation of property, plant and equipment, and amortization of intangibles. As a result of the factors discussed above, our net operating income increased by S/245.9 million, from S/1,366.3 million in 2018 to S/1,612.2 million in 2019.

Provisions for Contingencies and Other

Provisions for contingencies and other increased S/1.6 million, from S/4.7 million in 2018 to S/6.3 million in 2019, which reflects management's estimates of contingencies for which provisions are required in accordance with accounting rules.

Other Income, Net

The following table presents the components of our other income, net, for the years ended December 31, 2019 and 2018.

	For the years ended December 31,			
	2019	2018	Change	
	(S/ in millions)		(S/ in millions)	%
Other income				
Leases and others, services provided to third parties and investment income	16.8	16.8	0.0	0.3%
Insurance and asset recoveries	-	0.9	(0.9)	N/M
Other income	27.4	25.9	1.5	5.7%
Total other income	**44.2**	**43.6**	**0.6**	**1.3%**
Other expenses				
Donations	(5.4)	(5.1)	(0.3)	6.6%
Other expense	(27.9)	(35.9)	8.0	(22.3%)
Total other expenses	**(33.3)**	**(41.0)**	**7.7**	**(18.7%)**
Other income, net	**10.9**	**2.7**	**8.2**	**N/M**

Other income, net, increased by S/8.2 million mainly due to lower expenses related to related to the properties seized through enforcement proceedings.

Income Tax

We are subject to Peruvian income tax and must calculate our income tax expense on a non-consolidated basis. As of December 31, 2019 and 2018, the applicable corporate income tax rate was 29.5% of taxable income.

However, the effective tax rate including current and deferred income tax was 24.4% in 2019 and 23.8% in 2018, which were lower than the applicable rate of 29.5%, due to tax-exempt items in our revenues and tax-deductible expenses.

Results of Operations for the Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

The following table sets forth the principal components of our net income for the years ended December 31, 2018 and 2017.

	For the years ended December 31,		Change	
	2018	2017		
	(S/ in millions)		(S/ in millions)	%
Interest income	3,589.8	3,369.4	220.4	6.5%
Interest expenses	(1,040.7)	(1,010.3)	(30.4)	3.0%
Gross financial margin	**2,549.0**	**2,359.0**	**189.9**	**8.1%**
Provision for loan losses, net	(803.5)	(817.6)	14.1	(1.7%)
Net financial margin	**1,745.5**	**1,541.4**	**204.1**	**13.2%**
Income from financial services	993.1	960.1	33.0	3.4%
Expenses for financial services	(346.0)	(331.5)	(14.5)	4.4%
Operating margin	**2,392.6**	**2,170.0**	**222.6**	**10.3%**
Gain on financial transactions	417.5	358.0	59.5	16.6%
Administrative expenses	(1,302.8)	(1,224.8)	(78.1)	6.4%
Depreciation	(67.2)	(64.4)	(2.8)	4.4%
Amortization	(73.9)	(64.9)	(8.9)	13.8%
Net operating margin	**1,366.2**	**1,174.0**	**192.3**	**16.4%**
Provision for contingencies and other provisions	(4.7)	(16.3)	11.5	(71.0%)
Other income net	2.7	40.5	(37.8)	(93.4%)
Income before income tax	**1,364.2**	**1,198.2**	**166.0**	**13.9%**
Income tax	(324.1)	(296.2)	(27.9)	9.4%
Net income	**1,040.1**	**902.0**	**138.1**	**15.3%**

Net income was S/1,040.1 million in 2018, a 15.3% increase compared to 2017. This was primarily driven by growth of S/189.9 million in gross financial margin, S/59.5 million in gain on financial transactions and S/18.5 million in income from financial services, net, as well as decreases of S/14.1 million in provision for loan losses and S/11.5 million in provision for contingencies and other provisions, in addition to a lower effective tax rate. These effects were partially offset by increases of S/78.1 million in administrative expenses, S/8.9 million in amortization expenses and S/2.8 million in depreciation expenses, together with a S/37.8 million reduction in other income.

The increase in our gross financial margin was due to growth in interest and commissions on loans, investments and due from banks and interbank funds, partially offset by higher interest and commissions on deposits and obligations, and interest on bonds and other obligations.

The decrease in provision for loan losses was mainly explained by lower provision requirements in consumer loans and mortgages, as well as higher provision recoveries in commercial loans. The latter were related to voluntary provisions for S/100.0 million constituted in January 2018 to cover potential risks associated with our exposure to the construction sector, of which S/30.0 million were reversed throughout 2018. This effect was partially offset by higher requirements in consumer loans and mortgages.

Growth in income from financial services, net, was mainly due to higher commissions from credit card services. Gain on financial transactions increased mainly due to higher income from sale and valuation of investments, as a result of the sale of part of an equity investment in January 2018.

The increase in administrative expenses was mainly attributed to higher expenses related to services received from third parties, as well as higher personnel and board of directors' expenses. Growth in amortization charges was mainly due to higher amortization of software, while the increase in depreciation was mainly explained by higher depreciation of assets acquired under leases.

The reduction in other income was mainly due to higher provision for assets received as payment and seized through enforcement proceedings, as well as lower income from services granted to third parties.

Income before tax increased 13.9% in 2018 compared to 2017. However, due to a lower effective tax rate, the increase in the net income was 15.3%. The effective tax rate decreased from 24.7% in 2017 to 23.8% in 2018, mainly due to certain tax efficiencies related to investments.

Interest Income

The following table presents the components of our interest income for the years ended December 31, 2018 and 2017.

	For the years ended December 31,			
	2018	**2017**	**Change**	
	(S/ in millions)		**(S/ in millions)**	**%**
Interest and commissions on loans[(1)]	3,328.3	3,165.4	162.8	5.1%
Interest on due from banks and interbank funds	47.2	25.8	21.4	82.6%
Interest on investments[(2)]	210.4	175.1	35.3	20.1%
Other income	3.9	3.0	0.9	31.3%
Total interest income	**3,589.8**	**3,369.4**	**220.4**	**6.5%**

(1) Includes fees on direct loans.
(2) Includes certificates of deposit issued by the Central Reserve Bank of Peru.

The 6.5% increase in interest income in 2018 was mainly due to growth of 82.6% in interest on due from banks and interbank funds, 20.1% in interest on investments and 5.1% in interest and commissions on loans.

The 82.6% increase in interest on due from banks and interbank funds was due to a 28 basis point growth in the average yield, partially offset by a 10.8% reduction in the average volume. The increase in the nominal average rate was due to higher returns on deposits and reserve requirements at the Central Reserve Bank of Peru, partially offset by a lower return on interbank funds. On the other hand, the reduction in the average volume was the result of lower balances of reserve requirements at the Central Reserve Bank of Peru, partially offset by higher interbank funds and deposits at the Central Reserve Bank of Peru.

Interest on investments grew 20.1% as the result of a 30.1% increase in the average volume, partially offset by a 30 basis point decrease in the nominal average rate. The increase in volume was a result of higher investments in sovereign, global and corporate bonds from non-financial institutions, partially offset by lower balances of CDBCR. On the other hand, the reduction in the average rate was a consequence of lower returns on CDBCR, sovereign bonds and corporate bonds from financial institutions.

The increase in interest and commissions on loans was due to an 11.7% growth in the average volume of loans, partially compensated by a 72 basis point decrease in the average yield.

The higher average volume of loans was attributed to growth of 13.0% in retail loans and 11.3% in commercial loans. In the retail portfolio, average volumes grew 14.0% in credit cards, 13.5% in mortgages and 12.1% in payroll deduction loans. In the commercial portfolio, volumes increased 40.7% in trade finance loans and 8.3% in short and medium-term loans, slightly compensated by a 1.5% contraction in leasing operations.

On the other hand, the lower average rate on loans was mainly explained by yield reductions of 99 basis points in retail loans and 50 basis points in commercial loans. In the retail loan portfolio, the average yield decreased as a consequence of lower rates on consumer loans and mortgages; while in the commercial portfolio, mainly due to lower yields on trade finance loans, short and medium-term loans, and leasing operations.

Interest Expenses

The following table presents the components of our interest expenses for the years ended December 31, 2018 and 2017.

	For the years ended December 31,		Change	
	2018	2017		
	(S/ in millions)		(S/ in millions)	%
Interest and commissions on deposits and obligations	(529.1)	(484.9)	(44.3)	9.1%
Interest and fees on deposits from financial entities	(161.0)	(216.2)	55.2	(25.5%)
Interest on bonds and other obligations	(338.2)	(298.2)	(40.0)	13.4%
Other expenses	(12.4)	(11.0)	(1.4)	12.9%
Total interest expenses	**(1,040.7)**	**(1,010.3)**	**(30.4)**	**3.0%**

The 3.0% increase in interest expenses in 2018 was due to growth of 13.4% in interest on bonds and other obligations and 9.1% in interest and commissions on deposits and obligations, partially offset by a 25.5% decrease in interest and fees on deposits from financial entities.

Interest on bonds and other obligations grew mainly explained by the issuance of a senior bond in the international market for US$ 200 million in January 2018, in addition to hedging transactions for a total amount of US$ 400 million, executed throughout the year. It is worth noting that, in addition to the issuance of new debt, an exchange offer was executed for existing senior bonds due October 2020. As a result of this transaction, US$ 285 million were exchanged from 5.750% senior notes due 2020 to 3.375% senior notes due 2023.

The higher interest and commissions on deposits and obligations was the result of an 11.2% increase in the average volume, while the average cost remained stable. The growth in volume was attributed to increases of 13.2% in commercial deposits, 11.1% in retail deposits and 7.9% in institutional deposits. The stable average cost of deposits resulted from higher rates paid to retail deposits that were offset by lower rates on institutional deposits, while the average cost of commercial deposits remained stable throughout the year.

The 25.5% decrease in interest and fees on deposits from financial entities was explained by reductions of 20.4% in the average volume and 27 basis points in the average cost. The reduction in the average volume was mainly due to lower funding provided by the Central Reserve Bank of Peru and from correspondent banks abroad, as well as from COFIDE. The decrease in the nominal average cost was explained by lower rates on funding provided by the Central Reserve Bank of Peru, partially offset by higher rates on funding provided by COFIDE and from banks abroad.

Gross Financial Margin

Gross financial margin represents the difference between interest income and interest expenses. As a result of the factors discussed above, our gross financial margin grew 8.1% in 2018 when compared to 2017. Net interest margin remained stable at 5.9% in 2018 when compared to 2017.

Provision for Loan Losses, Net of Recoveries

The following table presents the components of our provision for loan losses, net, for the years ended December 31, 2018 and 2017.

	For the years ended December 31,		Change	
	2018	2017		
	(S/ in millions)		(S/ in millions)	%
Provisions recognized as expense for the period	986.0	1,015.6	(29.6)	(2.9%)
Provision recoveries	(182.5)	(198.1)	15.6	(7.9%)
Provision for loan losses, net	**803.5**	**817.5**	**(14.0)**	**(1.7%)**

Provision for loan losses decreased 1.7% in 2018 compared to 2017 mainly as a result of lower provision requirements in consumer loans and mortgages. This effect was partially offset by voluntary provisions for S/100.0 million constituted in January 2018 to cover potential risks associated with our exposure to the construction sector, of which S/30.0 million were reversed throughout 2018.

The following table presents the effect on allowance for loan losses, as recorded on our statements of financial position as of December 31, 2018 and 2017.

	For the years ended December 31,			
	2018	2017	Change	
	(S/ in millions)		(S/ in millions)	%
Balance at the beginning of year	**1,412.8**	**1,325.9**	**86.9**	**6.6%**
Provisions recognized as expense for the period	986.0	1,015.6	(29.6)	(2.9%)
Recoveries	(182.5)	(198.1)	15.6	(7.9%)
Write-offs, extinguishment of debt and sales	(791.2)	(882.3)	91.1	(10.3%)
Recoveries of written-off accounts	145.6	128.1	17.5	13.7%
Provision from the portfolio acquired	6.6	32.8	(26.2)	(79.9%)
Exchange result, net	11.8	(9.3)	21.2	N/M
Balance at year end(2)	**1,589.1**	**1,412.7**	**176.4**	**12.5%**
Provision for losses on indirect loan portfolio	89.3	84.1	5.2	6.2%

(2) Includes provisions for contingent loans

The ratio of past due loans over total loans was 2.6% in 2018, lower than the 2.9% registered in 2017. The coverage ratio of past due loans increased from 167.2% in 2017 to 175.0% in 2018.

Net Financial Margin

Net financial margin represents gross financial margin less provisions for loan losses, net. As a result of the factors discussed above, our net financial margin increased S/204.1 million, or 13.2%, from S/1,541.4 million in 2017 to S/1,745.5 million in 2018.

Income from Financial Services, Net

The following table sets forth the components of our income from financial services, net, for the years ended December 31, 2018 and 2017.

	For the years ended December 31,			
	2018	2017	Change	
	(S/ in millions)		(S/ in millions)	%
Income from financial services	993.1	960.1	33.0	3.4%
Expenses for financial services	(346.0)	(331.5)	(14.5)	4.4%
Fee income from financial services, net	**647.1**	**628.6**	**18.5**	**2.9%**

Income from financial services, net, increased 2.9% mainly due to higher commissions from credit card services, partially offset by higher credit card expenses.

Operating Margin

Operating margin represents the sum of net financial margin and income from financial services, net. As a result of the factors discussed above, operating margin increased S/222.6 million, or 10.3%, from S/2,170.0 million in 2017 to S/2,392.6 million in 2018

Gain on Financial Transactions

The following table sets forth the components of our gain on financial transactions for the years ended December 31, 2018 and 2017.

	For the years ended December 31,			
	2018	2017	Change	
	(S/ in millions)		(S/ in millions)	%
Income from sale and valuation of investments, net	151.1	88.0	63.1	71.7%
Exchange difference, net	219.4	216.4	3.0	1.4%
Trading derivatives	(8.8)	2.9	(11.7)	N/M
Income from equity participation in subsidiaries and associated companies	42.5	34.0	8.5	25.0%
Other	13.4	16.7	(3.3)	(19.9%)
Income from financial transactions	**417.5**	**358.0**	**59.5**	**16.6%**

Gain on financial transactions increased 16.6% mainly due to a 71.7% growth in income from sale and valuation of investments, explained by the sale of part of an equity investment in January 2018, which was larger than the one registered in December 2017.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the years ended December 31, 2018 and 2017.

	For the years ended December 31,			
	2018	2017	Change	
	(S/ in millions)		(S/ in millions)	%
Services received from third parties	(659.6)	(611.3)	(48.3)	7.9%
Personnel and board of directors expenses	(619.1)	(590.6)	(28.5)	4.8%
Taxes and contributions	(24.1)	(22.9)	(1.2)	5.4%
Total administrative expenses	**(1,302.8)**	**(1,224.8)**	**(78.1)**	**6.4%**

Administrative expenses grew 6.4% mainly due to increases of 7.9% in expenses related to services received from third parties, 5.4% in taxes and contributions and 4.8% in personnel and board of directors expenses.

Our efficiency ratio decreased, from 40.5% in 2017 to 40.0% in 2018.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased to S/67.2 million in 2018 compared to S/64.4 million in 2017 as a result of a higher depreciation of assets acquired under leases.

Amortization

Amortization of intangibles increased by S/8.9 million, from S/64.9 million in 2017 to S/73.9 million in 2018, due to higher amortization expenses related to software systems in 2018.

Net Operating Income

Net operating income represents operating margin plus gain on financial transactions minus administrative expenses, depreciation of property, plant and equipment, and amortization of intangibles. As a result of the factors discussed above, our net operating income increased by S/192.3 million, from S/1,174.0 million in 2017 to S/1,366.2 million in 2018.

Provisions for Contingencies and Other

Provisions for contingencies and other decreased S/11.5 million, from S/16.3 million in 2017 to S/4.7 million in 2018, which reflects management's estimates of contingencies for which provisions are required in accordance with accounting rules.

Other Income, Net

The following table presents the components of our other income, net, for the years ended December 31, 2018 and 2017.

	For the years ended December 31,			
	2018	2017	Change	
	(S/ in millions)		(S/ in millions)	%
Other income				
Leases and others, services provided to third parties and investment income	16.8	19.4	(2.6)	(13.6%)
Insurance and asset recoveries	0.9	1.1	(0.2)	(16.2%)
Other income	25.9	44.4	(18.5)	(41.6%)
Total other income	**43.6**	**64.9**	**(21.3)**	**(32.8%)**
Other expenses				
Donations	(5.1)	(6.7)	1.6	(24.3%)
Other expense	(35.9)	(17.7)	(18.2)	N/M
Total other expenses	**(41.0)**	**(24.4)**	**(16.5)**	**67.8%**
Other income, net	**2.7**	**40.5**	**(37.8)**	**(93.4%)**

Other income, net, decreased by S/37.8 million mainly due to higher provision for assets received as payment and seized through enforcement proceedings, as well as lower income from services provided to third parties.

Income Tax

We are subject to Peruvian income tax and must calculate our income tax expense on a non-consolidated basis. As of December 31, 2018 and 2017, the applicable corporate income tax rate was 29.5% of taxable income.

However, the effective tax rate including current and deferred income tax was 23.8% in 2018 and 24.7% in 2017, which were lower than the applicable rate of 29.5%, due to tax-exempt items in our revenues and tax-deductible expenses.

Liquidity and Capital Resources

Sources of Funds

The following table presents Interbank's primary sources of funds as of March 31, 2020 and 2019.

	As of March 31, (unaudited)			
	2020	2019	Change	
	(S/ in millions)		(S/ in millions)	%
Deposits and obligations	33,249.1	31,836.8	1,412.3	4.4%
Deposits from financial entities	1,839.8	743.8	1,096.0	147.4%
Inter-banks funds	111.5	106.5	5.0	4.7%
Payables from repurchase agreements	2,609.8	1,544.4	1,065.4	69.0%
Debts and financial obligation	2,366.3	1,861.7	504.6	27.1%
Securities bonds and obligation outstanding	5,841.7	5,623.4	218.3	3.9%
Total	**46,018.2**	**41,716.6**	**4,301.6**	10.3%

Our primary sources of funds have traditionally consisted of deposits and obligations, which amounted to S/33,249.1 million as of March 31, 2020. Interbank's deposits include retail and commercial deposits, generated mainly through its financial stores distribution network, and its relationships with commercial clients.

Interbank is required to maintain deposits with the Central Reserve Bank of Peru, as legal reserves, in an amount determined by the percentage of the deposits and other liabilities owed to its clients. For a description of the *encaje legal* (legal reserves) regulations, see "Regulation and Supervision—Banking Regulation and Supervision—Reserve Requirements from the Central Reserve Bank of Peru".

At times, Interbank has utilized Peru's short-term interbank loans market to satisfy liquidity needs. The Central Reserve Bank of Peru's discount window, which makes short-term loans to banks at premium rates, is another potential, short-term funding source, although Interbank has used it infrequently. As part of Interbank's liquidity management, it sometimes enters into repos on Peruvian Central Reserve Bank of Peru certificates of deposit, which are a cost and tax efficient source of funds in Peruvian currency.

Inter-banks funds, payables from repurchase agreements and debt and financial obligation, increased in an aggregated amount of S/1,575.0 million, or 44.8%, to S/5,087.6 million as of March 31, 2020 from S/3,512.6 million as of March 31, 2019, as a result of an increase in short-term funding received from foreign entities and medium-term funding from the Central Reserve Bank of Peru, combined with an increase in deposits and obligations. See note 10 to our audited interim condensed financial statements

Interbank has issued senior, senior-subordinated, junior-subordinated, mortgage and leasing bonds in the Peruvian and international capital markets. Interest payable accounted for an additional S/69.9 million of Interbank's bonds and other obligations. See note 11 to our audited annual financial statements. See note 9 to our unaudited interim condensed financial statements**.**

Outstanding Indebtedness

As of March 31, 2020, Interbank's outstanding indebtedness included the following:

- US$200 million aggregate principal amount of 8.500% Non-Cumulative Fixed/Floating Rate Step-up Junior Subordinated Notes due 2070 issued by Interbank through its Panamanian branch on April 23, 2010. On January 28, 2020, Interbank's board agreed to redeem the entirety of these instruments. Accordingly, Interbank obtained SBS approval to execute the optional redemption and the bonds were redeemed on April 23, 2020.

- US$300 million aggregate principal amount of 6.625% Fixed-to-Floating Rate Subordinated Notes due 2029 issued by Interbank on March 18, 2014.

- US$200 million aggregate principal amount of 3.375% Senior Notes due 2023 issued by Interbank on January 18, 2018. Interbank executed an exchange offer that resulted in US$ 284.9 million of new 3.375% Senior Notes due 2023. The total aggregate amount is US$485 million as of March 31, 2020. Furthermore, the exchange did not generate a substantial change in the terms and conditions of the financial liability; therefore, no new financial obligation was recognized. The transactional costs associated with these exchanged bonds will continue to be amortized based on the schedule of the new issuance.

- US$400 million principal amount of 3.250% senior notes due 2026 issued by Interbank on October 4, 2019, in connection with a tender offer for its 5.750% senior notes due 2020. Following the tender offer, Interbank redeemed the remaining outstanding amount of the 5.750% senior notes due 2020.

- S/312 million principal amount of 5.000% senior notes due 2026 issued by Interbank on October 1, 2019.

- A US$40 million loan under a credit facility agreement between Interbank and Development Bank of Latin America – CAF dated as of October 18, 2018. The credit facility agreement contains covenants which limit, among other things, the ability of Interbank to: (i) enter into new financing without maintaining the *pari passu* ranking; (ii) create any lien over its property; or (iii) dispose of over 25% of its property.

- A US$25 million loan under the terms supplement No. 3 of a master facility agreement between Interbank and Wells Fargo Bank, N.A. dated as of November 19, 2013, as amended. The Master Facility Agreement contains certain covenants which limit, among other things, the ability of Interbank to: (i) create, agree to create, incur, assume or suffer to exist any lien upon or with respect to any property; (ii) wind up, liquidate or dissolve its affairs or enter into any merger or consolidation, or convey, sell, lease or otherwise dispose of all or substantially all of its assets; and (iii) enter into any transactions or series of related transactions with any affiliates out of the ordinary course of business and in non-market conditions.

- A US$25 million loan under a credit agreement between Interbank and Citibank N.A., dated as of November 15, 2018. The credit agreement contains certain affirmative and negative covenants, as well as the following financial covenants which: (i) permit at any time, its total capital adequacy ratio to be less than the higher the percentage specified by the SBS and 11% at any time; (ii) permit, at any time, its loan loss reserves to non-performing loans ratio to be less than the higher of the percentage specified by the SBS and 125%; and (iii) permit its non-performing loans to total loans to be greater than the lower of the percentage specified by the SBS and 4%.

- A US$35 million loan under a credit facility agreement between Interbank and Development Bank of Latin America – CAF dated as of March 26, 2020.

As of March 31, 2020, the following sets forth the individual amounts of local debt for a total aggregate amount of US$222 million, which includes local subordinated bonds of S/609 million (US$177 million) which qualify as second tier equity ("Tier II") in the determination of the regulatory capital, according to SBS and S/153 million (US$44 million) of local corporate inflation-linked bonds at the nominal exchange rate of S/3.437:

- S/110 million aggregate principal amount of VAC+ 3.500% Floating Rate Subordinated Notes due 2023 issued by Interbank on September 10, 2008. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

- S/137.9 million aggregate principal amount of 6.906% Fixed Rate Subordinated Notes due 2022 issued by Interbank on June 25, 2012. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes

occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

- S/150 million aggregate principal amount of 5.813% Fixed Rate Subordinated Notes due 2023 issued by Interbank on January 11, 2013. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

- US$50 million aggregate principal amount of 7.500% Fixed Rate Subordinated Notes due 2023 issued by Interbank on December 13, 2013. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

- S/150 million aggregate principal amount of VAC + 3.40625% Corporate Inflation-Linked Bonds due 2029 issued by Interbank on March 26, 2019. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

Additional outstanding indebtedness is mainly related to short term bank facilities for working capital and general purposes.

As of the date of this offering memorandum, Interbank is in compliance with all the covenants described above and not subject to any other such obligations.

Regulatory Capital

Interbank is required to maintain minimum regulatory capital pursuant to guidelines issued by the SBS.

As of March 31, 2020, the total regulatory capital as a percentage of risk-weighted assets for Interbank was 16.1%, the highest among the largest four banks in Peru and its ratio of basic regulatory capital to total risk weighted assets was 12.1%. As of December 31, 2019, Interbank's ratio of total regulatory capital to risk-weighted assets was 15.2%, the highest among the largest four banks in Peru. As of December 31, 2019, the basic regulatory capital as a percentage of risk-weighted assets for Interbank was 11.3%. See note 13 to our audited annual financial statements and "Regulation and Supervision—Banking Regulation and Supervision" section of this offering memorandum for a discussion of regulatory capital requirements applicable to Interbank.

The following table presents Interbank's regulatory capital as of March 31, 2020 and 2019, and as of December 31, 2019 and 2018 in accordance with Peruvian GAAP, as required by the Peruvian Banking and Insurance Law.

	As of March 31, (unaudited)		As of December 31,	
	2020	2019	2019	2018
	(S/ in millions)		(S/ in millions)	
Capital Stock	3,937.5	3,937.5	3,937.5	3,470.4
Legal and special reserves	898.5	898.5	898.5	794.8
Accumulated earnings with capitalization agreement	785.9	-	-	-
Treasury stock	(33.9)	(33.9)	(33.9)	(33.9)
Earnings with capitalization agreement[(1)]	231.9	286.7	480.0	400.0
Unrealized gains in investments in associates and subsidiaries	-	-	-	-
Subordinated bonds	412.4	464.5	463.9	539.6
Accumulated loss	-	-	(12.4)	-
Investment in parent company (IFS)[(2)]	-	(93.3)	-	(94.8)
Others	(13.5)	(7.2)	(11.9)	(34.1)

	As of March 31, (unaudited)		As of December 31,	
	2020	2019	2019	2018
	(S/ in millions)		(S/ in millions)	
Basic Regulatory Capital (Level 1)	**6,218.8**	**5,452.8**	**5,721.7**	**5,042.0**
Subordinated bonds	1,614.2	1,697.1	1,527.1	1,682.6
Generic allowances for loan losses	444.5	417.5	442.4	411.7
Investment in parent company (IFS)[2]	-	(93.3)	-	(94.8)
Others	(13.5)	(7.2)	(11.9)	(34.1)
Supplementary Regulatory Capital (Level 2)	**2,045.2**	**2,014.1**	**1,957.6**	**1,965.4**
Total Regulatory Capital	**8,264.0**	**7,466.9**	**7,679.3**	**7,007.4**
Total risk-weighted assets and credits	51,265.3	45,448.1	50,673.8	44,391.0
Global regulatory capital ratio	16.1%	16.4%	15.2%	15.8%

(1) Corresponds to retained earnings to be capitalized as directed by the board of directors.
(2) Pursuant to SBS rules, all investments in shares issued by an affiliate, including the parent company, must be deducted half from Tier II and half from Tier II capital. For all periods reported, deductions mainly correspond to the cost of IFS shares held by Interbank. See "Regulation and Supervision—Banking Regulation and Supervision—Capital Adequacy Requirements-Basel II".

Commitments and Contractual Obligations

We enter into various commitments and contractual obligations that may require future cash payments. The following table summarizes our commitments and contractual obligations as of March 31, 2020 (unaudited).

	Remaining Maturity as of March 31, 2020 (unaudited)				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(S/ in millions)				
Deposits and obligations[1]	17,092.1	16,152.4	1,582.9	261.5	35,088.9
Inter-bank funds, due to banks and correspondents and payables from repurchase agreements	3,267.4	712.4	228.0	879.9	5,087.7
Securities, bonds, notes and other obligations	756.3	1,910.1	1,348.0	1,827.3	5,841.7
Due from customers on acceptances	-	-	-	-	-
Accounts payable, provisions and other liabilities	666.5	125.6	67.9	308.7	1,168.8
Total	**21,782.3**	**18,900.6**	**3,226.8**	**3,277.4**	**47,187.1**
% of Total	46.2%	40.1%	6.8%	6.9%	100.0%

(1) Included Deposits from financial entities

Capital Expenditures Program

Interbank has made substantial investments in recent years targeting both digital and physical infrastructure. Some of the key investments include:

- Significant improvements in our digital platform, including new functionalities and a complete new customer interface aimed to enhance user experience, in both retail and commercial segments;
- Building up of data and implementation of tools to improve our CRM and risk analytical capabilities to better understand our customers;
- Strengthening our data center through an outsourcing contract with IBM;
- The renewal of a large portion of our ATM's network to be able to provide new functionalities with an omni-channel approach; and
- Significant improvement of our operational efficiency.

Interbank believes that it has built the foundations to capture current and future market opportunities and continue to grow. It has a capital expenditure plan to ensure the accomplishment of its medium term strategic plan, as it believes that not only operating efficiency and the proximity to its customers, but also digital transformation and innovation, are key competitive advantages.

Interbank's budget for capital expenditures for the next three years is approximately S/596 million, approximately 82% of which is related to information technology expenditures including investments in our digital platform. Some of the key purposes of technological expenditures include:

- Develop new business ideas and business models;
- Intensify analytical capabilities through data, big data, and artificial intelligence, to enrich our understanding of Peruvian clients;
- Improve customer experience through digital solutions, including products, services, and processes;
- Strengthen operational efficiency and productivity through robotic process automation;
- Update our cybersecurity standards to protect our customers; and
- Migrate and develop new applications through the cloud.

Off-Balance Sheet Arrangements

We have various contractual arrangements, such as contingent operations, that are not recognized as liabilities in our financial statements but are required to be recorded as off-balance sheet items (i.e., indirect loans). We enter into contingent operations to generate fees from guarantees, stand-by letters of credit, export and import letters of credit, due from bank acceptances and foreign currency forward obligations and interest rate swaps.

The following table presents our off-balance sheet arrangements as of the dates indicated.

	As of March 31, (unaudited)				As of December 31,			
	2020	2019	Change in 2020/2019		2019	2018	Change in 2019/2018	
	(S/ in millions)		(S/ in millions)	%	(S/ in millions)		(S/ in millions)	%
Contingent operations (indirect loans)								
Bank letters of guarantee and stand-by letters of credit	3,763.5	3,700.0	63.5	1.7%	3,863.5	3,767.2	96.3	2.6%
Import and export letters of credit	210.0	274.7	(64.7)	(23.5%)	220.3	277.8	(57.5)	(20.7%)
Due from bank acceptances	32.1	89.7	(57.7)	(64.3%)	139.7	133.0	6.7	5.1%
	4,005.5	**4,064.4**	**(58.9)**	**(1.4%)**	**4,223.5**	**4,177.9**	**45.5**	**1.1%**
Financial derivative instruments operations								
Forward contracts (nominal amounts)	10,271.4	3,057.6	7,213.8	235.9%	9,289.9	5,177.2	4,112.7	79.4%
Options (nominal amounts)	78.3	129.0	(50.7)	(39.3%)	22.2	234.8	(212.6)	(90.6)%
Cross currency swaps (nominal amounts)	3,749.4	2,674.1	1,075.3	40.2%	3,384.5	2,524.3	860.2	34.1%
Exchange interest rates transactions (nominal amounts)	5,169.7	2,683.6	2,486.1	92.6%	4,536.4	2,321.8	2,214.6	95.4%
	19,268.8	**8,544.3**	**10,724.4**	**125.5%**	**17,232.9**	**10,258.1**	**6,974.8**	**68.0%**
Other								
Responsibilities for credit line	9,976.6	8,388.1	1,588.5	18.9%	9,673.5	7,916.9	1,756.6	22.2%
Responsibilities for credit lines commercial and others	1,213.4	1,172.7	40.7	3.5%	1,288.0	1,255.7	32.3	2.6%
Other contingent operations	408.0	233.9	174.1	74.4%	385.3	276.6	108.6	39.3%

	As of March 31, (unaudited)				As of December 31,			
	2020	2019	Change in 2020/2019		2019	2018	Change in 2019/2018	
	(S/ in millions)		(S/ in millions)	%	(S/ in millions)		(S/ in millions)	%
	11,598.0	**9,794.7**	**1,803.3**	**18.4%**	**11,346.7**	**9,449.2**	**1,897.5**	**20.1%**
Total contingent operations	**34,872.3**	**22,403.4**	**12,468.9**	**55.7%**	**32,803.1**	**23,885.2**	**8,917.9**	**37.3%**
Other off-balance sheet accounts								
Guarantees received	39,350.1	41,261.7	(1,911.6)	(4.6%)	39,057.7	36,069.6	2,988.0	8.3%
Consumer credit cards lines	15,876.8	13,557.7	2,319.2	17.1%	15,654.9	12,842.0	2,813.0	21.9%
Written-off loan	21,311.5	15,880.2	5,431.4	34.2%	19,304.0	14,975.0	4,329.0	28.9%
Securities in custody	5,175.2	4,159.9	1,015.3	24.4%	5,074.3	4,196.7	877.6	20.9%
Foreign bank lines available	5,216.8	4,910.8	306.0	6.2%	5,002.7	4,955.5	47.2	1.0%
Trusts	8,569.6	8,800.4	(230.8)	(2.6%)	7,999.6	8,818.0	(818.4)	(9.3%)
Collections on behalf of third parties	565.3	518.6	46.7	9.0%	446.0	477.2	(31.2)	(6.5%)
Loan portfolio sold	70.7	68.8	1.9	2.7%	68.5	69.9	(1.4)	2.0%)
Suspended interests	966.0	651.7	314.2	48.2%	858.7	592.7	266.0	44.9%
Other	18,571.7	12,764.0	5,807.7	45.5%	14,222.1	12,825.4	1,396.7	10.9%
Total other off-balance sheet accounts	**115,673.7**	**102,573.8**	**13,099.9**	**12.8%**	**107,688.5**	**95,822.0**	**11,866.5**	**12.4%**
Total off-balance sheet accounts	**150,546.0**	**124,977.2**	**25,568.8**	**20.5%**	**140,491.7**	**119,707.3**	**20,784.4**	**17.4%**

Guarantees and stand-by letters of credit increased by S/63.5 million, or 1.7%, to S/3,763.5 million in the three months ended March 31, 2020 from S/3,700.0 million in the three months ended March 31, 2019. Import and export letters of credit decreased by S/64.7 million during the same period as a result of lower international trade activity.

Forward contracts, including purchase and sale agreements, increased S/7,213.8 million, or 235.9%, to S/10,271.4 million in the three months ended March 31, 2020 from S/3,057.6 million in the three months ended March 31, 2019. These agreements were executed to satisfy client requirements and not for speculative purposes. Foreign currency forward transactions also include cross currency swaps for trading purposes and for hedging our balance sheet against market risk exposure.

Obligations under credit line agreements increased by S/1,629.2 million, or 17.0%, to S/11,190.0 million in the three months ended March 31, 2020 from S/9,560.8 million in the three months ended March 31, 2019 as a result of more credit lines available. Obligations under credit agreements considered contingent operations include all credit lines made available to us and not used by us. However, these undrawn obligations do not generate any risk exposure.

Guarantees received, which corresponds to items received as collateral for loan obligations, decreased by S/1,911.6 million, or 4.6%, to S/39,350.1 million in the three months ended March 31, 2020 from S/41,261.7 million in the three months ended March 31, 2019. Such items, as well as securities in custody which increased by S/1,015.3 million in the three months ended March 31, 2020, are recorded at the value agreed as of the date of the corresponding loan contract, which does not necessarily represent their market value.

Guarantees and stand-by letters of credit increased by S/96.3 million, or 2.6 %, to S/3,863.5 million in 2019 from S/3,767.2 million in 2018. Import and export letters of credit decreased by S/57.5 million during the same period as a result of lower international trade activity.

Forward contracts, including purchase and sale agreements, increased S/4,112.7 million, or 79.4%, to S/9,289.9 million in 2018 from S/5,177.2 million in 2018. These agreements were executed to satisfy client requirements and not for speculative purposes. Foreign currency forward transactions also include cross currency swaps for trading purposes and for hedging our financial position against market risk exposure.

Obligations under credit line agreements increased by S/1,788.9 million, or 24.8%, to S/10,961.5 million in 2019 from S/9,172.6 million in 2018, as a result of more credit lines available. Obligations under credit agreements

considered contingent operations include all credit lines made available to us and not used by us. However, these undrawn obligations do not generate any risk exposure.

Guarantees received, which corresponds to items received as collateral for loan obligations, increased by S/2,988.0 million, or 8.3%, to S/39,057.7 million in 2019 from S/36,069.6 million in 2018. Such items, as well as securities in custody which increased by S/877.6 million in 2019, are recorded at the value agreed as of the date of the corresponding loan contract, which does not necessarily represent their market value.

Quantitative and Qualitative Disclosures about Market Risk

For a discussion of quantitative and qualitative market risk, see note 24.2 to our audited annual financial statements.

BUSINESS

Overview

We are a leading provider of a wide range of financial products and banking services for retail customers and commercial clients in Peru.

Our purpose is to be side by side with Peruvians so they can reach their dreams, today, and, as such, we have built an integrated financial services platform in the fast-growing, underpenetrated and profitable Peruvian financial system. We have invested in building a leading and scalable digital platform (mobile and online), which is rapidly being adopted by existing and new customers. Our digital platform is complemented by one of the largest distribution networks in the country which includes financial stores, ATMs, correspondent agents, dedicated sales forces, financial advisors and call centers.

Together our digital platform and distribution network provide our 3.7 million customers, and a potential market of more than 32.5 million Peruvians, and economically active population of 17.5 million and 9.8 million businesses, with access to our products and services and a distinctive and convenient customer experience.

Our key strategic priority is to achieve digital excellence for our customers by providing them with a world-class, flexible and secure digital platform. More than ever, we believe our digital transformation is vital to our continued growth and profitability, and for this reason we have been investing in developing the capabilities necessary to offer a variety of digital products and services to our customers. In March 2020, more than 1.3 million retail customers utilized our digital platform compared to more than 620,000 in December 2017 and approximately 975,000 in March 2019. We aim to allow our customers the opportunity to have a 100% digital relationship with us in an efficient and secure manner. We have also streamlined our physical presence and reduced the number of branches by approximately 7% since 2017, focusing on educating our customers in the use of our digital platform. To accompany this transformation we are in the process of redesigning our physical presence in order to better serve the evolving needs of our customers. We have substantially increased migration of low-value-added transactions to more efficient digital channels, and we have increased sales of products to existing customers, as well as increased new customer acquisition of which a growing number are being acquired digitally or "born-digital." This process of digital customer acquisition and sales continued to accelerate, for example, in March 2020, 21% of new retail clients were acquired digitally compared to 12% in March 2019.

We are the second largest provider of consumer loans (retail loans other than mortgages) in Peru with a 22.8% market share in terms of total gross consumer loans outstanding as of March 31, 2020, according to the SBS. Within the consumer loan business in Peru, we are the largest provider of gross consumer credit card loans with a 27.5% market share and the largest private bank provider of gross payroll deductible loans to public sector employees with a 26.4% as of March 31, 2020, according to the SBS. Additionally, we are the fourth largest bank in Peru in terms of retail mortgages and commercial lending, as well as overall deposits and total assets according to the SBS. We have built one of the most convenient and extensive retail banking distribution networks in Peru including, online banking, mobile applications, a total of 253 financial stores, more than 1,594 ATMs and more than 3,363 own correspondent agents, as of March 31, 2020. Moreover, we have developed state-of-the-art and user friendly digital platforms to better serve our client's needs.

For the three months ended March 31, 2020 and 2019, our net income was S/231.9 million (US$67.5 million) and S/286.7 million, respectively. As of March 31 2020 and 2019, we had shareholders' equity of S/6,196.9 million (US$1,803.0 million) and S/5,172.8 million, respectively. Our annualized ROE as of March 31, 2020 and 2019 was 15.2% and 21.9%, respectively, and our annualized ROA for the three months ended March 31, 2020 and 2019 was 1.8% and 2.4%, respectively. Despite this slowdown in the first quarter of 2020, which is largely attributable to the COVID-19 pandemic, we expect that our medium to long term performance will continue to demonstrate our strong cash flow generation capacity and provide us with resources for the repayment of financing facilities.

For the years ended December 31, 2019, 2018 and 2017, our net income was S/1,221.5 million (US$355.4 million), S/1,040.1 million and S/902.0 million, respectively. As of December 31, 2019, 2018 and 2017, we had shareholders' equity of S/6,029.0 million (US$1,754.1 million), S/5,306.8 million and S/4,757.0 million respectively. Our annual ROE for the years ended December 31, 2019, 2018 and 2017 was 22.0%, 21.3% and 20.7%, respectively, and our annual ROA for the years ended December 31, 2019, 2018 and 2017 was 2.5%, 2.3% and 2.2%, respectively.

Competitive Strengths

Leading financial services provider focused on retail customers and highly attractive businesses

We target thriving and profitable businesses in Peru. Interbank focuses primarily on retail banking, with 55.9% of its loan portfolio constituting retail loans, compared to 36.1% for the Peruvian banking system, as of March 31, 2020, according to the SBS. Interbank is the second largest provider of gross consumer loans (retail loans other than mortgage loans) among banks in Peru, with a 22.8% market share as measured by gross consumer loans as of March 31, 2020. Interbank is also the largest provider of credit card loans among banks in Peru, with a 27.5% market share by gross credit card loans and the largest private bank provider of gross payroll deductible loans to public sector employees, with a market share of 26.4%, in each case as of March 31, 2020.

We have historically observed low delinquency rates on our payroll loans, which reduce the overall credit risk exposure of our consumer loans portfolio. Payroll loans traditionally have yielded relatively high margins and low non-performing loan ratios. Interbank has one of the highest ratios of gross financial margin to average earning assets of the Peruvian banking system, due to its stronger focus on retail banking when compared to its peers. According to the SBS, for the three months ended March 31, 2020, Interbank's gross financial margin was 6.6%, 122 basis points higher than the average for the four largest banks of 5.4%.

Our commercial banking business serves a range of clients spanning large corporates, mid-corporates and small and micro-sized business ("SME") loans. We are focusing on increasing our market share in the medium to long term in mid-corporates and SME loans while maintaining our large corporate business with a profit-oriented approach. This market provides an additional growth opportunity given our 7.8% market share for mid-corporates and 3.7% market share for SME as of March 31, 2020, according to the SBS. Moreover, our overall commercial loan portfolio provides us with a lower risk component that balances our total loan portfolio.

Track record of sustained growth supported by our strong market share and high profitability

Our strong track record of growth is supported by our strong market share and high profitability across our businesses. At Interbank, we are focused primarily on retail banking because we believe that it presents significant growth opportunities and higher margins. In retail banking, Interbank's total retail loans outstanding, including consumer and mortgage loans, achieved a compound annual growth rate ("CAGR") of 15.8%, compared to 11.1% for the Peruvian banking system, for the three-year period ended December 31, 2019, according to the SBS. Interbank has held a strong market positioning across retail products, with market shares of 18.7% and 19.0% in 2019 and March 31, 2020, respectively. With respect to mortgage loans, Interbank's market share increased from 14.4% in 2019 to 14.7% on March 31, 2020.

Interbank's increasing market shares have been accompanied by high profitability and reliable cash flow generation, with ROE averaging 21.3% compared to 18.4% for the Peruvian banking system, for the three-year period ended December 31, 2019.

Digital suite of products and services with rapidly increasing levels of adoption

Interbank is striving to reshape the banking space in Peru, creating a new digital experience driven by convenience and simplicity. Although we believe physical channels are still necessary in an underpenetrated financial system like Peru's, our digital platform has substantially increased our customer interactions and provided us with new business opportunities to build on consumer loyalty and cross-sell services, as well as accelerate new customer acquisition and inclusion of previously underserved segments of the population, including individuals, entrepreneurs and micro-businesses. We have a wide offering of digital products and services for existing and new clients, enabling them to get the products and services they want, in a timely manner suited to them.

We believe our digital platform provides us with a competitive advantage as evidenced by our increased market share and improvement in net promoter score, which we use to measure consumer satisfaction. As of March 31, 2020, more than 1.3 million retail customers used our digital platform and our digital users have reached 68.7% of total retail customers who interact with the bank, compared to 56.6% as of March 31, 2019. Our 100% digital customers have reached 42.3% of total retail customers as of March 31, 2020, compared to 27.7% as of March 31, 2019. Our digital transformation allows our customers to interact more frequently with us. Our penetration of digital

sales increased to 47.2% of total retail sales as of March 31, 2020, from 37.9% as of March 31, 2019. Furthermore, digital customer acquisition, or clients that were 'born digital', reached approximately 10,375 in March 2020, or 20.9% of new individual clients, compared to approximately 8,189 in March 2019, or 11.7% of new individual clients. Similarly, our continuous commitment and focus to improve our digital capabilities for SME and corporate clients, have enhanced our value-added proposition and tools to foster and support our commercial customers' growth despite the disruptions caused by the COVID-19 pandemic. For example, we have streamlined our account opening process for businesses from 15 days to a digital 30 minute process. This innovation has driven growth in customer acquisition for SME through our digital platform, accounting for 69.5% of our total new SME accounts in March 2020 compared to 38.2% in March 2019.

Supported by our digital platform, we have also increased the cross-selling of products, which we define as the number of products owned by a customer. The cross-selling ratio is calculated as the sum of the number of products owned by any given group of customers divided by the number of customers in such group. In March 2020, the number of products owned by our digital customers was 2.0. By comparison, in March 2019, the number of products owned by our total customers 1.9.

Products sold digitally represented 36.3% of total sales in March 2020, compared to 24.8% in March 2019. Per specific product, digital sale of credit cards and extra cash loans (loans offered through credit cards) increased their shares in the total number of sales from 8.1% and 14.8% in March 2019 to 12.9% and 25.2% in March 2020, respectively. Similarly, savings accounts opened digitally increased its share in total savings accounts opened from 24.0% in March 2019 to 44.4% in March 2020. Credit card lines increases represented 58.5% of total sales in March 2020, compared to 68.0% in March 2019. Furthermore, in March 2020, approximately 5,838 credit card line increases were performed digitally, lower than the approximately 38,305 credit card line increases performed digitally in March 2019. Digital sale of credit cards decreased from approximately 2,332 credit cards sold in March 2019, to approximately 1,651 in March 2020, but increasing its share in the total number of credit cards sold from 8.1% in March 2019 to 12.9% in March 2020.

As a result of the lockdown in place since March 16, 2020, our customers have increased the use of digital channels to interact with us. As of May 31, 2020, digital users reached 75.2% of total retail customers who interact with the bank, while 100% digital users, who are retail customers that have not interacted through branches, reached 53.7%. Likewise, as of May 31, 2020, digital saving accounts reached approximately 255,000, close to seven times the number of accounts as of March 31, 2020, while digital business accounts opened in May 2020 reached 4.6 million, around two times the number of business accounts opened in March 2020. Moreover, as of May 31, 2020, Interbank's share of Plin users reached close to one million, while the number of Tunki accounts opened in May 2020 reached 59,000, partially explained by Tunki's new functionality which allows families to receive the Peruvian government's COVID-19 related financial aid directly to a digital wallet. In this sense, Interbank was the only private bank supporting the Peruvian government's delivery of this financial aid 100% digitally. See "—Recent Developments—Measures implemented by Interbank in the face of the COVID-19 pandemic."

As part of our digital transformation, we have introduced new technologies and processes which enable us to improve time-to-market of new solutions. We have also made significant changes in the way we work. We are currently working with almost 100 teams using an agile framework on several projects, ranging from applications, digital products, new functionalities, and we are currently exploring different solutions targeting new customer segments and piloting new initiatives. For example, we have an innovation lab called "LaBentana", which focuses on continuous innovation and development of new ideas and pilot initiatives, using design thinking methodologies developed together with the consulting firm IDEO.

Convenient and innovative nationwide omni-channel distribution network with a distinctive customer-oriented approach

We believe that our convenient and innovative retail distribution network, together with a dedicated sales force and financial advisors, allow us to better reach our customers, and this combination has differentiated us from our competitors. We have one of the most convenient and extensive retail banking distribution networks in Peru. Moreover, we believe that our strong focus on building digital capabilities will allow us to help our customers to interact with us in an easier and more efficient way, and allow customers to migrate from the use of physical infrastructure to digital platforms for sales and services. For instance, we have shifted monetary transactions operated through our branches to digital channels. Total monetary transactions have been increasing at a CAGR of 10.2% from

2015 to 2019 driven by monetary transactions through our mobile and internet banking which have increased at a 76.0% CAGR for the corresponding period, even though monetary transactions through our financial stores have been decreasing at a CAGR of 3.4% from 2015 to 2019. We believe this optimization of our distribution footprint has enabled us to reach our clients more efficiently, allowing them to perform transactions when and how they want to, at lower marginal costs for Interbank.

Interbank has built a convenient omni-channel distribution network in Peru, serving 3.7 million customers. As of March 31, 2020, Interbank had 253 financial stores and operated the third-largest ATM network in Peru with more than 1,594 ATMs, which includes the largest out-of-branch ATM network (under our Global Net brand). Interbank has the largest number of financial stores inside supermarkets in Peru, which are open seven days a week from 9:00 a.m. to 9:00 p.m. Moreover, with the intention of providing underserved customers with more convenient services, Interbank operates a network of correspondent agents, called "Interbank Agentes", which consists of low-cost electronic terminals located at strategic commercial establishments that allow customers to complete basic financial transactions such as transfers and deposits. As of March 31, 2020, Interbank operated over 3,363 correspondent agents.

Since 2013, we have implemented a profitability model for financial stores and ATMs which ranks them according to certain profitability metrics relevant to each distribution channel. This has allowed us to identify the less profitable units in order to close them, and to prioritize new openings in more strategic locations with higher demand for value-added financial services. As a result, the number of financial stores, which peaked at 289 in 2016, has decreased to 253 as of March 31, 2020, while productivity of financial stores, measured as the volume of retail deposits per branch, has increased. Similarly, the number of ATMs has decreased to 1,594 in March 2020 from 1,708 in 2017. Finally, the number of Interbank correspondent agents has increased from 2,933 in 2017 to 3,363 in March 2020. This drove retail deposits per branch to grow from approximately S/52.5 million per branch as of December 2018 to approximately S/66.2 million per branch as of March 2020. Additionally, the number of monetary transactions per branch has increased from approximately 51.9 million monetary transactions per branch in December 2018 to approximately 53.6 million monetary transactions per branch in March 2020.

Prudent risk management resulting in high asset quality, strong liquidity and capital base to weather economic uncertainty

Risk management has been and will continue to be a primary focus of our operations and at the center of our culture. Our experienced risk management teams focus on monitoring and managing risks across all business areas, including credit, market, liquidity and operational risks, among others. We believe our risk management expertise has allowed us to achieve strong asset quality and high investment returns. Our prudent management has allowed us to build up sufficient capital to allow us to grow strategically, invest in opportunities and pay dividends to our shareholders.

Interbank's underwriting procedures are based on strong analytics and proprietary models. Additionally, our investment in technology and improvements in our ability to process and apply data have enriched our risk models and enhanced their accuracy and predictiveness. These models, which have increased six times in number since 2017, along with the risk management skills of our experienced risk management team, provide Interbank with competitive advantages. Our credit risk policies are approved by our risk committee and board of directors. Despite our concentration in retail loans, which tend to have higher levels of delinquency, Interbank's past-due loans as a percentage of total gross loans ratio as of March 31, 2020 was 2.8%, the lowest among the four largest banks in Peru and lower than the industry average of 3.1%. As of March 31, 2020, Interbank's past-due loans coverage ratio was 173.6%, which compares favorably with the average for the Peruvian banking system of 149.0%, according to the SBS.

Our capitalization ratio, which is calculated as our regulatory capital divided by our risk-weighted assets, was the highest among the four largest banks in Peru as of March 31, 2020, at 16.1% as compared to 14.3% for the Peruvian banking system, according to the SBS. The minimum capitalization ratio required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.4% as of March 31, 2020. Interbank's core equity tier 1 ratio was 12.0% as of March 31, 2020. In addition, we have strengthened our capitalization to weather the unprecedented economic impact caused by the COVID-19 pandemic. See "—Recent Developments—Measures implemented by Interbank in the face of the COVID-19 pandemic."

Our strong asset quality and capital and liquidity position have resulted in a local rating of A by Apoyo & Asociados Internacionales and A+ by Class & Asociados and Moody's Local PE Clasificadora de Riesgo S.A. These ratings, which are the two highest local ratings levels possible, allow us to secure funding through the issuance of short-term and long-term debt securities in the Peruvian capital markets.

Efficient operational platform supported by world-class technology and new digital capabilities

Through the use of advanced technology, we are focused on providing high-quality services to our customers in an efficient manner. On our digital platform, we offer retail customers different options for performing transactions, including state-of-the-art mobile and internet banking, as well as ATMs. For our commercial clients, we offer an integral solution through a web page to carry out digital operations in a quick and secure manner directly from their offices and also through their phones. For the three months ended March 31, 2020, approximately 97.2% of our total banking transactions were conducted in off-branch-transactions.

Our retail banking activities are supported by our Business Analytics platform. We believe that our data and analytic models provide us with a competitive advantage and we are committed and working on taking advantage of all the new data & information technology and possibilities that digital can offer, including big data, artificial intelligence, event-based marketing and machine learning.

Diversified funding base with competitive funding cost

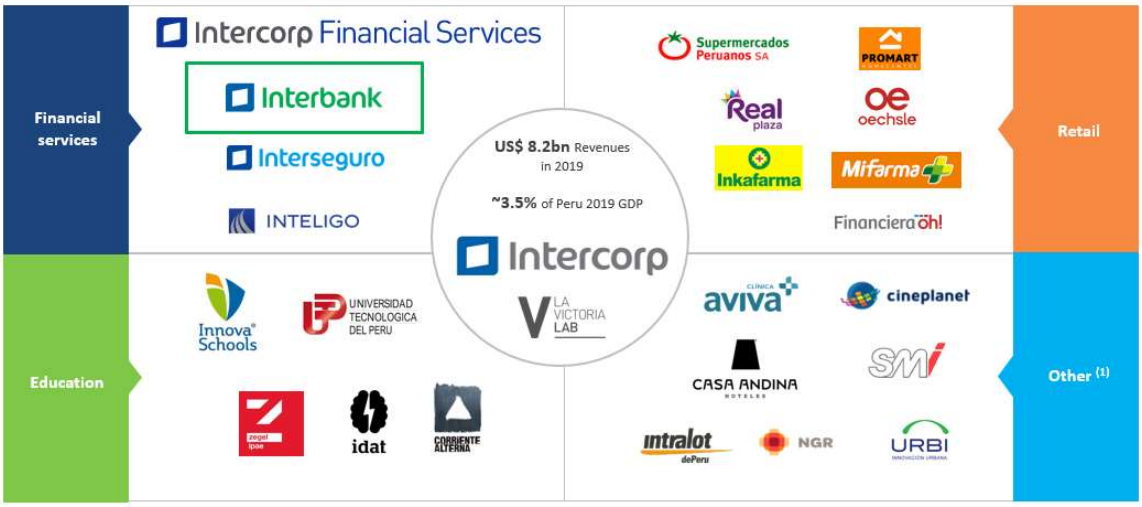
We have access to diverse sources of funding, including traditional deposits and debt securities placed in local and international capital markets. As of March 31, 2020, 72.3% of our total funding base was comprised of traditional deposits. Our deposit base is broad and fragmented, such that we are not dependent on a certain type of client, which provides us with a competitive and consistent average cost of funding of 2.5% for the three months ended March 31, 2020 and 2.8% for the three months ended March 31, 2019. A stable, low-cost source of funding also provides us an opportunity to cross-sell other products and services. See "—Recent Developments—Measures implemented by Interbank in the face of the COVID-19 pandemic."

Interbank has been a significant player in the Peruvian banking industry with a market share of demand, savings, and term deposits of 11.3%, 15.3%, and 11.3%, respectively, as of March 31, 2020, according to SBS.

Affiliation with the Intercorp Peru Group

Our ultimate parent company, Intercorp Perú Ltd ("Intercorp Peru"), is one of Peru's largest economic conglomerates, with activities spanning financial services, retail, education and real estate, among others. In 2019, Intercorp Peru's businesses represented approximately 3.5% of Peru's GDP, while generating US$8,183 million in revenues. We believe that being part of this group gives us a competitive edge, because of the group's deep knowledge of the Peruvian consumer, extensive focus and know-how in the Peruvian retail market, highly visible in-country presence and rapid decision-making capabilities. Intercorp Peru represents a significant distribution channel for our controlling shareholder, Intercorp Financial Services Inc. ("IFS"), and IFS also helps to boost the retail business of Intercorp through the consumer credit segment. IFS is also the controlling shareholder of Interseguro Compañía de Seguros, S.A. ("Interseguro"), a leading insurance company in Peru, and Inteligo Group Corp. ("Inteligo"), a provider of wealth management services.

The below graphic shows a simplified corporate structure of the group:



(1) *Related companies excluding Aviva and Urbi.*

Experienced management team with proven ability to foster a merit-based culture and a highly motivated work force

We believe that the strength of our senior and middle management team has enhanced and will continue to be a key driver of our successful business model. We benefit from an experienced, diverse and talented management team. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe.

We are focused on attracting, developing and retaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables us to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 18 consecutive years and one of the top 20 places to work in Latin America in the past nine years. In the most recent rankings, Interbank was selected number one best company to work for in Peru in the large size category (2019), number eight in Latin America (2020) number two for women in Peru (2019) and number six for millennials in Peru (2019).

We aim to maintain our position as a leading provider of financial services in Peru with our strategy of focusing on customers first, use of analytics, digital innovation and high-quality risk-management. We strive to provide the best experience to our customers through convenient, agile and friendly service, which we believe leads to customer loyalty and satisfaction, to expand our customer base and to further potential for cross-selling.

Our strategic priorities are as follow:

Become the foremost financial services company in the heart and mind of Peruvians by putting them at the center of our ecosystem

We aim to become the preferred option for our individual and commercial customers helping them to achieve financial well-being and growth by deeply knowing and anticipating their needs, by building trust and providing transparency in our relationship with them, and by delivering a superior experience which is simple, mobile, agile and suited to that particular customer. We are committed to providing the best possible customer experience for our clients.

Interbank aims to provide the most convenient, friendly and agile experience for its customers through a wide variety of products, services and distribution channels, in order to be considered the main bank for our customers. We

plan to continue to develop a best-in-class experience across multiple devices, including PCs, mobile phones and ATMs.

We help our individual customers throughout their journeys with a personalized approach based on customer segment, which includes Joven, Preferente, Emprendedor, Premium and Select within Interbank. The customer journey begins with new client acquisition and on-boarding, continues with customer development and loyalty, and finally, we focus on maintaining our customer base through retention and our win-back efforts. Moreover, we will continue to integrate our business analytics and digital marketing capabilities to foster online sales, transactions and post-sale services of traditional and innovative products. To strengthen Interbank's digital offering, we will continue to heavily invest in our digital channels.

We are continuously improving our value proposition for different customer segments including improvements to basic products such as accounts, payments and financing; introducing new special digital features, such as the loyalty program Interbank Benefit, the budget tool Smart, the digital savings account Piggybank, and the customer relationship program Interbank Cares. We are also developing additional ecosystems such as a financial health platform for customers and other tailored experiences. Towards this end, we use design thinking methodologies, learned through the consulting firm IDEO, that have been deployed in a number of projects.

Additionally, we are creating a payment ecosystem that seeks to create a strong bond with our customers, by focusing on four pillars: (i) increasing current person to business ("P2B") offline business by extending merchant coverage, improving customer experience and banking the unbanked, (ii) increasing current P2B online business by optimizing adoption and fostering usage, (iii) improving the convenience of person to person ("P2P") payments for customers by developing a better experience, and (iv) eliminating cash by banking the unbanked through pre-paid cards and through our open APIs that allow partners to access our account opening and basic financial-transaction services. Our goal is to develop an ecosystem which creates loyalty from customers and allows us to fulfill their financial needs digitally.

Within commercial banking our priority is also growth with a strong focus on profitability. We aim to provide the best self-service credit experience for commercial clients, by digitally providing them with the information and features necessary to manage their financial needs, and by offering the easiest and most transparent means of managing their cash flow and payments. For this purpose, we are in the process of implementing a new internet banking platform that will deliver most of these features.

For commercial banking we have three client groups based on volume of sales and employ different strategies accordingly. For large corporates we focus our efforts on generation of fees from cash management and corporate finance; for medium-sized companies we focus on growth, productivity and cash management; and for SME we focus on sustainable growth and productivity with a strong support from analytics and collections. For SME, our Cuenta Negocios, an account that can be opened 100% digitally and within 30 minutes, has been growing from no accounts in 2017 to 71,473 accounts opened as of March 2020 since its introduction in August 2018. Moreover, we are testing an application which provides an alternative way of financing based on digital tools and information.

Be the company with the deepest knowledge of Peruvians providing personalized and real-time solutions

Our advanced analytics and CRM capabilities are being enriched with new sources of data and new tools that technology offers, such as cloud, real-time decision, machine learning and artificial intelligence. We aim to have the deepest understanding of Peruvians, both individuals and companies, as we believe that a deep knowledge of our current and potential customers' characteristics and adapting to their behavior is important to better serve them, and to offer them the best solutions for their needs and risk profile.

Investment in technology represents the pillar of this strategic initiative, and we are working on a variety of areas to achieve this goal, including data and infrastructure, advanced analytics for marketing, and risk profiling and pricing models, as well as improving our CRM capabilities, including contextual marketing. With the support of our team of data scientists, we centrally design and distribute most of our sales campaigns, and have substantially improved our campaign effectiveness and are currently employing real-time decision making on certain campaigns. This combination of investments has helped make us more dynamic, and to be able to approach customers in real time.

These efforts also include different actions undertaken to have a better understanding of the self-employed segment of the population, which constitute a significant opportunity for financial services given the current low penetration levels. We are working on alternative risk profile models for new customer acquisition using new sources and non-traditional sources of data.

Our analytics vision is to have a fully deployed online customer management system which relies on real-time data, cloud processing, automated and reusable variables, real-time decision and actions, and an integrated infrastructure to support these new processes.

Moreover, we have an experienced team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. See, "Regulation and Supervision—Banking Regulation and Supervision—Integral Risk Management". Historically, we have experienced stable, low past-due loan ratios, well below the average past-due loan ratios for the Peruvian industry. Our overall past-due loan ratio as of March 31, 2020 was 2.8%, which compared favorably to 3.1% for the Peruvian banking system.

Attract and retain customers with a superior experience, which seamlessly integrates our physical and digital platform

We want to deliver a seamless and superior experience to our customers that integrates our physical and digital platforms. We believe this combination will allow us to more effectively serve our customers, enabling them to get what they want, when they want it, and how they want it.

At Interbank, we have developed the digital capabilities to perform functionalities a customer needs within Interbank. These include transactions, sale of new products, and self-service features. The percentage of transactions performed off branches has continued to increase, reaching 97.2% as of March 31, 2020. Digital sales and other self-service interactions have significantly increased during the last 12 months reaching 47.2% in March 2020, from 37.9% in March 2019.

Through our physical channels we continue to focus on providing a superior customer experience and are improving productivity and efficiency through new paperless and digital processes, tools and more advanced analytics. Additionally, we continue to invest in educating our customers to encourage the use of digital and other channels. Deposits, withdrawals, payments of bills and credit cards are being redirected to other more cost-efficient channels.

Furthermore, we are redesigning our physical distribution platform to better suit the new digitally-influenced customer needs. Our idea is to focus more on high value-added activities, which include advisory and complex product sales, and less on transactions and simple product sales. For this purpose, we intend to transform our branch formats and distribution presence, including branches, correspondent agents, contact center and ATMs.

In digital, we are focusing our efforts on expanding the products and self-service interactions, continuing to foster the adoption of digital channels by our customers, adding new features, such as chat robots for employees and customers, and ensuring that interactions with our customers are safe and secure.

Create and scale-up new businesses by targeting new customers, segments and businesses

We seek to accelerate growth in the underpenetrated Peruvian market in the medium to long term . For this purpose, we carry out thorough research through our lab LaBentana, alongside consumers, to identify areas for improvement and develop a variety of new initiatives to address pain points and make our offering more seamless. This allows us to target new customer segments, aiming to develop new revenue sources and accelerate our digital transformation.

Examples of these initiatives include the piloting of a digital payments solution for users and merchants. It targets cash payments at points of sale and cash peer-to-peer transfers, which account for the majority of total transactions. It offers in store payments through QR codes, online mobile top-ups and peer-to-peer transfers using only the mobile phone number.

Another initiative aims at finding alternative methods to provide access to loans to SME. Through a fully digital experience, which makes it cost-efficient and scalable, it allows SME to request and, if approved, get a loan

disbursed in maximum of four hours. Once these initiatives have scaled up, we integrate them into our operations and digital platform, as have been the cases for the Piggybank and the expedited opening of accounts for SME through Cuenta Negocios.

Focus on efficiency and productivity

We will continue to focus on our digital transformation to enhance efficiency through the automation of internal processes and use of technology. Our goal is to be more efficient while utilizing fewer resources in our customer interactions by focusing our efforts on four main areas: (i) becoming paperless, (ii) implementing more independent robot usage which includes artificial intelligence features, (iii) digitalizing end-to-end customer processes and (iv) eliminating low value-added activities.

During 2017, 2018 and 2019, we focused on reducing paper-based processes mainly targeting intensive back-office processes and branch processes. During 2018, we implemented our first 38 robotic process automations at Interbank with the aim of improving customer and operational processing times (in particular for low value-added processes) and reducing operational errors. During 2019, we implemented more than 120 robotic process automations. Our focus on profitability has helped us to improve our efficiency ratio from 40.5% in 2017 to 38.3% in 2019, and 39.6% in the three months ended March 31, 2020 with initiatives spanning from branch and ATM rationalization to increases of sales productivity. We will continue to pursue such initiatives which are bolstered by new digital features and processes.

Provide a scalable platform that our customers can trust with world-class technology

A scalable, flexible, stable and secure technological platform is key to achieve our purpose. We believe that we have deployed the key initial investments necessary to scale our platform and are committed to continue improving by maintaining our current levels of investment.

The first phase of investments from 2015 to 2017 consisted of (i) new mobile and internet banking platforms for retail customers, (ii) a new internet banking platform for commercial customers, (iii) investment in data, (iv) significant investment in our core infrastructure and applications to guarantee the stability and operational efficiency needed to support increasing transactional volumes coming from our digital strategy, including the outsourcing of our data centers, and (v) cybersecurity to safeguard our operations and our customers. See "Business—Information Technology Unit" for further information.

Beginning in 2018, in the second phase we have been increasing our efforts on advanced analytics development, including big data, machine-learning, cloud and real time decisions, by working together with world-class partners to build capabilities to serve our customers throughout the life cycle digitally and to explore new business opportunities. We have bolstered our investments in cybersecurity as we believe it is fundamental to provide a secure platform to be able to continue with our digital transformation.

We have moved from working with 17 agile teams in 2017 to almost 100 in March 2020, allowing us to substantially decrease time-to-market, being 14 times faster from 2017 to 2019, and to develop more innovative ideas. We also have an internal innovation lab working with design thinking methodologies implemented together with the consulting firm IDEO to further accelerate the development of new ideas using new technologies.

Our ongoing focus is based on four main areas of work: (i) development of a new digital platform based on open technologies and APIs, (ii) focus on the high performance and stability of our technological platforms, including cloud services, (iii) new processes for continuous delivery of new developments, and (iv) focus on cybersecurity.

Be a great place to work with a unique culture and strong sense of achievement for new talent

We believe that a motivated workforce leads to high-quality customer service, which in turn leads to satisfied customers and better results. Our commitment to fostering a motivated workforce and merit-based culture is demonstrated by being ranked among the top Peruvian and Latin American companies by the Great Place to Work Institute and recently also in the specific rankings for women and millennials.

We will continue our efforts to attract, develop and retain highly qualified personnel and to maintain a merit-based culture that emphasizes teamwork to keep a motivated workforce that delivers high-quality service. In the past years, we have been focusing on changing the way we work to agile methodologies, developing digital and analytical capabilities and changing the mindset of our talent. For this purpose, we have introduced a series of initiatives such as Demo Days, Expo Analytics, Interbank Hackathon, Innovaton, Interbank Datathon, as well as our Innovation Day at the Intercorp Peru level. We have also created training programs including the Agile Academy, Tribk, and the Interbank Tek program.

Foster clients, revenue and earnings growth

Interbank plans to continue to balance its growth between retail and commercial banking, as it believes that both retail and commercial lending will continue to exhibit good levels of growth in the coming years after the adverse effects of the COVID-19 pandemic subside.

Within retail banking, we will continue to focus on the Peruvian middle-class, and we will deepen our efforts on the mass affluent customers as we believe the new digital business models allow us to have a better value proposition for them. In terms of products, we aim at maintaining strong market shares in credit cards, payroll-deductible loans for public sector employees and deposits while increasing market shares on mortgages and payroll loans and accounts to the private retail clients.

We believe there are significant opportunities for Interbank in commercial banking in the medium to long term, as well, focusing on maintaining our market share with corporates while increasing our market share in medium-size and SME, where altogether Interbank has a lower market share (8.5% in terms of gross loans as of March 31, 2020, according to the SBS) when compared to its retail business. Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business.

Moreover, we are exploring different new business ideas using new technologies that could results in further revenue and income sources in the future.

Actively pursue cross-selling opportunities to leverage our customer base across IFS and Intercorp Peru

We intend to benefit from cross-selling opportunities, including, primarily, the sale of insurance products by Interseguro to our banking clients. We plan to leverage more of Intercorp Peru's retail presence to cross-sell products across Interbank, Interseguro and Inteligo. We believe that Interbank's current 3.7 million customers represent a significant opportunity to sell additional banking products and services, as well as Interseguro's insurance products and Inteligo's brokerage services. For this purpose, we plan to continue investing in digital and analytics capabilities.

Additionally, we plan to capitalize on the future growth of Intercorp Peru's retail business through its shopping malls, supermarkets, pharmacies and home improvement stores, by sharing data to the extent possible and in compliance with the applicable law to capture the cross-selling opportunities that those channels represent for Interbank.

Market Opportunity

We believe that the continued growth of the Peruvian economy over the past years, the expanding middle class, the growth of private wealth creation in Peru, the low penetration of financial services and the well-capitalized and profitable Peruvian financial system offer significant opportunities for our continued growth, despite the economic impact caused by the ongoing COVID-19 pandemic and the measures implemented by the Peruvian government to contain the contagion. Moreover, our commitment to digital transformation is opening up new opportunities for growth, enabling us to efficiently acquire and serve more clients, while providing distinctive and convenient customer service and greater access and inclusion to financial services to previously underserved Peruvians.

Due to the macroeconomic impact of the ongoing COVID-19 pandemic, we expect Peru's GDP to contract and economic activity to be affected as a result of the country-wide mandatory lockdown implemented on March 15, 2020 by the Peruvian government in response to the pandemic. The measures that have been implemented, which are expected to be in effect through June 30, 2020, have had disruptive effects on the economy, negatively impacting

several economic drivers, including consumption and investment, among others. In order to mitigate these effects, the Peruvian government announced the adoption of a wide ranging package of measures to generate monetary and fiscal stimulus and alleviate the financial stress on households and companies, equivalent to approximately 17% of Peru's 2019 GDP.

Solid-growth economy with strong macroeconomic fundamentals

According to the International Monetary Fund (the "IMF"), Peru's average GDP growth rate was 3.2% between 2015 and 2019, which is higher than the growth rate of each of the peer countries in Latin America during the same period (Colombia at 2.4%, Chile at 2.1%, Mexico at 2.0%, and Brazil at negative 0.6%). Additionally, Peru's average inflation rate was 2.7% between 2015 and 2019, which was lower than the inflation rates of each of the peer countries in Latin America during the same period (Brazil at 5.7%, Colombia at 4.7%, Mexico at 4.0% and Chile at 3.0%). In its most recent forecast as of December 2019, the Central Reserve Bank of Peru had estimated real GDP growth for Peru of 3.8% for both 2020 and 2021, above the 2.2% registered in 2019. While this estimate has not yet been updated by the Central Reserve Bank of Peru, the IMF has updated GDP growth outlook for Latin America and the Caribbean, estimating an economic contraction of 5.2% for the region and Peru's GDP to contract 6.5% in 2020. For the three-month period ended March 31, 2020, Peru reported a GDP contraction of 3.4%. As of the date of this offering memorandum, the COVID-19 pandemic continues to negatively affect Peru's growth in 2020.

The Peruvian government's prudent management of the economy, conservative fiscal policy, coupled with the Central Reserve Bank of Peru's cautious management of inflation and international reserves have contributed to economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, low fiscal deficit and high levels of international reserves. Based on Peru's strong macroeconomic base, the Peruvian government has deployed various expansionary fiscal and monetary policies to control and mitigate the impact of COVID-19 on the Peruvian economy and population. Peru's strong track record of macroeconomic policy credibility, consistency and ability to adapt to changes has helped it to achieve investment grade ratings of A3 by Moody's, BBB+ by S&P and BBB+ by Fitch as of March 31, 2020. On June 3, 2020, in light of the COVID-19 pandemic, Fitch reduced Peru's local currency rating from A- to BBB+. See "—Recent Developments."

Expansion of the middle class and affluent population

The core of our customer base is Peru's growing middle class and affluent population. According to INEI, the poverty rate in Peru has declined to 20.2% in 2019, from 30.8% in 2010, and GDP per capita in U.S. dollars has grown from US$5,055 in 2010 to US$7,058 in 2019. Peru has a total population of 32.5 million, and according to the *Asociación Peruana de Empresas de Investigación de Mercados* (APEIM), Peru's middle and upper socioeconomic segments (segments A, B and C) have expanded and, as of December 2019, represented 51.6% of the population compared to 41.9% in 2010. We believe that the increase in the number of people belonging to the middle class and affluent population creates a greater need for financial services, particularly for increasingly sophisticated banking, insurance and wealth management products. The expansion of these segments of the population drives growth and profitability across our business. Additionally, based on macroeconomic trends, we expect the number of high net worth individuals in Peru and the size of their investable assets to continue to grow and further increase the market for wealth management services.

Low financial services penetration

We believe that growth potential in Peru's financial services sector continues to be significant. Despite sustained recent growth of 6.0% CAGR in total gross loans between 2015 and 2019, banking penetration in Peru, measured as the ratio of loans-to-GDP, was 37.2% as of December 31, 2019, according to the SBS and the Central Reserve Bank of Peru, below the average ratio of 52.3% for the group of peer countries in Latin America according to the *Superintendencia de Bancos e Instituciones Financieras* ("SBIF"), the Central Bank of Brazil, the Colombian Financial Superintendency, and the Mexican Commission for Banking and Securities. In addition, it was less than half of the 98.2% ratio for Chile. We believe that penetration potential is even more significant in retail banking. Total retail loans including credit cards per inhabitant in Peru, is well below its peer countries in Latin America. As of March 31, 2020, the estimated total number of debit and credit cards per inhabitant in Peru was 0.2 as compared to 0.3 cards per inhabitant for Chile, according to the SBS and the SBIF, respectively. The ratio of retail loans-to-GDP in Peru was 13.7%, while the penetration of retail loans in Chile was 42.0% and the average for the group of peer

countries in Latin America was 21.5%, as of March 31, 2020. Furthermore, as of March 31, 2020, the ratio of mortgage loans-to-GDP in Peru was 6.4%, while the penetration of mortgage loans in Chile was 28.1%.

Healthy, well-capitalized and profitable financial system

As a result of sound regulation and prudent management, the Peruvian financial system is healthy, well-capitalized and profitable, according to figures published by the SBS. Gross loans in Peru (measured in soles) have grown at a CAGR of 6.0% between December 31, 2015 and December 31, 2019 and 9.6% between March 31, 2019 and March 31, 2020, while the banking system's asset quality has remained strong with a ratio of past-due loans as a percentage of total gross loans of 3.2% and a ratio of impairment allowance for loans as a percentage of past-due loans of 149.0% as of March 31, 2020, according to the SBS. Capitalization of the Peruvian banking system has consistently been well above regulatory requirements with a total capital ratio of the banking system of 14.3% as of March 31, 2020, according to the SBS. Interbank's capitalization ratio was 16.1%, according to the SBS as of March 31, 2020. Furthermore, Peru's banking industry has been historically profitable, with an 18.5% ROE for the year ended December 31, 2019 and 13.7% for the period ended March 31, 2020, according to the SBS. See "—Recent Developments."

Development of new technologies and distribution channels

There are many technological trends currently impacting the financial services industry worldwide. For example, the penetration of cell phones, Internet and the 4G mobile network, the ability to process large quantities of data through big data, cloud and machine learning, and the opportunity to utilize robotics and artificial intelligence. As a result, many large banks have started digital transformations with large increases in their level of technological investments and are working on developing their product offerings.

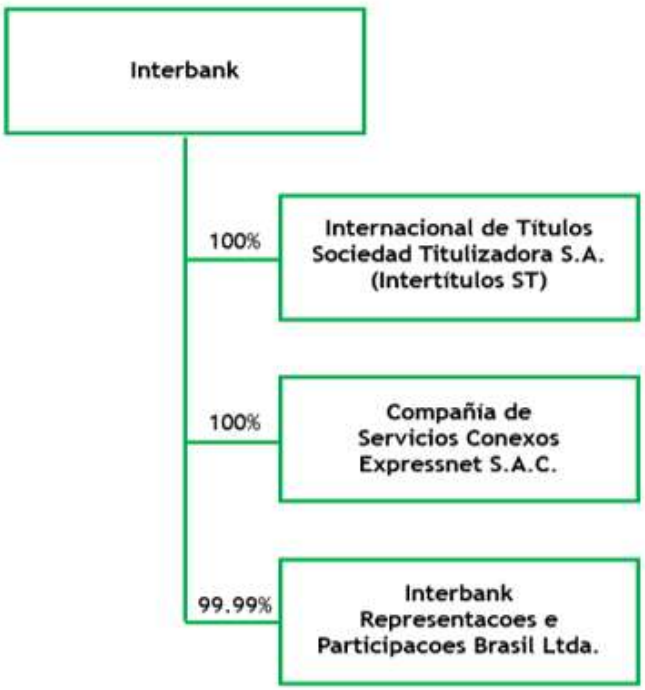
Due to improved technology, banks are now able to offer a better value proposition to their customers that include better solutions with features tailored to the customer's needs, contextual banking (whereby the customer is offered a connected banking experience, including tailored product offerings), enhanced 24 hour customer support and access and faster approval and response times, all at a lower per capita cost. Additionally, banks are now able to reach a broader base of customers both in terms of income levels and geographic locations and will be able to gradually offer them more products and services and make them a part of the banked segment of the Peruvian population, which constitutes a very important growth opportunity in the country.

History

Interbank is a Peruvian bank in the form of an open-stock corporation (*sociedad anónima abierta*). Interbank was incorporated in Lima, Peru in 1897 and formerly conducted business under the names "Banco Internacional del Perú S.A." and "Interbanc". In August 1994, as part of the Peruvian government's privatization efforts, approximately 91% of Interbank's share capital was acquired by Corporación Interbank, which subsequently transferred its holdings in Interbank to the Rodríguez-Pastor family through Intercorp Peru, a limited liability company organized under the laws of the Commonwealth of The Bahamas that is listed on the BVL. After Interbank's acquisition by Intercorp Peru in 1994, Interbank began conducting business under the name "Interbank" as part of a rebranding and modernization effort, and has become a leading universal bank in Peru.

Corporate Structure

The following chart presents our corporate structure as of the date of this offering memorandum, indicating our principal subsidiaries and respective ownership interests.



Banking

Interbank provides retail and commercial banking services to 3.7 million customers as of March 31, 2020, which includes approximately 3.6 million retail customers and approximately 73,000 commercial clients. We are the fourth largest bank in Peru in terms of total assets, total gross loans and total deposits, with market shares of 12.4%, 12.3% and 12.5%, respectively, as of March 31, 2020 and in accordance with the SBS. Interbank is focused on fast-growing and highly profitable retail banking businesses, such as credit card financing, payroll deduction loans to public employees and mortgages, as well as Peruvian corporates and medium-size companies within commercial banking.

Given this focus, 55.9% of Interbank's gross loans as of March 31, 2020 correspond to retail banking, compared to 36.1% for the Peruvian banking system, according to the SBS. Interbank is the second-largest provider of consumer financing (retail loans other than mortgages), the leading player among private banks in payroll loans to public sector employees, the largest provider of credit card financing and the third-largest bank in retail loans in Peru. As part of its strategy to serve retail banking customers, Interbank has one of the most convenient and extensive retail banking distribution networks in Peru and is currently present in 23 of Peru's 25 regions. Interbank serves its customers through 253 financial stores, more than 1,594 ATMs throughout Peru, which is the third largest ATM network nationwide and the largest out-of-branch ATM network, and more than 3,363 correspondent agents.

In the commercial banking line of business, which represents 44.1% of Interbank's gross loans as of March 31, 2020, according to Peruvian GAAP, Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business. These products and services are attractive not only for the financial margins they offer, but also for the fee income they generate. In addition, these products and services enhance customer loyalty and provide significant cross-selling opportunities.

The table below provides a breakdown of Interbank's loan portfolio under Peruvian GAAP as of the dates indicated.

	As of March 31 (Unaudited)		As of December 31	
	2020	2019	2019	2018
Retail loans	(in S/ millions)			
Credit Cards	6,222	5,443	6,264	5,189
Other consumer loans	6,683	5,938	6,557	5,703
Mortgage loans	7,352	6,601	7,221	6,422
Total retail gross loans	**20,258**	**17,982**	**20,042**	**17,313**
Total commercial gross loans	**16,000**	**15,315**	**16,123**	**15,205**
Percentage retail loans	55.9%	54.0%	55.4	53.24%
Percentage commercial loans	44.1%	46.0%	44.6%	46.76%

Source: SBS

For the three months ended March 31, 2020 and 2019, our net income was S/231.9 million (US$67.5 million) and S/286.7 million, respectively. As of March 31 2020 and 2019, we had shareholders' equity of S/6,196.9 million (US$1,803.0 million) and S/5,172.8 million, respectively. Our annualized ROE as of March 31, 2020 and 2019 was 15.2% and 21.9%, respectively, and our annualized ROA for the three months ended March 31, 2020 and 2019 was 1.8% and 2.4%, respectively. Despite this slowdown in the first quarter of 2020, which is largely attributable to the COVID-19 pandemic, we expect that our medium to long term performance will continue to demonstrate our strong cash flow generation capacity and provide us with resources for the repayment of financing facilities.

For the years ended December 31, 2019, 2018 and 2017, our net income was S/1,221.5 million (US$355.4 million), S/1,040.1 million and S/902.0 million, respectively. As of December 31, 2019, 2018 and 2017, we had shareholders' equity of S/6,029.0 million (US$1,754.1 million), S/5,306.8 million and S/4,757.0 million respectively. Our annual ROE for the years ended December 31, 2019, 2018 and 2017 was 22.0%, 21.3% and 20.7%, respectively, and our annual ROA for the years ended December 31, 2019, 2018 and 2017 was 2.5%, 2.3% and 2.2%, respectively.

Business Lines

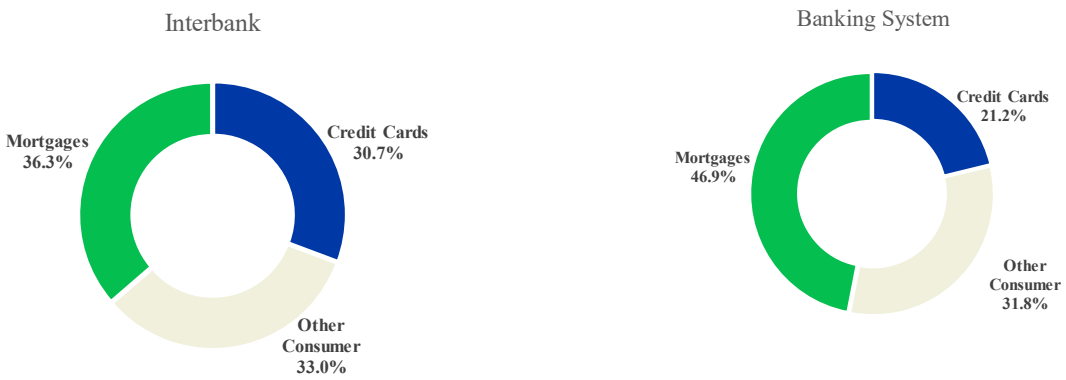
Interbank has three business lines: (1) retail banking, (2) commercial banking and (3) treasury and institutional.

Retail Banking

Interbank's retail banking business line provides a variety of financial products and services to individuals including retail loans and retail deposits. Interbank's retail banking strategy consists of providing the best customer experience through convenient, agile and friendly service. Interbank's key objectives include increasing its market share in its core products through increasing its share of wallet and cross-selling products to its existing customers.

Interbank seeks to meet the financial service needs of Peru's growing middle class who only recently have had sufficient disposable income to become integrated into the financial system. Interbank believes the retail banking sector presents significant opportunities to continue to grow and sustain high margins, while taking on reasonable risk.

As of March 31, 2020, retail loans represented 55.9% of Interbank's total loan portfolio outstanding as compared to 36.1% for the Peruvian banking system under Peruvian GAAP. Furthermore, Interbank's strategy also seeks to continue capturing low-cost funding through a stable and diversified deposit base. The following charts show Interbank's and the Peruvian banking system's retail gross loans breakdown according to the SBS as of March 31, 2020.



Source: SBS

Retail Loans

Retail loans consist of consumer and mortgage loans. Interbank classifies its consumer loans into two categories: (i) credit cards; and (ii) payroll deduction and other consumer loans.

Consumer Loans

Credit cards. Credit cards represent the second largest portion of Interbank's consumer loan portfolio in terms of outstanding loans. Interbank offers its retail customers all three major credit cards: VISA, MasterCard and American Express. Interbank has an exclusivity agreement with American Express for its Centurion line of credit cards in Peru. Interbank also offers credit cards with different value propositions catering to each customer segment.

Interbank's credit card loans had a CAGR of 22.5% between December 31, 2017 and December 31, 2019 and represented a market share of 27.1%. For the three months ended March 31, 2020, credit card loans increased by 14.3% compared to the corresponding period in 2019, and represented a market share of 27.5%. For the year ended December 31, 2019, credit card loans increased by 20.7% compared to the corresponding period in 2018. As of March 31, 2020, credit cards represented 30.7% of Interbank's retail loan portfolio as compared to 21.2% for the Peruvian banking system, and its past-due loan ratio in credit cards stood at 4.5%. As of December 31, 2019, credit cards

represented 31.3% of Interbank's retail loan portfolio as compared to 21.9% for the Peruvian banking system, and its past-due loan ratio in credit cards stood at 4.2%. Interbank's past-due loan ratio results from its strategy of targeting customers through enhanced and proprietary credit scores and offering differentiated pricing based on each customer's risk profile through improved credit scoring and origination models.

Payroll deduction loans. Payroll deduction includes loans to public sector employees such as police officers, teachers and army employees. Interbank ranks first among private banks in Peru in terms of payroll deduction loans to public sector employees, with a market share of 26.4% as of March 31, 2020 and 26.3% as of December 31, 2019.

The risk of default under payroll deduction loans is lower, particularly because the employer deducts the loan payments from the employee's salary and makes payments to directly by Interbank. Additionally, these payroll deduction loans are legally required to be insured by an insurance company against the death and disability of the borrower. Interseguro provides substantially all of the insurance policies for these loans although customers are free to purchase insurance from other providers.

Personal loans. Personal loans include cash loans, vehicle loans, student loans, express loans and collateralized cash loans. Cash loans are available on Interbank's website, have a term of up to 60 months and a grace period of up to 2 months. Vehicle loans finance first-time car purchases for up to 100% of the price of the vehicle, have terms of up to 60 months and allow customers to postpone one installment, if required. Student loans finance up to 100% of postgraduate courses, have a term of up to 60 months and a grace period of up to 2 years. Express loans offer up to three loan alternatives to customers, with different terms, interest rates and principal amounts, according to each customer's needs. Finally, collateralized cash loans allow customers to include savings accounts or real estate as collateral, have a term of up to 60 months and a grace period of up to 2 months.

Mortgage Loans

Interbank offers fixed rate mortgage loans with a typical term of 20 years and a typical down payment of 20% denominated in either U.S. dollars or *soles*.

Interbank's mortgage loans outstanding grew at a CAGR of 11.9% between December 31, 2017 and December 31, 2019 compared to a CAGR of 9.2% for the Peruvian banking system in the same period. For the three months ended March 31, 2020, Interbank's growth in mortgage loans outstanding was 11.4% compared to the corresponding period in 2019, compared to 8.7% for the Peruvian banking system over the same period. Between December 31, 2018 and December 31, 2019, Interbank's growth in mortgage loans outstanding was 12.4%, as compared to 8.7% for the Peruvian banking system over the same period. For the three months ended March 31, 2020, Interbank's mortgage loan disbursements amounted to approximately S/7,352 million, of which 88.0% were denominated in *soles* and the remaining 12.0% in U.S. dollars. For 2019, Interbank's mortgage loan disbursements amounted to approximately S/7.221 million, of which 87.8% were denominated in *soles* and the remaining 12.2% in U.S. dollar.

Interbank also provides residential construction loans to real estate developers. Although these loans are reported within the commercial banking portfolio, they are managed together with retail banking mortgages because of the synergies between the businesses. Financing real estate projects provides Interbank with an opportunity to market mortgage loans to home buyers.

In 2001, the Peruvian government launched the *Nuevo Crédito Mivivienda* program, a social initiative to promote the construction of low-income housing, of which Interbank is an active participant. As of March 31, 2020, the *Mivivienda* program had successfully disbursed approximately 148,916 loans, mainly to develop multi-family buildings. The *Nuevo Crédito Mivivienda* program provides direct funding to match each loan underwritten by banks, as well as credit risk coverage for one-third of any realized loss. Furthermore, the program subsidizes interest rates by rewarding the end customer with direct financial incentives if payments are kept current.

Retail Deposits

Interbank offers a wide range of *sol* and U.S. dollar denominated transactional, savings and investment accounts through one of the largest distribution networks, as measured by total financial stores, ATMs and correspondent agents. These products satisfy key consumer needs and position Interbank as an attractive financial institution for retail customers.

Transactional accounts

Within retail deposits, Interbank offers transactional accounts with different interest rates, maintenance fees and options for accessing funds.

Cuenta Sueldo is a payroll account into which an employer may deposit an accountholder's salary on a regular basis. These payroll accounts give access to debit cards for employees, to *Alcancia Virtual* which, through tiers, provide monthly interest on *Alcancia* balances, and discounts at restaurants and retailers, among other benefits. Interbank offers these payroll account services to employers in conjunction with other commercial banking products, and also markets directly to employees.

Cuenta Simple is used by customers for their everyday banking needs and does not have a maintenance fee. Transactions are free of charge for up to a certain number of monthly transactions through physical channels. In addition, all transactions performed through online banking and other electronic devices are free of charge. This transactional account is of low cost for Interbank as most of the transactions are conducted through electronic channels. Customers are also able to receive incoming wire transfers in this account.

Savings accounts

Interbank offers savings accounts with a variety of interest rates, maintenance charges and options for alternative access channels, such as ATM cards, and free Internet access and mobile access.

Cuenta Millonaria may be denominated in *soles* or U.S. dollars. The Cuenta Millonaria account allows accountholders to participate in sweepstakes to win prizes such as apartments, cars and travels.

Cuenta Super Tasa are savings accounts that permit unlimited transactions in electronic channels, and provide higher interest as the accountholder´s savings increase.

Alcancía Virtual is a digitally-enabled feature of a transactional or payroll account in either soles or U.S. dollars, which encourages our customers to save. This virtual piggy bank allows customers to easily transfer or "swipe" certain amounts from other accounts to their piggy bank. The funds allocated to the piggy bank are not subject to maintenance fees and benefit from higher rates than those applied to the associated transactional account. Amounts in customers' piggy bank do not show as funds available for ATM withdrawals or for debit card purchases. As such, money deposited in piggy bank accounts improve Interbank's funding base. Customers retain full flexibility to transfer any funds in their piggy bank account to their transactional accounts through mobile banking or online banking.

Investment accounts

Interbank offers time deposits, certificates of deposit (CDs) and CTS accounts denominated in *soles* and U.S. dollars, to customers who may or may not have a checking or savings account with Interbank.

Interbank offers time deposits and CDs, with maturities ranging from 31 days to 10 years. Time deposits with maturities of 31 days or more may be opened with a minimum initial balance of S/2,000 or US$1,000. Time deposits with maturities ranging from one year to 10 years are only offered in *soles* and can be opened with a minimum initial balance of S/50,000.

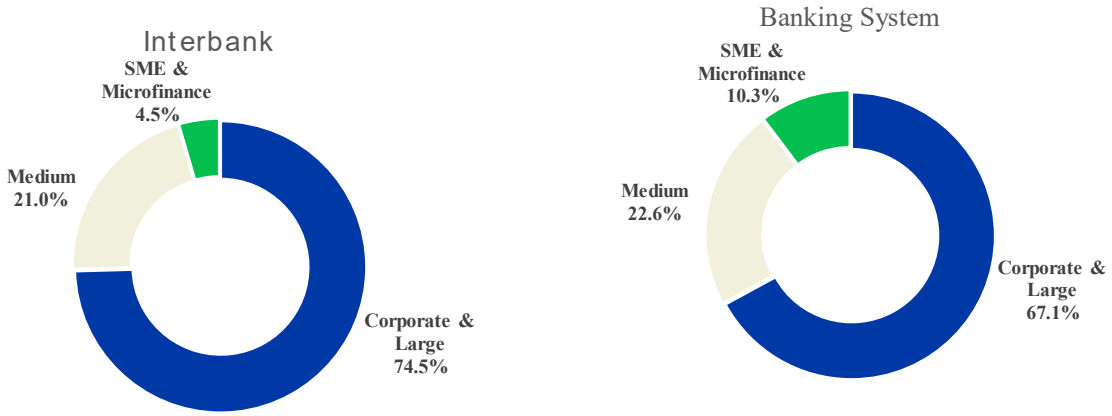
CTS accounts are severance accounts that employers must open for the benefit of their employees pursuant to Peruvian law. Employers must deposit into these accounts twice a year (in May and November) an amount equal to one half of an employee's month salary. Employees may withdraw from their CTS account any amount exceeding the sum of such employee's four months' salary calculated based on the most recent monthly salary.

Commercial Banking

Interbank's commercial banking business line primarily target Peruvian corporations and medium-size companies. The commercial banking unit has three business units: (1) corporate; (2) medium-size business and (3) small business.

Interbank markets its cash management services, including payroll services, collection and account payments, to commercial clients that provide it with opportunities to cross-sell retail products. As of March 31, 2020, Interbank was the fourth largest bank in terms of commercial loans outstanding, with a total commercial loan portfolio amounting to S/16 billion, representing a 8.5% market share, while its past-due loan ratio stood at 1.8%, the lowest among the largest four banks in Peru. As of December 31, 2019, Interbank was the fourth largest bank in terms of commercial loans outstanding, with a total commercial loan portfolio amounting to S/16 billion, representing a 8.9% market share, while its past-due loan ratio stood at 1.7%, the lowest among the largest four banks in Peru. Other traditional products offered to Interbank's commercial clients include working capital loans and letters of credit.

The following charts show Interbank's and the Peruvian banking system's commercial gross loans breakdown according to the SBS as of March 31, 2020:



Source: SBS

According to the SBS, in general terms, corporate loans are loans offered to companies with annual sales exceeding S/200.0 million in the previous two years; large loans are offered to companies with annual sales between S/20.0 million and S/200.0 million in the previous two years, medium loans are offered to companies with a total debt in the Peruvian financial system above S/300,000 in the last six months that cannot be classified as corporate or large companies; small size loans are offered to companies with a total debt in the Peruvian financial system between S/20,000 and S/300,000 in the last six months; micro-company loans are offered to companies with total debt in the Peruvian financial system no higher than S/20,000 in the last six months.

Corporate Banking

Interbank's corporate banking unit is primarily responsible for providing services to companies with annual sales exceeding S/100.0 million or are part of a large economic group. Interbank's corporate banking unit provides investment banking, structured finance and other sophisticated banking products to meet the needs of its target clients. Furthermore, Interbank focuses on developing a relationship with each client and promoting fee-related and low-risk products, such as letters of credit, collections, transfers and foreign exchange services, tailored to meet the particular requirements of each client.

Medium-Size Business Banking

Interbank's medium-size business banking unit offers many of the same products as those of the corporate banking unit mainly to medium-size enterprises with annual sales between S/3.0 million and S/100.0 million. The unit primarily provides Interbank's clients with working capital loans secured by accounts receivable and other products, including financing for medium and long-term investment programs. Medium-size businesses also constitute an important source of deposits.

Medium-size enterprises in Peru generally do not have access to financing through local or international capital markets or to term loans from foreign banks. Interbank expects to capitalize on the growth opportunities in this sector and to profit from the margins that it offers when taking into account the reasonable degree of risk involved. In this sector, financial entities are the main competitors of banks.

Small Business Banking

Interbank's small business banking unit serves companies with annual sales between S/500,000 and S/3.0 million. Interbank offers working capital loans, fixed asset financing, revolving lines of credit and transactional accounts to small businesses. Interbank has invested in building an experienced team and developing a strong IT platform, with online and automated processes to better serve these customers.

Main Commercial Banking Products

Medium-Term Loans. Interbank offers term loans, which are loans with tenors over 1 year and with average duration of 3.2 years. These loans are usually collateralized with mortgages and/or other assets in order to secure the credit facility. Furthermore, Interbank earns structuring fees from these transactions.

Leasing. Interbank provides financial leasing including commercial real estate, vehicles, machinery and other goods. At the end of the term of a leasing agreement, the customer has the option to purchase the leased assets. According to the SBS, Interbank's market share by gross loans was 8.1% as of March 31, 2020 and 8.8% as of December 31, 2019. Leasing products generate high margins and present lower credit risk compared to other financial products.

Cuenta Negocios. is a 100% digital current account for businesses. Upon certain brief procedures and control checks, the account is opened for customers' use. The process lasts about an hour and is completely paperless. Customers may request to open a Cuenta Negocios from 9:00 a.m. to 6:00 p.m., Monday through Friday. Account statements are sent to clients by email and are also made available through internet banking. The business account is associated with a maintenance plan that may be digital (free of charge) or transactional (subject to a fee), and that is mainly related to the different channels that clients can use to perform transactions. Cuenta Negocios, a digital business account for commercial banking, has been growing from no accounts in 2017 to 37,836 accounts opened as of March 2020 since its introduction in August 2018. Additionally, digital business accounts opened in May 2020 have almost doubled the accounts opened in March 2020, from 2,764 to 4,601.

In recent years, the growth in Interbank's leasing business has been driven by economic growth and related private sector investments. We expect this trend to continue in the future. Furthermore, Interbank is actively pursuing leasing and financing opportunities for machinery and equipment to grow its leasing business.

Cash management. Interbank offers products and services that strengthen its relationship with clients, build loyalty and reduce costs by using electronic channels and by increasing fee income. Services managed by this unit include collection services (automated trade bill collection), automated payments (payroll and payments to suppliers) and digital banking and cash management. Interbank earns fees from cash management services by charging its clients a fixed fee and a variable fee based on the volume and frequency of the transactions.

Trade finance. Interbank provides short-term loans for trade, funded with internal resources or with credit lines from foreign banks. In addition, the trade finance unit offers medium-term credit lines using funds granted by international commercial banks and foreign governmental institutions. The trade finance unit also earns fees by providing customers with letters of credit, international collection and foreign exchange services.

According to the SBS, Interbank's market share in trade finance business was 11.7% as of March 31, 2020 and 13.6% as of December 31, 2019. Interbank intends to take advantage of the growing importance of China in Peru's foreign trade by facilitating trade and investment with both countries. In 2007, Interbank established a Commercial Representative Office in China in order provide financial services to Peruvian and Chinese companies wishing to trade in these markets.

Factoring. Through its electronic factoring product, customers are able to send their invoices to Interbank on a continuous basis up to a certain credit limit and borrow against these invoices. Once the customer reaches this limit and no additional receivables are generated, the customer stops receiving advances from Interbank.

Treasury and Institutional.

The main activities of Interbank's treasury and institutional business line include treasury and institutional banking, as well as securitization services through Internacional de Titulos Sociedad Titulizadora S.A. ("Intertítulos").

Treasury

Interbank is an active participant in the money and foreign exchange trading markets in Peru. Its money market desk plays an active role in the *Sol* and foreign currency short-term money markets. In addition, the money market desk participates in the auction of certificates of deposit issued by the Central Reserve Bank of Peru. Interbank's proprietary trading activities focus on foreign exchange trading and short-term investments in securities, which primarily include certificates of deposit of the Central Reserve Bank of Peru, Peruvian global bonds and sovereign debt instruments.

Institutional Banking

Interbank's institutional banking unit serves primarily non-profit public and private organizations, international entities, educational institutions and nongovernmental organizations. As of March 31, 2020, the institutional banking unit had more than 730 clients and S/7,286 billion in deposits, accounting for 20.8% of Interbank's total deposits.

The institutional banking unit is strategically important to Interbank as it provides Interbank with a stable and low-cost deposit base, as well as opportunities for fee income generation. The clients for the institutional banking unit require mainly transactional products, such as remote office banking, collection services, automated payroll payment services and investment management. Interbank's strategy is focused on building customer loyalty with these clients by offering customized services at competitive rates and by providing high-quality customer service.

Securitization Services

In addition, Interbank provides securitization services through its wholly-owned subsidiary, Intertítulos, which is regulated by the SMV. Intertítulos, acting as a trustee, enables its clients to issue securities in order to obtain funds directly from financial markets.

Distribution Channels

Interbank has built and developed one of the best omni-channel platforms that combine physical and digital presence, serving 3.7 million customers as well as non-customers across Peru.

In terms of physical presence, Interbank has developed a highly convenient network. As of March 31, 2020, Interbank had 253 financial stores and operated 1,594 ATMs, the third-largest ATM network in Peru. Interbank has the largest number of financial stores within retail locations in Peru, with formats that open Monday to Sunday from 9 a.m. to 9 p.m. and it holds the largest out-of-branch ATM network, under our *Global Net* brand. Moreover, with the intention of offering greater convenience as well as providing underserved customers with greater access to financial services, Interbank operates a network of over 3,363 correspondent agents as of March 31, 2020. These correspondent agents are known as *Interbank Agente* and provide commercial establishments access to low-cost electronic terminals which allow customers to perform basic transactions.

In terms of online channels, Interbank provides any customer or non-customer with the option to have a completely digital experience with the bank; from acquisition to onboarding and use of its financial products. Its public website, https://interbank.pe/, has a strong commercial focus and manages the bank's digital acquisition of new customers. Its online banking and mobile application give customers immediate access to its day-to-day transactions and after-sales services and uses those interactions to capture cross-sell opportunities. Furthermore, Interbank has developed other channels that serve specific segments or customer needs. For example, a separate website, www.interbankbenefit.pe, serves customers under the Interbank Benefit loyalty program, and "*Cuenta Sueldo*" is a mobile application for payroll account customers that gives access to discounts and benefits.

The following table shows the number of monetary transactions of each distribution channel:

	Number of transactions in December, in millions						
	2015	2016	2017	2018	2019	CAGR 2015–2019	In March, 2020
Financial Store	3.1	3.0	2.7	2.6	2.7	(3.4)%	1.8
Off-Branch	8.5	9.3	10.1	11.4	14.5	14.3%	11.8
ATMs	6.2	6.4	6.4	6.8	6.6	1.6%	4.3
Correspondent agents	1.6	1.9	2.0	2.0	2.8	15.0%	2.0
Mobile banking	0.5	0.9	1.6	2.4	4.8	76.0%	5.4
Other	0.2	0.2	0.2	0.1	0.1	8.9%	0.1
Total	**11.6**	**12.3**	**12.8**	**14.0**	**17.1**	**10.2%**	**13.6**

The following table shows the percentage of use of each distribution channel, reflecting a transition from the use of traditional channels (branches, ATMs and correspondent agents) to mobile banking:

	In December, Percentage of total					
	2015	2016	2017	2018	2019	In March, 2020
Financial Store	26.3%	24.0%	21.4%	18.6%	15.5%	13.1%
Off-Branch	73.7%	76.0%	78.6%	81.4%	84.5%	86.9%
ATMs	53.8%	51.9%	49.7%	48.7%	38.7%	31.7%
Correspondent agents	14.1%	15.1%	15.4%	14.2%	16.5%	14.9%
Mobile banking	4.3%	7.7%	12.3%	17.4%	28.5%	39.6%
Other	1.5%	1.2%	1.2%	1.0%	0.8%	0.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Financial Stores

As of March 31, 2020, Interbank had 253 financial stores in Peru. After peaking at 283 financial stores in 2017, the number of financial stores decreased mainly due to the success in transferring basic transactions from the stores to more efficient channels, the education of customers in the use of online banking and mobile applications, and process improvements. However, Interbank maintains the fourth largest network of financial stores among Peruvian banks covering 23 of Peru's 25 regions. A large number of the financial stores are located in convenient, high traffic areas, such as supermarkets and shopping malls to maximize client coverage. Interbank has 43 financial stores that are open every day from 9:00 am to 9:00 pm.

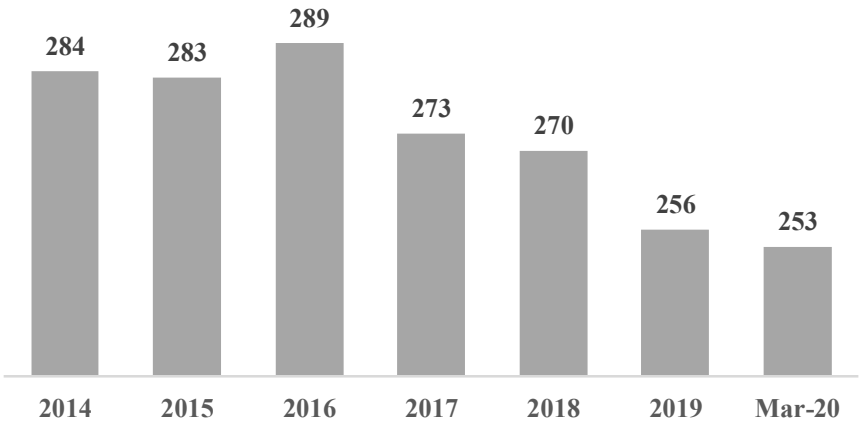
In May 2013, Interbank introduced "Imagine" financial stores, a concept jointly developed with IDEO, a design and innovation consulting firm. "Imagine" fosters a more pleasant and inviting environment to Interbank's customers and is designed to educate customers on the use of electronic channels in order to migrate low value transactions to more efficient channels, while continuing to capture new customers and exploit cross- selling

opportunities. Imagine has set new service standards in the industry and many of its elements have been adopted by Interbank's main competitors.

To further strengthen the "Imagine" model, since 2016 Interbank introduced the role of digital education in its stores, offering new and existing customers an assisted onboarding process onto its digital channels. In 2019, 17.6% of new digital users utilized the onboarding process offered at its stores.

The following chart illustrates the evolution of Interbank's financial stores according to the SBS.

Financial Stores (Units)



Source: SBS

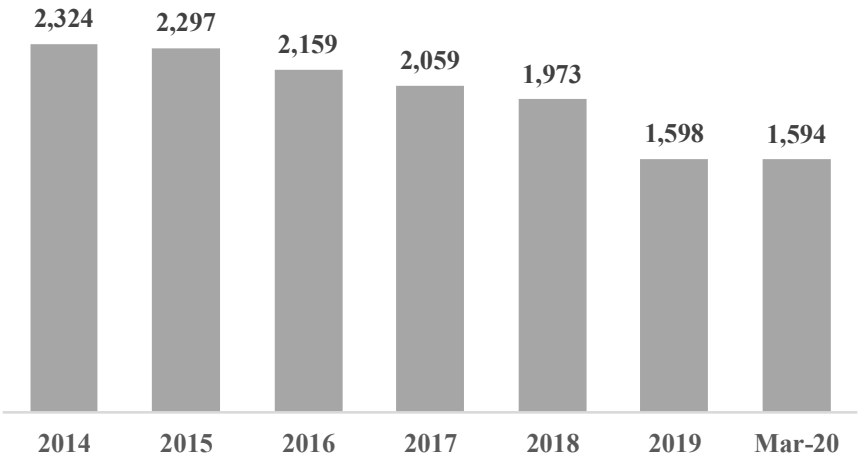
ATMs

Interbank's strategy is to offer its customers increased convenience and as of March 31, 2020, had the third largest ATM network in Peru with more than 1,594 ATMs located across Peru. Although this number represents a reduction from the 2,324 ATMs in 2015, the streamlining of the network has allowed Interbank to relocate ATMs to higher convenience locations as well as invest in renewing and upgrading its equipment, while monetary transactions kept growing year-over-year in this channel. The reduction of the network in 2019, responds to Interbank's decision to discontinue the operation of 359 coin-dispensing ATMs, migrating those transactions to more efficient channels like regular ATMs or correspondent agents.

Approximately 67% of Interbank's ATMs are located away from its financial stores in high foot traffic areas like shopping malls, supermarket and airports. These 1,160 ATMs make up one of the largest out-of-branch network in Peru as reported by ASBANC. The ATM channel is the largest channel in terms of monetary transactions, with a 31.7% share and has advanced features, including cardless withdrawals, the ability to receive cash and check deposits, bill and credit card payments in cash, as well as disburse payroll advances, pre-approved cash loans or sell insurance products. To offer this increased convenience in an efficient way, Interbank operates under the Global Net brand which is also a business line that provides ATM services to 42% of the financial institutions in Peru and acquires ATM transactions for all major global brands, including Visa, MasterCard, American Express, JCB, Union Pay, Diners and Discovery.

The following chart illustrates the evolution of Interbank's ATMs according to ASBANC.

ATMs (Units)



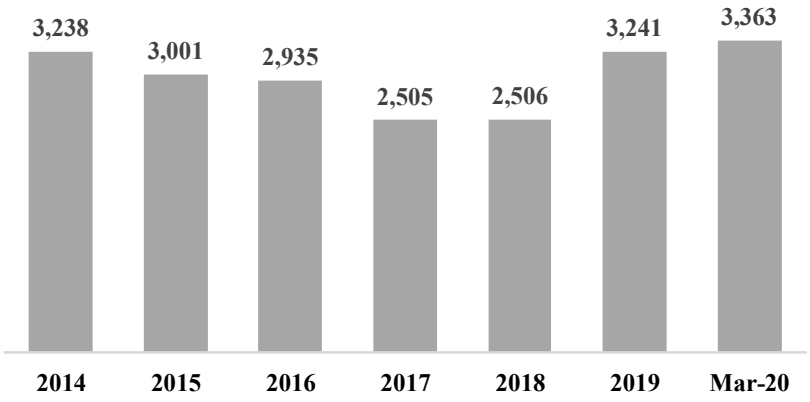
Source: Company Information

Correspondent Agents

This channel operates under the *Interbank Agente* brand and consists of providing traditional merchants, for example *bodegas* and internet cafés with low-cost electronic terminals that allow customers to perform basic cash-based transactions, such as withdrawals, deposits and payment of utility bills. Interbank expanded its own network from 2,513 as of March 31, 2019 to over 3,363 as of March 31, 2020.

The following chart illustrates the evolution of Interbank's Correspondent Agents according to ASBANC and Interbank's information.

Correspondent Agents (Units)



Source: ASBANC and company information

Mobile Banking

Interbank has developed a robust digital ecosystem that allows its customers to have a complete digital experience with the bank, for all their financial needs. Our aim is to provide a journey which does not require physical contact, whether visiting a branch or contacting by telephone, with the bank unless the customer chooses to contact.

Interbank offers digital banking to its new and existing customers through its website, https://interbank.pe/, and its mobile applications. As of March 31, 2020, Interbank had more than 1.3 million monthly active users and registered over 5.4 million monetary transactions and 60.6 million non-monetary transactions. Its mobile application was the highest rated in the Google Play Store among the largest banks in Peru. Apart from the public website and mobile banking channels, Interbank has also developed digital solutions that address specific customer segments or needs such as, Interbank Benefit loyalty program, Cuenta Sueldo discounts and benefit mobile application for payroll account customers. In addition, in 2019, Interbank introduced Crédito por Convenio APP which services our public sector payroll deduction loan customers.

Interbank's public website provides general information about the bank and its products and services, and has a commercial orientation program that allows non-customers to acquire credit cards or open a savings or transactional account. In 2019, Interbank also introduced the ability to request a personal loan through its website.

Interbank's mobile banking is available to existing customers and its services include: (i) transactions: account balance and transaction inquiries, personal financial management tools, transfers between accounts, credit card, bills and loan payments, mutual funds investments and cardless ATM withdrawal requests; (ii) after-sales services: lock your card, enable or disable card usage online or abroad and divide card transactions into installments; and (iii) product cross-sell: credit cards, credit card line extension, pre-approved loans, savings accounts and insurance products. As of March 31, 2020, 86.6% of Interbank's transactions, and 68.7% of Interbank's products were available online. Furthermore, as part of its strategy to enhance the digital experience and incentivize its customers to migrate to digital channels, Interbank has services that are exclusively offered in digital channels, such as access to the loyalty program "Interbank Benefit", the digital savings account "Piggy Bank" and the personal financial management tool "Smart".

Furthermore, as of March 31, 2020, 42.3% of our retail customers that interacted with the bank through any channel were digital customers, that is, customers that also access Interbank's services through internet and mobile banking. Monetary transactions in this channel grew 102.9% from March 31, 2019 to March 31, 2020. As of March 31, 2020, 97.2% of total transactions were off-branch transactions, meaning they were performed outside branches.

Increased monthly usage of digital solutions among customers is key to Interbank's strategy as mobile banking customers interact monthly more than eight times the amount that branch customers do, have lower transactional costs and have a better net promoter score and churn indicators as of March 31, 2020.

In 2020, Interbank has made available two new mobile applications for the usage of mobile banking: (i) Tunki, which is a free application that allows users to create a 100% digital mobile wallet and that doesn't require them to have an account opened with Interbank; and (ii) Plin which allows users to transfer money between Interbank, Scotiabank, BBVA and BanBif accounts and only requires them to have an account in soles and provide a mobile number.

Other Channels

In-bound Call Center

Interbank offers its customers telephone banking services 24 hours a day, seven days a week. Through telephone banking, Interbank's customers can obtain balance information, make credit card payments, transfer money between accounts and pay their utilities, insurance, tuition and cellular phone bills.

Interbank has a state-of-the-art call center, which managed an average of 399,753 calls per month in 2019 and an average of 393,721 for the three months ended March 31, 2020, answering inquiries from clients, offering assistance and information and selling new products to customers. As of March 31, 2020, Interbank had 308 call center agents compared to 299 as of December 31, 2019 and 340 as of December 31, 2018.

Out-bound Call Center

As March 31, 2020, Interbank has a dedicated telephone sales force of 579 employees compared to 588 as of December 31, 2019 and 598 as of December 31, 2018, who primarily sell credit cards and other retail products. The dedicated sales force is a key resource for customer acquisition and for our cross-selling campaigns.

Information Technology Unit

We continuously invests in new technology and the maintenance of its existing equipment and infrastructure in order to improve its value proposition to its customers, increase its efficiency and support business growth. The Information Technology Unit focuses on assuring 24-hour channel availability, enhancing the timeliness of data processing, guaranteeing data protection and anti-fraud security, updating and maintaining hardware platforms and software systems, developing contingency plans and implementing technology projects. Interbank's IT system also processes credit card, personal and commercial loans, and electronic transactions.

In order to comply with business and regulatory requirements, Interbank has strengthened its IT governance model incorporating best practices for IT quality assurance, risk evaluation, projects management and focused responsibilities for teams operating the technology and teams developing new solutions. It has also fortified its business continuity program through increased redundancy programs and upgraded hardware and software components. This model includes establishing operating partnerships with various leading word-class IT vendors.

We have also made significant investments to upgrade its data centers and central technology platforms. These platforms provide a stable and secure environment for Interbank's operations, a better understanding of cost drivers, and improve its processes.

As part of our cybersecurity strategy, we have continued to strengthen the level of maturity of our cybersecurity capabilities, processes and tools, based on the cybersecurity framework of the National Institute Standards and Technology. In 2019, Interbank defined a roadmap that will be developed in 2020 and the coming years, focusing on the development of cybersecurity capabilities for the implementation of a cloud information system, the design, code review and testing phases of software development to increase security assurance, as well as the intelligence for threat detection and response.

Our IT strategy is focused on dedicating more resources to projects that add more value to the customer. Interbank invests in core applications with the aim of keeping applications current while more effort and resources are invested in the digitalization and transformation of processes and channels in order to provide a 100% digital experience to internal and external customers.

A high percentage of IT investment is aimed at deepening the understanding of the customer to achieve service that exceed their expectations, providing solutions to their problems and enabling a selling platform with contextual and real time offerings. To provide this, our IT Unit fully utilizes the new technologies that allow the flexibility, scalability and availability required to fulfill customer demands. APIs, micro services and multicloud environments have been implemented since 2018 to reach these objectives. A close relationship with fintechs also helps us to leverage some capabilities and creates opportunities to learn about the way to approach different solutions. An important fact to consider is the transformation of the working model from a waterfall scheme to an agile framework, based on new processes, tools and cultural changes. Today, all IT teams work following this framework.

Employees

As of March 31, 2020, we had 6,633 employees, of whom 2,845 work in financial stores, 3,788 at the headquarters and in operational centers of Interbank. Of the total employees, 3,751 are dedicated to sales force. Interbank's employees are not unionized, are not a party to any collective bargaining agreement and, since Interbank's privatization in 1994, have never been involved in a strike or work stoppage.

Interbank and its subsidiaries are focused on attracting, developing and maintaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables them to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 18 consecutive years

and one of the top 20 places to work in Latin America in the past nine years. In the most recent rankings, Interbank was selected number one best company to work for in Peru in the large size category (2019), number eight in Latin America (2020) number two for women in Peru (2019) and number six for millennials in Peru (2019).

Facilities

Interbank owns its headquarters, the Interbank Tower, located at Av. Carlos Villarán 140, Urbanización, Santa Catalina, La Victoria, Lima 13, Peru. Although most of its financial store facilities are leased, Interbank owned 49 financial store facilities as of March 31, 2020.

Legal Proceedings

We are not involved in any legal or arbitration proceedings which could have a material adverse effect on our financial position.

Interbank is involved in a number of legal proceedings in the ordinary course relating to its banking activities. Interbank is also a party to a number of legal proceedings related to labor disputes with former employees.

Anti-Money Laundering Policies

Anti-Money Laundering

Peru has long-standing laws criminalizing money laundering activities, and such laws were further strengthened in 1996 with the adoption of the Peruvian Banking and Insurance Law, which incorporated the guidelines of the Organization of American States directly into Peruvian law. Also, a special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or "FATF," established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

The Peruvian government agency responsible for supervising the anti-money laundering system is the Financial Intelligence Unit (*Unidad de Inteligencia Financiera*, or "UIF", which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

In accordance with certain regulations, mainly Law No. 28306 and SBS Resolution No. 2660-2015, companies must have a system designed to prevent products and/or services offered to the public from being used for illegal purposes related to money laundering and/or terrorist financing, subject to warnings, fines, withdrawal of operating license and even imprisonment.

Interbank has implemented an Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") program based on risk-based approach, local law and regulations including the Financial Action Task Force (FATF) recommendations and best international practices.

Furthermore, we have adopted policies and procedures, including Client Identification Program (CIP), Know Your Customer (KYC) risk-based program, due diligence procedures, know your employee policy, monitoring based on the client's risk assessment, as well as the file of suspicious activity reports (SAR) to the Peruvian Financial Intelligence Unit.

The AML program includes the following:

- The commitment of all directors, executives, and employees to our Code of Conduct base on the corporate code of ethics.
- Compliance training program in ethics, KYC, AML/CFT, enhance due diligence as well as financial crimes.
- Identification and verification our prospects and clients in local and international sanction lists.

- Monitoring transactions using data analytics and artificial intelligence to detect unusual operations and report suspicious transactions to local regulators when apply.

- Enhance due diligence for high risk clients on an annual basis including visiting clients.

Corporate Compliance System

The purpose of the Corporate Compliance Program is to have effective internal controls to prevent, detect and report suspicious activities, comply with laws and regulations, and maintain a sustainable business. In addition, this program complements corrective actions for inappropriate conducts and reinforces the compliance policies through e-learning and ad hoc training including international best practices adopted by the group.

In addition, the Corporate Compliance Program has a risk-based approach, which focuses on prevention and mitigate reputational risk.

The Corporate Compliance Program includes the Anti-Money Laundering program and other compliance programs, including:

- Anti-bribery and anti-corruption program

- Regulatory Compliance

- Insider Trading Program

- Consumer Data Privacy Program

- Foreign Account Tax Compliance Act (FATCA)

- Dodd Frank Act

The Corporate Compliance Program provides specialized courses and virtual training for employees and is permanently monitored by regulators and internal and external auditors.

Competitive Environment

Peruvian Banking System and Competition

During the 1990s, the Peruvian economy underwent a major transformation from being a highly protected and regulated system prevailing in the 1980s to a free-market economy. During this period, protectionist and interventionist laws and policies were gradually dismantled to create a liberal economy dominated by the private sector. Similarly, the Peruvian financial industry underwentin deep structural changes that resulted in a significant expansion of credit. From 1993 to 1998, performing loans in the Peruvian financial system grew at a five-year CAGR of 45.9%, and banking penetration in Peru, measured as the ratio of loans-to-GDP, rose from 10.2% to 26.4% according to the SBS.

In 1998, the rise in international interest rates that followed the Russian default led to large outflows of capital from Peru, resulting in a 15.8% depreciation of the *sol*. The strong depreciation of the *sol*, coupled with the strong dollarization of the Peruvian banking system prevalent at that time (81% of the loans were denominated in U.S. dollars) led to a sharp deterioration of the Peruvian banking system's loan portfolio quality and to a contraction in total loans. Past-due loans in the system peaked at 9.4% of total gross loans as of January 31, 2000, resulting in increased provisions and large capital losses for financial institutions.

However, from 2001 onwards, as macroeconomic conditions improved, the general banking industry indicators in Peru began also to improve. Past-due loans dropped from 9.0% of total gross loans as of December 31, 2001 to 3.7% as of December 31, 2004, and loan reserves over past-due loans increased from 118.9% as of December 31, 2001 to 176.5% as of December 31, 2004 according to the SBS.

From 2005 to 2008, fostered by a steady and sustained improvement in Peru's macroeconomic indicators, credit expanded again, with performing loans growing 25.2% in 2005, 18.0% in 2006, 34.7% in 2007 and 38.2% in 2008. The global financial crisis that started in late 2008 temporarily reduced credit growth as performing loans remained flat in 2009. Growth returned following the crisis, with the banking system in Peru experiencing a significant expansion of credit from December 31, 2008 to December 31, 2013. During this period, gross loans in the Peruvian banking system grew at a five-year CAGR of 13.0% and banking penetration in Peru, measured as the ratio of loans-to-GDP, rose from 24.8% to 30.4%, according to the SBS and the Central Reserve Bank of Peru.

From December 31, 2015 to December 31, 2019, the banking system in Peru continued to grow steadily, with gross loans expanding at a four-year CAGR of 6.0%, according to the SBS. A significant part of the growth experienced by the Peruvian financial system since 2015 has been generated by the retail banking sector. Retail loans (including consumer loans and mortgages) grew at a four-year CAGR of 8.4% for the period ended December 31, 2019. As of March 31, 2020, approximately 36.1% of the Peruvian banking sector's total loans were retail loans, up from 33.6% as of December 31, 2015.

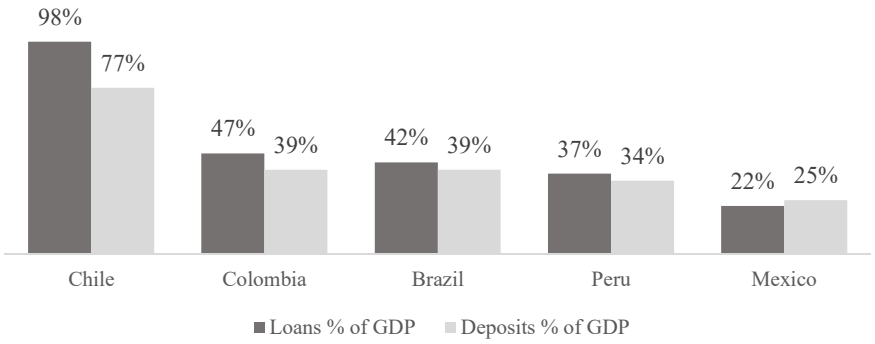
According to the SBS, the total number of credit cards issued by the Peruvian Banking system as of March 31, 2020 was approximately 6.2 million. For the period ended March 31, 2020, the Peruvian banking system's credit card loans grew at a four-year CAGR of 5.7%, while credit cards loans grew 8.2% between March 31, 2019 and March 31, 2020 as a result of high economic growth and increased consumer spending.

Although the number of mortgages of the Peruvian banking system also grew at a four-year CAGR of 3.2% for the period ended December 31, 2019 and 4.3% between December 31, 2018 and December 31, 2019, there is still substantial room for growth, with only approximately 0.2 million mortgages outstanding in Peru among a population of approximately 32.5 million, compared to approximately 1.6 million mortgages outstanding in Chile for a population of 19.1 million each as of December 31, 2019. A stable macroeconomic environment and the promotion of housing programs over the past four years have been the main drivers of mortgage loan growth in Peru and are expected to continue fueling mortgage lending.

Despite this growth, the Peruvian banking system remains underpenetrated in comparison to the banking systems from the group of peer countries in Latin America. As of December 31, 2019, Peru's loans-to-GDP ratio was 37.2%, less than half the ratio of 98.2% for Chile.

The following chart shows banking penetration as of December 31, 2019 as measured by loans-to-GDP and deposits-to-GDP:

Loans-to-GDP and Deposits-to-GDP

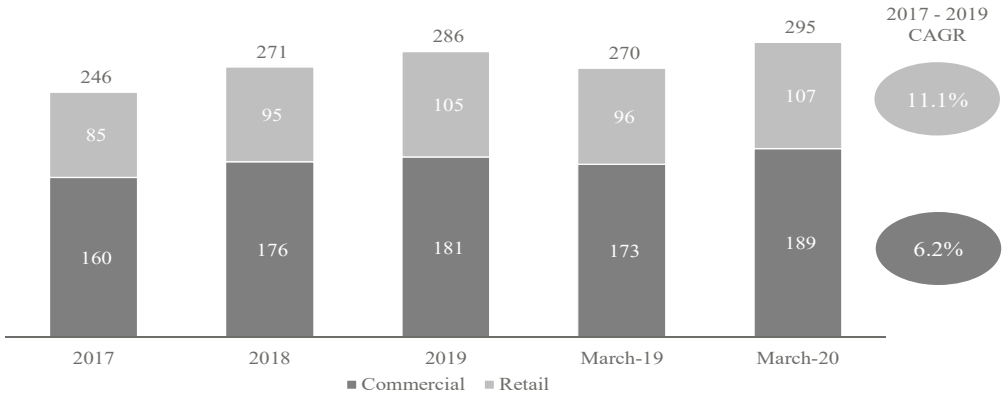


Source: Local bank regulators, local national institutes of statistics and local central banks.

The Peruvian banking system is highly concentrated in a small number of relatively large financial institutions. The four largest banks accounted for 83.7% of total gross loans and 82.9% of total deposits in the system as of March 31, 2020. Furthermore, foreign banks play a significant role in the Peruvian financial system. As of March 31, 2020, BBVA and Scotiabank, two of the four largest banks in the system, which accounted for a combined 37.6% of total gross loans and 35.6% of total deposits, according to the SBS, were under foreign control. Although other major global banks such as BNP Paribas, Standard Chartered, Intesa, BankBoston, HSBC and Deutsche Bank have ceased operations in Peru over the past 15 years, other foreign banks have entered or have shown interest in entering or increasing their exposure in the Peruvian market.

The banking system's total loans has shown high growth in the past years, reaching a 7.9% two-year CAGR from 2017 to 2019.

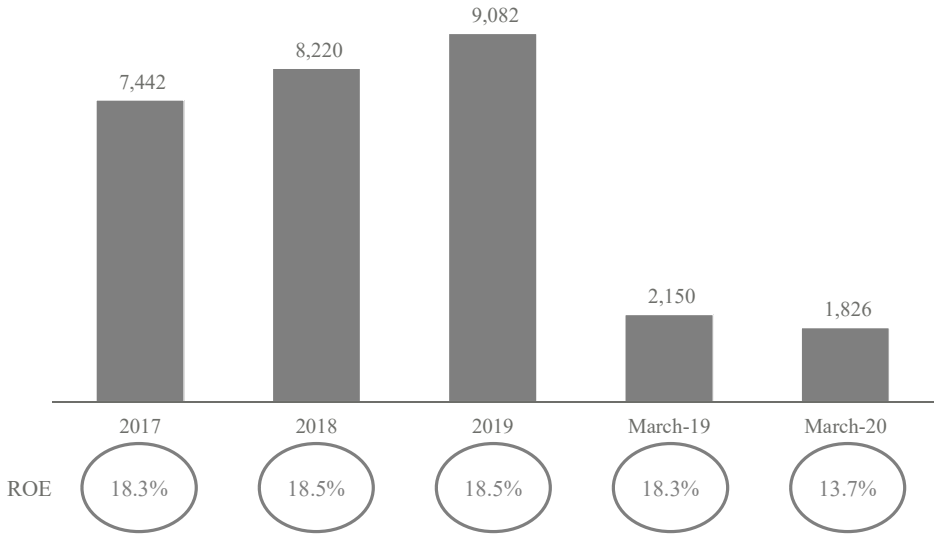
The following chart shows the evolution of the Peruvian banking system's retail and commercial loans between 2017 and March 2020 under SBS GAAP:



Source: SBS

The Peruvian banking system's net income grew at a 10.5% CAGR from 2017 to 2019, reaching S/9,082 million in 2019.

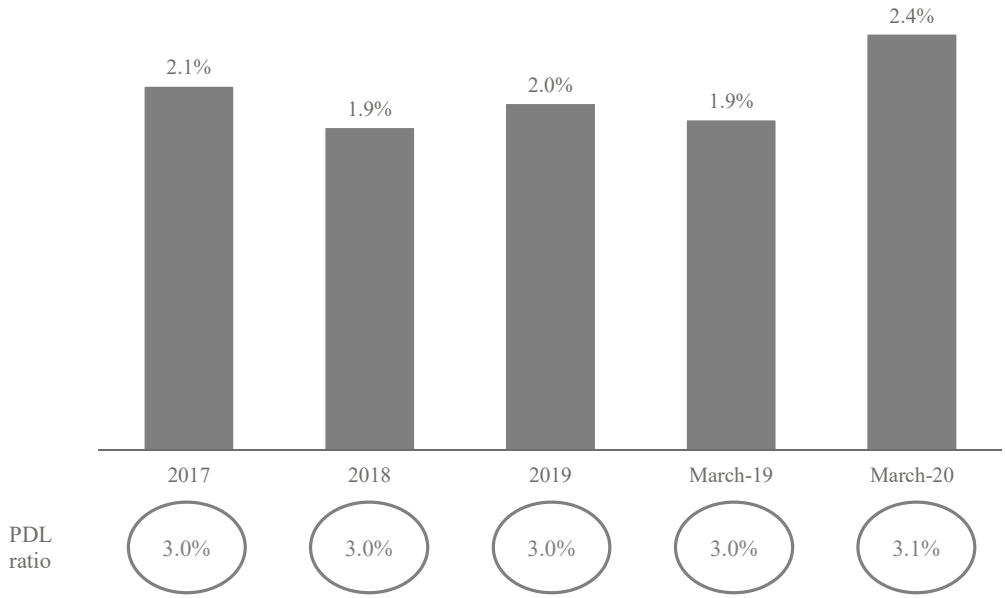
The following chart shows the evolution of the banking system's net income between 2017 and March 2020:



Source: SBS

As of March 2020, the banking system cost of risk and PDL ratio stands at 2.4% and 3.1%, respectively.

The following chart shows the evolution of the banking system's cost of risk and PDL ratio between 2017 and March 2020:



Source: SBS

Innovation across Peru's financial system is shifting banks focus to digital transformation, as consumers increasingly prefer digital transactions. According to ASBANC (*Asociación de Bancos del Perú*), Peru presents itself as a market with high potential for Fintechs because of the substantial percentage of people and small/medium size enterprises that do not have access to the financial system. Fintech companies are not just competitors but can also act as potential strategic partners for banks; these companies have a suitable environment to mature for several reasons: a high level of mobile phone penetration; a rising use of digital services and the relatively low cost of technology.

Interbank is currently the fourth largest bank in Peru, as measured by commercial lending, total assets and total deposits, as of March 31, 2020, and has faced strong competition, including increased pressure on margins, primarily as a result of the presence of commercial banks in the Peruvian market with substantial capital, technology and marketing resources, as well as from Peruvian pension funds that lend to Interbank's current and potential commercial customers. This increased competition has affected the average interest rates that the Peruvian banking system has been able to charge its customers. Despite being the fourth largest bank in Peru, Interbank is strongly positioned in the consumer sector, being the second largest bank in gross consumer loans and largest in consumer credit cards as of March 31, 2020, according to the SBS.

The following tables show Interbank, the rest of the Peruvian banking system and their respective market shares as of March 31, 2020:

	As of March 31, 2020								
	Assets			Total Gross Loans			Deposits		
	Balance	Market Share %	Rank	Balance	Market Share %	Rank	Balance	Market Share %	Rank
	(S/ in millions)			(S/ in millions)			(S/ in millions)		
BCP	150,253	34.7%	1	100,019	33.9%	1	96,258	34.8%	1
BBVA	84,952	19.6%	2	60,950	20.6%	2	56,759	20.5%	2
Scotiabank	73,648	17.0%	3	49,986	16.9%	3	41,834	15.1%	3
Interbank	53,655	12.4%	4	36,258	12.3%	4	34,502	12.5%	4
BanBif	16,445	3.8%	5	11,321	3.8%	5	11,003	4.0%	5
Mibanco	13,173	3.0%	6	10,688	3.6%	6	8,235	3.0%	6
Pichincha	9,185	2.1%	7	7,497	2.5%	7	6,308	2.3%	7
Citibank	6,354	1.5%	9	2,212	0.7%	11	4,958	1.8%	9
GNB	5,574	1.3%	10	3,811	1.3%	9	3,946	1.4%	10
Santander	8,202	1.9%	8	4,700	1.6%	8	5,372	1.9%	8
Falabella	4,483	1.0%	11	3,251	1.1%	10	3,157	1.1%	11
Ripley	2,415	0.6%	12	1,899	0.6%	12	1,300	0.5%	14
Comercio	2,070	0.5%	13	1,706	0.6%	13	1,387	0.5%	12
ICBC	1,798	0.4%	14	620	0.2%	14	1,331	0.5%	13
Azteca	642	0.1%	15	473	0.2%	15	471	0.2%	15
Total	432,850	100.0%		295,391	100.0%		276,820	100.0%	

Source: SBS.

	As of March 31, 2020						
	Gross Consumer Loans[(1)]			Gross Consumer Credit Cards[(2)]			
Bank	Balance	Market Share (%)	Rank	Bank	Balance	Market Share (%)	Rank
	(S/ in millions)			(S/ in millions)			
BCP	8,334	24.6%	1	**Interbank**	**6,222**	**27.5%**	**1**
Interbank	**6,683**	**19.7%**	**2**	BCP	5,495	24.3%	**2**
Scotiabank	6,246	18.4%	3	Scotiabank	3,491	15.4%	3
BBVA	4,411	13.0%	4	Falabella	3,227	14.3%	4
Pichincha	2,198	6.5%	5	BBVA	2,214	9.8%	5
GNB	1,397	4.1%	6	Ripley	883	3.9%	6
Comercio	1,361	4.0%	7	Pichincha	529	2.3%	7
BanBif	1,174	3.5%	8	BanBif	515	2.3%	8
Ripley	1,015	3.0%	9	Azteca	26	0.1%	9
Mibanco	630	1.9%	10	GNB	22	0.1%	10

	As of March 31, 2020						
	Gross Consumer Loans[1]				Gross Consumer Credit Cards[2]		
Bank	Balance	Market Share (%)	Rank	Bank	Balance	Market Share (%)	Rank
	(S/ in millions)				(S/ in millions)		
Azteca……..	446	1.3%	11	Comercio	4	0.0%	11
Falabella……..	21	0.1%	12	Citibank	-	0.0%	-
Santander…….	2	0.0%	13	Mibanco	-	0.0%	-
Citibank……..	-	-	-	Santander	-	0.0%	-
ICBC……	-	-	-	ICBC	-	0.0%	-
Total……	**33,918**	**100.0%**		**Total**	**22,630**	**100.0%**	

Source: SBS

(1) Gross consumer loans do not include mortgage loans and consumer credit cards.
(2) Gross consumer credit cards do not include credit cards issued by non-banking entities.

	As of March 31, 2020					
	Gross Consumer Loans			Gross Mortgages		
Bank	Balance	Market share %	Rank	Balance	Market share %	Rank
	(S/ in millions)			(S/ in millions)		
BCP	13,829	24.45%	1	16,876	33.76%	1
BBVA	6,625	11.72%	4	13,578	27.16%	2
Scotiabank	9,737	17.22%	3	7,488	14.98%	3
Interbank	12,905	22.82%	2	7,352	14.71%	4
Mibanco	630	1.11%	11	531	1.06%	8
BanBif	1,689	2.99%	8	2,015	4.03%	5
Pichincha	2,728	4.82%	6	1,115	2.23%	6
Santander	2	0.00%	13	-	0.00%	-
Citibank	-	0.00%	-	-	0.00%	-
GNB	1,419	2.51%	9	948	1.90%	7
ICBC	-	0.00%	-	-	0.00%	-
Comercio	1,365	2.41%	10	83	0.17%	9
Falabella	3,248	5.74%	5	2	0.00%	10
Ripley	1,899	3.36%	7	-	0.00%	-
Azteca	473	0.84%	12	-	0.00%	-
Total	**56,549**	**100%**		**49,989**	**100%**	

Source: SBS
Note: Banks include international branches

The following table shows key industry metrics for the four largest banks by assets and the Peruvian banking system:

	2019	2018	2017	2016	2015
ROE					
Interbank	22.0%	21.3%	20.7%	23.0%	26.3%
BCP	20.4%	21.3%	21.3%	23.5%	25.8%
BBVA	18.8%	19.0%	19.5%	20.7%	23.9%
Scotiabank	15.8%	15.3%	15.9%	17.4%	17.3%
Peruvian banking system	18.5%	18.5%	18.3%	19.9%	22.1%

	2019	2018	2017	2016	2015
ROA					
Interbank	2.5%	2.3%	2.2%	2.1%	2.3%
BCP	2.6%	2.6%	2.4%	2.4%	2.5%
BBVA	2.0%	2.0%	1.8%	1.7%	1.9%
Scotiabank	2.1%	2.1%	2.1%	2.1%	1.9%
Peruvian banking system	2.2%	2.2%	2.1%	2.0%	2.1%
Efficiency Ratio[1]					
Interbank	38.3%[2]	40.0%[3]	40.5%	42.1%	42.3%
BCP	39.0%	40.1%	39.7%	38.8%	38.6%
BBVA	37.7%	37.5%	37.9%	39.4%	38.9%
Scotiabank	36.1%	37.0%	37.0%	37.4%	38.3%
Peruvian banking system	41.1%	42.2%	42.5%	43.0%	43.0%
Past-Due-Loan Ratio					
Interbank	2.6%	2.6%	2.9%	2.6%	2.4%
BCP	2.7%	2.7%	3.0%	2.7%	2.4%
BBVA	3.0%	2.9%	2.7%	2.4%	2.2%
Scotiabank	3.5%	3.5%	3.2%	3.1%	2.9%
Peruvian banking system	3.0%	3.0%	3.0%	2.8%	2.5%
Coverage Ratio					
Interbank	176.5%	175.0%	167.2%	179.8%	193.9%
BCP	137.7%	143.0%	139.6%	154.6%	157.1%
BBVA	161.8%	163.4%	168.5%	187.5%	203.6%
Scotiabank	134.7%	128.9%	137.7%	132.6%	132.3%
Peruvian banking system	152.1%	153.6%	152.6%	160.6%	166.6%
Total Capital Ratio					
Interbank	15.2%	15.8%	16.1%	15.9%	15.5%
BCP	14.5%	14.2%	15.1%	15.4%	14.3%
BBVA	14.1%	15.0%	14.2%	14.3%	13.3%
Scotiabank	14.5%	14.6%	15.5%	14.4%	14.0%
Peruvian banking system	14.6%	14.7%	15.2%	15.0%	14.2%

Source: SBS and ASBANC.

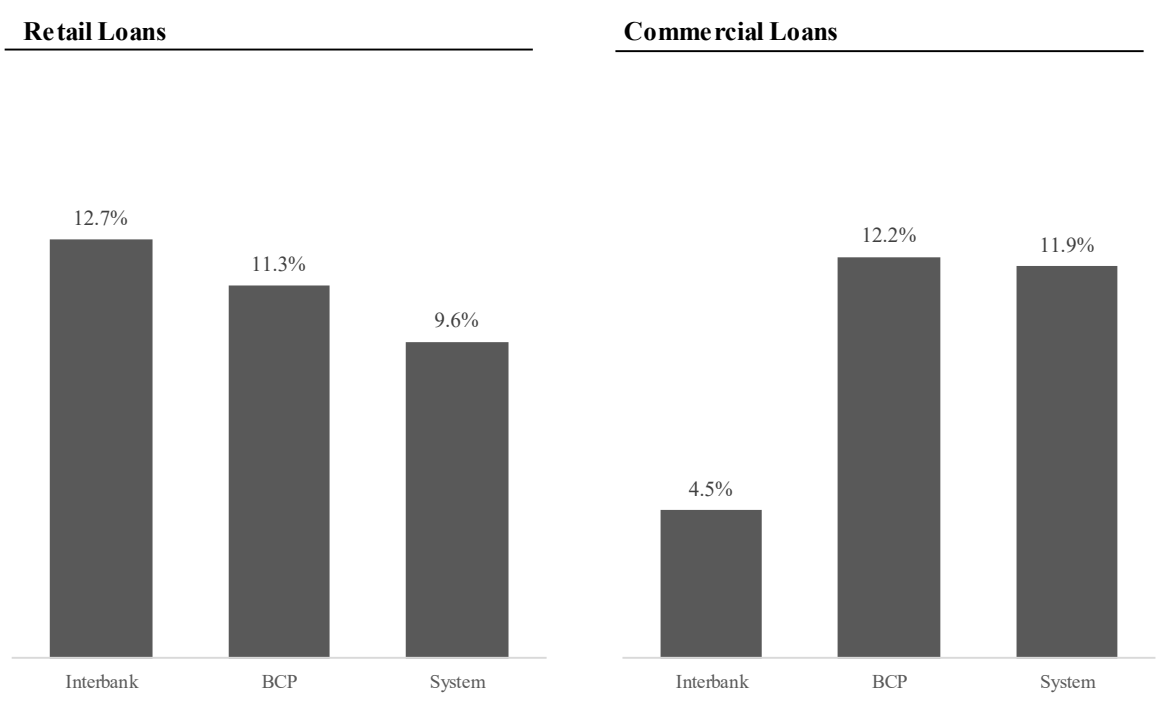
(1) Under SBS criteria.

(2) Excluding (i) gain on sale of Interfondos to Inteligo for S/52.6 million in January 2019, (ii) gain on sale, after deducting from brokerage fees, of IFS shares on the NYSE for S/121.3 million in July 2019 (before deducting from brokerage fees, the gain on sale of IFS shares was S/129.3 million) and (iii) the non-recurring impact from a liability management transaction for S/42.3 million in 4Q19, our adjusted efficiency ratio was 39.6% in 2019.

(3) Excluding gain on sale of securities for S/128.6 million in January 2018, our adjusted efficiency ratio was 41.4% in 2018.

Note: ROE calculated as net income for the period divided by the average of total equity. ROA calculated as net income for the period divided by the average of total assets.

Banking System's Gross Loans Growth (March 2020 YoY)

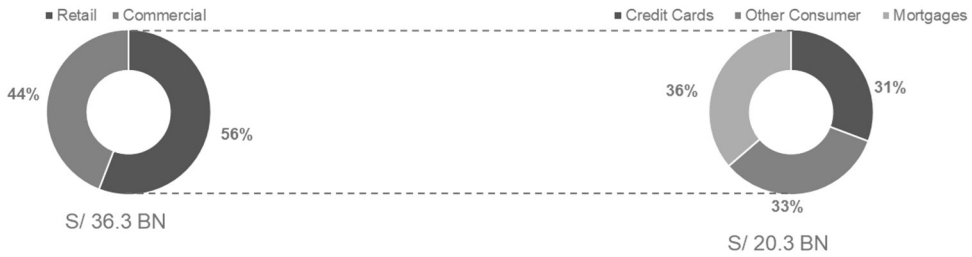


Source: SBS

As March 31, 2020, retail loans represented 55.87% of Interbank's total loan portfolio outstanding as compared to 36.07% for the Peruvian banking system under SBS GAAP.

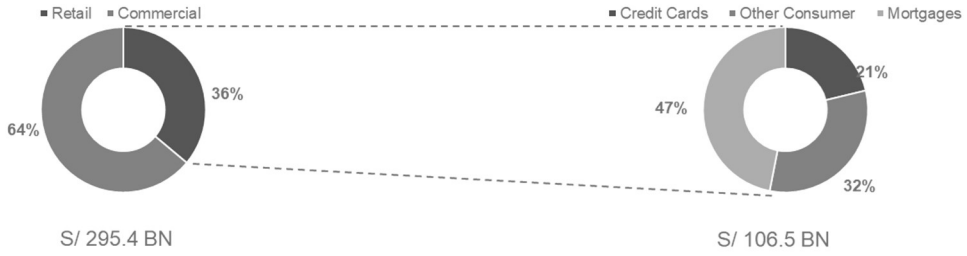
The following charts show Interbank's and the Peruvian banking system's retail gross loans breakdown according to the SBS as of March 31, 2020:

Interbank's Gross Loans Breakdown



Source: SBS

Banking System's Gross Loans Breakdown



Source: SBS

Retail Loans

Retail loans consist of consumer and mortgage loans. Interbank classifies its consumer loans into two categories: (i) credit cards; and (ii) payroll deduction and other consumer loans.

Consumer Loans

Credit cards. Interbank offers its retail customers all three major credit cards: VISA, MasterCard and American Express. Interbank has an exclusivity agreement with American Express for its Centurion line of credit cards. Interbank also offers credit cards with different value propositions catering to each customer segment.

Interbank's credit card loans had a CAGR of 11.71% between December 31, 2015 and December 31, 2019 and represented a market share of 27.49% as of March 31, 2020. As of March 31 2020, credit cards represented 30.71% of Interbank's retail loan portfolio as compared to 21.24% for the Peruvian banking system. As of December 31, 2019, credit cards represented 31.26% of Interbank's retail loan portfolio as compared to 21.90% for the Peruvian banking system.

Credit Cards and Consumer Loans Market Share

Source: SBS and Company information as of March 2020.
Note: Under Peruvian SBS GAAP. Banks include international branches.
(1) Consumer credit card loans.
(2) Consumer loans do not include mortgage loans.

Payroll deduction loans. The risk of default under payroll deduction loans is lower, particularly because the employer deducts the loan payments from the employee's salary and makes payments directly to Interbank. Additionally, these payroll deduction loans are legally required to be insured by an insurance company against the death and disability of the borrower. Interseguro provides substantially all of the insurance policies for these loans although customers are free to purchase insurance from other providers. In addition to payroll deduction loans, Interbank offers other loans to individuals, including auto loans and unsecured personal loans

Over the past few years, Interbank has steadily increased the percentage of loans that are denominated in local currency, from 71.17% of gross loans in 2015 to 74.03% as of March 31, 2020. This represents a higher percentage than the Peruvian banking system as a whole, which had 69.44% of its gross loans in local currency as of March 31, 2020. Within Interbank's retail loan portfolio (including consumer loans and mortgages), the percentage of gross loans denominated in local currency is 93.67% as of March 31, 2020, while its commercial loan portfolio is more evenly split, with 49.17% of gross loans in local currency as of March 31, 2020.

Interbank's percentage of total deposits in local currency has increased from 2017 to 2019. The percentage of total deposits in local currency was 57.88% in 2017, and 64.44%, as of March 31, 2020. This represents a higher percentage than the Peruvian banking system as a whole, which had 56.52% of its total deposits in local currency as of March 31, 2020.

Regarding the financial system, the *cajas municipales de ahorro y crédito* (CMACs) are microfinance institutions that belong to municipal governments in Peru; however, those do not have the majority control since the decisions are made by a board that gathers diverse members among the civil society. Currently, there are 11 CMACs and caja municipal de *crédito popular de Lima* (CMCP Lima), with more than 900 offices spread over the 25 regions of Peru, as shown in the following table as of March 31, 2020. Initially, the CMACs offered only pledge credits and their operations were limited to their city or region. Currently, they provide loans to microenterprises and small businesses, offer savings accounts and other savings instruments. Additionally, since 2002, they offer a wide range of banking services across different regions. In July 2017, with the purpose of modernizing the unique legal framework of the CMACs, Peruvian law No. 30607 was promulgated which modified the Supreme Decree 157-90-EF and aims at strengthening the functioning of the CMACs. The objective of law No.30607 is to consolidate the corporate governance and:

i. increase reinvestment (Min. 50%) of income from Shareholders and increase minimum capital;

ii. establish new mechanisms and incentives to ensure a better technical management, as well as corporate governance techniques;

iii. facilitate the possibility of private equity investment in CMACs in order to develop better solvency and access to better practices; and

iv. design and implement corporate projects to develop new technologies and management methods, in line with international standards.

In this way, these entities now have similar mechanisms and conditions to private micro-financial institutions to successfully adapt to the new economic context where competition and innovation prevail.

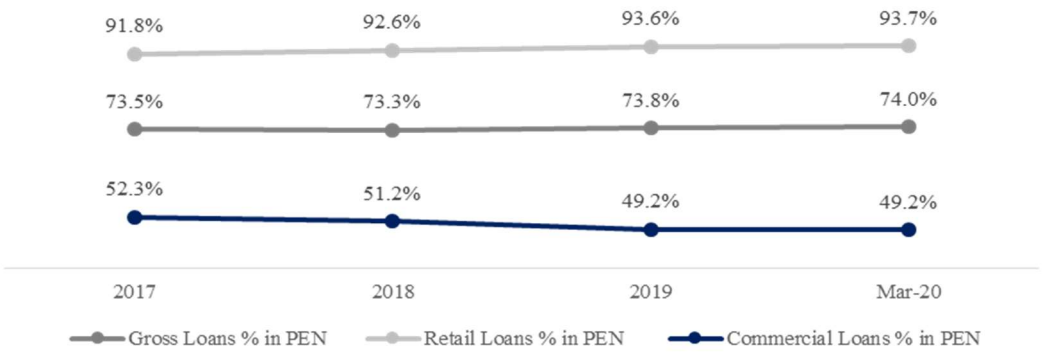
	As of March 31, 2020								
	Assets			Deposits			Total Gross Loans		
	Balance (S/ in millions)	Market share %	Rank	Balance (S/ in millions)	Market share %	Rank	Balance (S/ in millions)	Market share %	Rank
CMAC Arequipa	6,211	21.0%	1	4,743	20.4%	1	5,209	22.4%	1
CMAC Piura	5,463	18.5%	2	4,540	19.5%	2	3,811	16.4%	3
CMAC Huancayo	5,152	17.4%	3	3,952	17.0%	3	4,390	18.9%	2
CMAC Cusco	3,821	12.9%	4	3,109	13.4%	4	3,124	13.5%	4
CMAC Sullana	2,860	9.7%	5	2,214	9.5%	5	2,168	9.3%	5
CMAC Trujillo	2,406	8.1%	6	1,849	7.9%	6	1,710	7.4%	6
CMAC Ica	1,375	4.6%	7	1,070	4.6%	7	1,092	4.7%	7
CMAC Tacna	1,018	3.4%	8	847	3.6%	8	769	3.3%	8
CMAC Maynas	467	1.6%	9	358	1.5%	9	395	1.7%	9
CMAC Lima	463	1.6%	10	325	1.4%	10	348	1.5%	10
CMAC Del Santa	170	0.6%	11	137	0.6%	11	90	0.4%	12
CMAC Paita	162	0.5%	12	119	0.5%	12	113	0.5%	11
Total	**29,568**	**100%**		**23,264**	**100%**		**23,218**	**100%**	

Source: SBS

As a result, Interbank also faces increasing competition from CMACs. Initially, CMACs were intentionally oriented towards a segment of the market that was outside the interest of the conventional sector and did not seek to compete with commercial banks. As commercial banks realized the profitability of the CMACs in a niche market that was previously ignored, they began offering microfinance products and opened specialized departments to manage the new business. However, the CMACs mainly compete in the local consumer banking market, and most of their activity is seen in regions other than the capital.

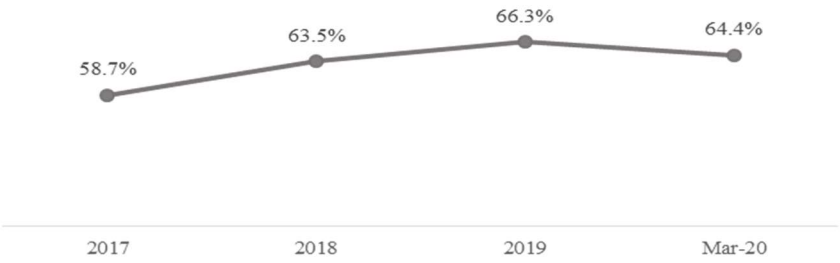
The following two charts show Interbank's loans and deposits by segment and percentage in local currency for the periods indicated:

Interbank's Gross Loans by Segment and Percentage in S/



(1) Retail loans include consumer and mortgage loans
Source: SBS

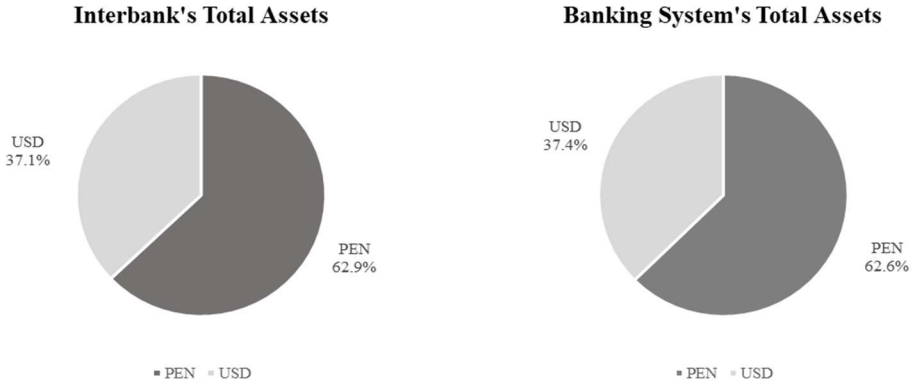
Interbank's Deposits Percentage in S/



Source: SBS

Interbank's percentage of total assets in local currency is in line with the Peruvian banking system as a whole. As of March 31, 2020, 62.9% of Interbank's total assets are in *soles*, compared to 62.6% for the Peruvian banking system.

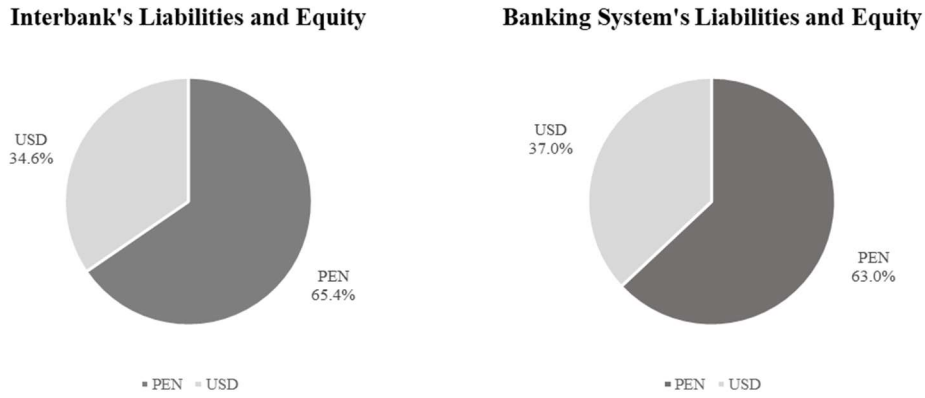
The following charts show the currency mix of Interbank's total assets compared to the Peruvian banking system as of March 31, 2020:



Source: SBS

Interbank's percentage of total liabilities and equity in local currency is in line with the Peruvian banking system as a whole. As of March 31, 2020, 65.4% of Interbank's total liabilities and equity are in *soles* compared to 63.0% for the system.

The following charts show the currency mix of Interbank's liabilities and equity compared to the system as of March 31, 2020:



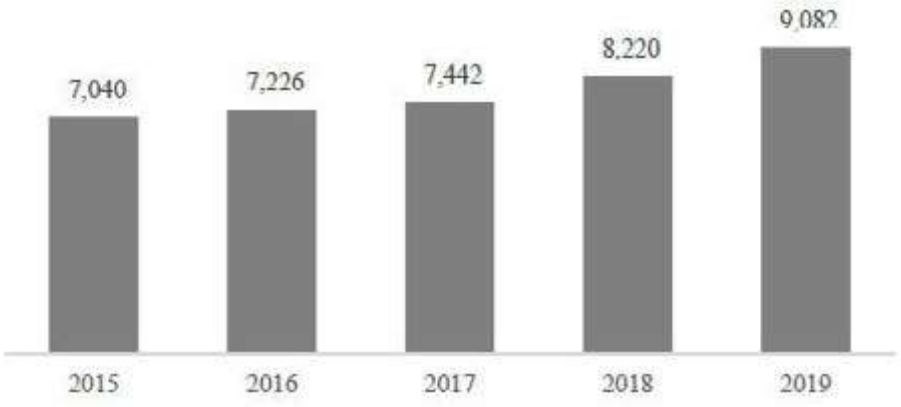
Source: SBS

Among the four largest banks, Interbank is one of the fastest growing ones in terms of net income with a five-year CAGR of 11.5% for the period ended December 31, 2019, under Peruvian GAAP. Interbank's five-year CAGR was higher than Banco BBVA (3.7%) and Scotiabank (8.9 %). For the year ended December 31, 2019, Interbank grew 17.4% year-over-year in terms of net income, faster than Banco de Crédito del Perú (8.4%), Banco BBVA (9.1%) and Scotiabank (14.4%), one of its closest competitors.

The Peruvian banking system's net income grew at a 6.6% CAGR from 2015 to 2019, reaching S/9,082 million in 2019.

The following chart shows the evolution of the banking system's net income between 2015 and 2019:

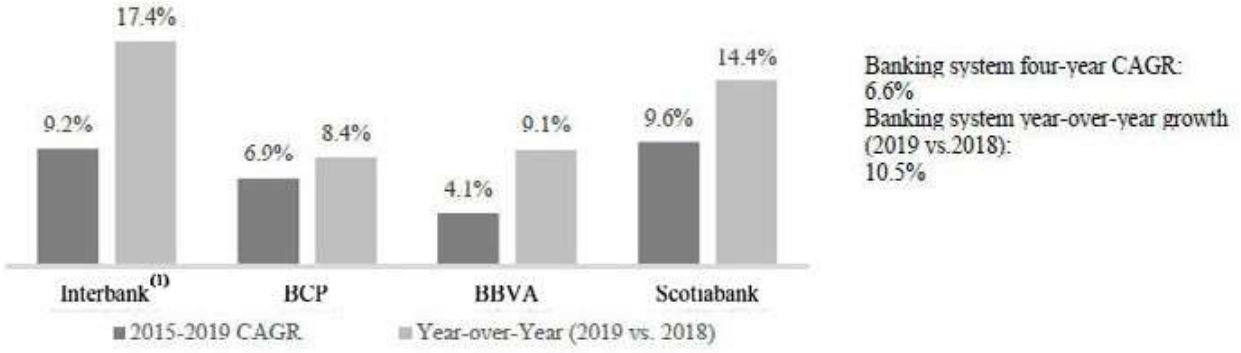
Banking System's Net Income 2015 — 2019 (S/ in millions)



Source: SBS.

The following chart sets forth the CAGR in net income from 2015 to 2019 and the year-over-year growth as of December 31, 2019 for the four largest banks in Peru under SBS GAAP:

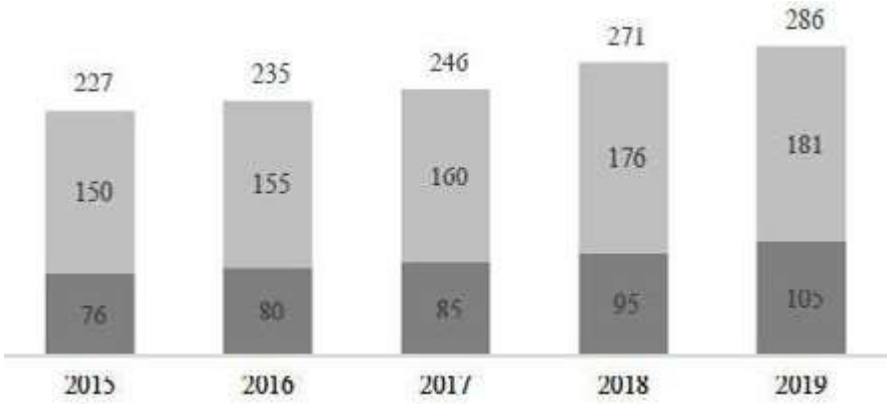
Net Income Four-Year CAGR (2015 - 2019) and Year-Over-Year Growth (As of December 31, 2019 vs. As of December 31, 2018)



Source: SBS.
Note: Banks include international branches.
(1) The 17.4% year-over-year growth (2019 vs. 2018) was partially explained by (i) the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo for S/52.6 million, and (ii) the gain on sale, after deducting from brokerage fees, of IFS shares for S/121.3 million (before deducting from brokerage fees, the gain on sale of IFS shares was S/129.3 million) in connection with the initial public offering on the NYSE, net of commissions.

The banking system's total loans has shown high growth in the past years, reaching a 6.0% four-year CAGR from 2015 to 2019. The following chart shows the evolution of the Peruvian banking system's retail and commercial loans between 2015 and 2019 under SBS GAAP.

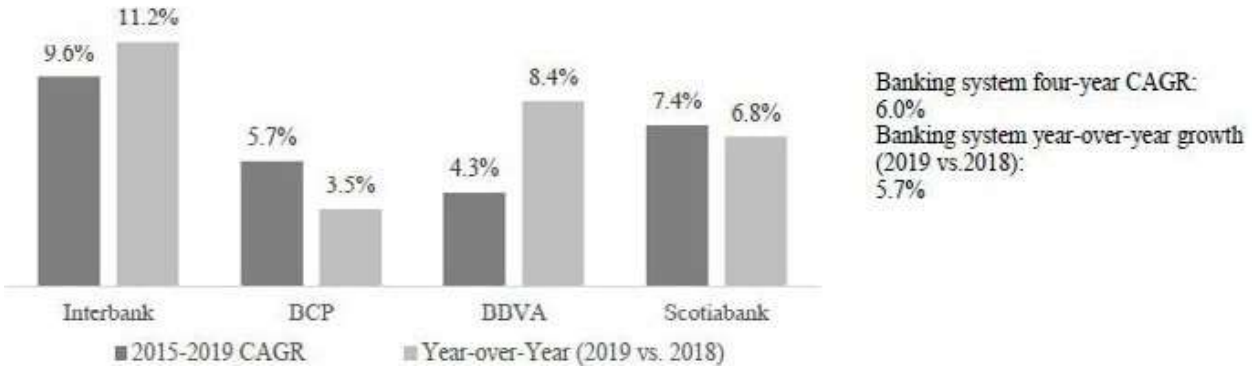
Banking System's Total Loan 2015-2019 (S/ in billion)



Source: SBS.

The following chart sets forth the four-year CAGR from 2015 to 2019 and the year-over-year growth as of December 31, 2019 of total loans under SBS GAAP for the four largest banks in Peru:

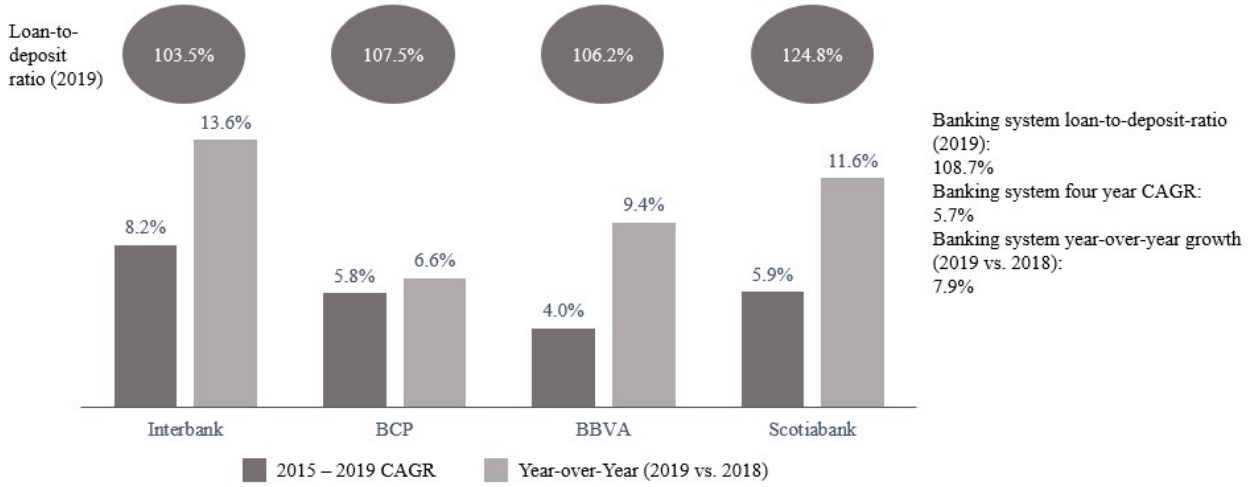
Total Loans CAGR (2015 - 2019) and
Year-Over-Year Growth (As of December 31, 2019 vs. As of December 31, 2018)



Source: SBS
Note: Banks include international branches.

The following chart sets forth the CAGR from 2015 to 2019 and the year-over-year growth as of December 31, 2019 of total deposits for the four largest banks in Peru:

Total Deposits CAGR (2015 - 2019) and Year-Over-Year Growth (As of December 31, 2019 vs. As of December 31, 2018)

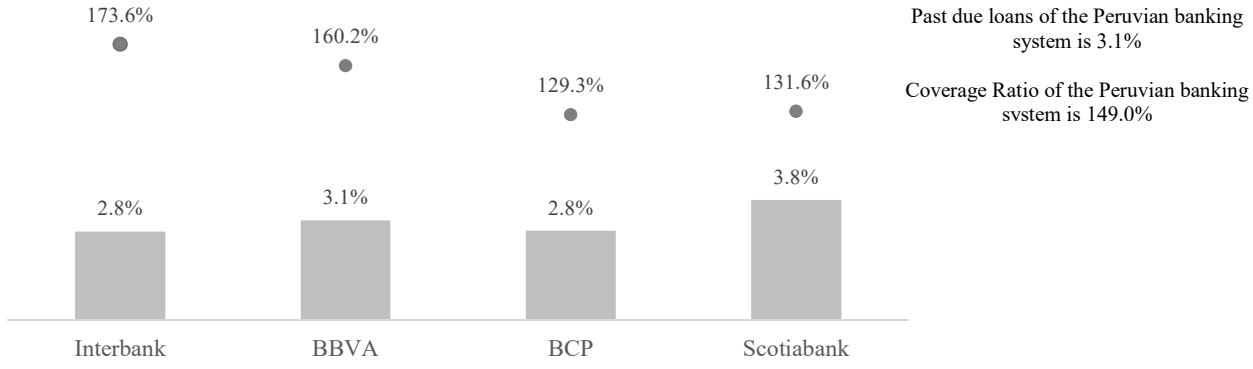


Source: SBS.
Note: Banks include international branches.

Interbank's past-due-loan ratio was the lowest among the four largest Peruvian banks, and lower than the banking system's average of 3.2%. The Banking System's PDL ratio for 2017, 2018, 2019 and March 2020 was 3.0%, 3.0%, 3.0% and 3.1%, respectively, while Interbank's PDL ratio was 2.9%, 2.6%, 2.6% and 2.8%, respectively. The Banking System coverage ratio for 2017, 2018, 2019 and March 2020 was 152.6%, 153.6%, 152.1% and 149.0% while Interbank's coverage ratio was 167.2%, 175.0%, 176.5% and 173.6%.

The following chart sets forth the past-due-loan and coverage ratios under Peruvian SBS GAAP for the four largest banks in Peru as of March 31, 2020:

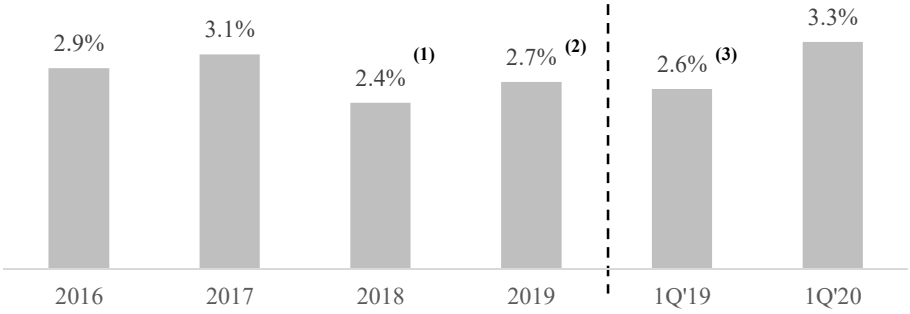
Past-Due Loan and Coverage Ratios



Source: SBS.

The following chart shows the evolution of the Interbank's cost of risk and PDL ratio between 2016 and March 2020:

Cost of Risk (Provision Expense as % of Average Total Loans)



Source: SBS

(1) Cost of risk excluding the effect of voluntary provisions for S/100.0 million to cover potential risks related to the construction sector, net of a release of S/30.0 million. Including these items, cost of risk was 2.7% in 2018.

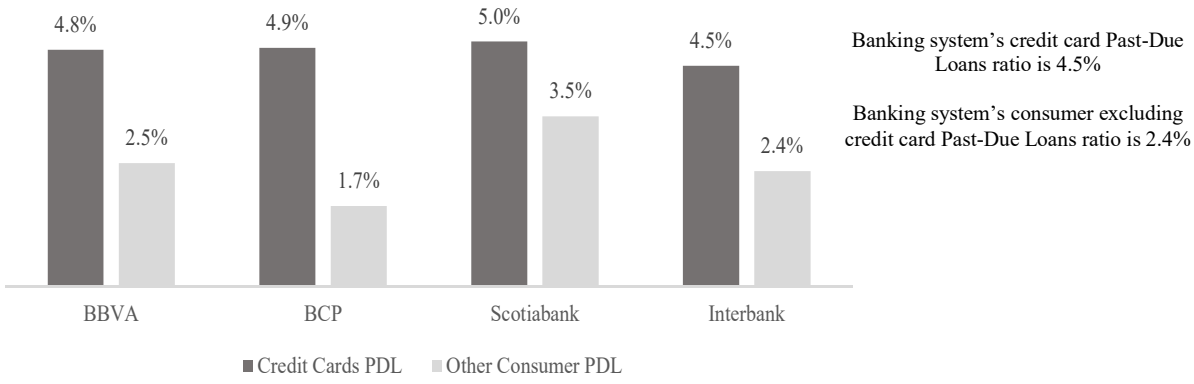
(2) Cost of risk excluding the effect of a release of S/15.4 million of voluntary provisions to cover potential risks related to the construction sector. Including this item, cost of risk remained at 2.7% in 2019.

(3) Cost of risk excluding the effect of a release of S/10.0 million of voluntary provisions to cover potential risks related to the construction sector. Including this item, cost of risk was 2.4% in 1Q19.

For the four months ended April 30, 2020, cost of risk increased to 3.9% primarily due to the impact of the COVID-19 pandemic.

As of March 31, 2020, Interbank's Credit Cards past-due loan ratio was 4.5% and the Consumer Loans (excluding credit cards) past-due loan ratio was 2.4%.

Total Loan Past-Due loan Ratio for Consumer Credit Cards and for Consumer Loans (excluding credit cards)

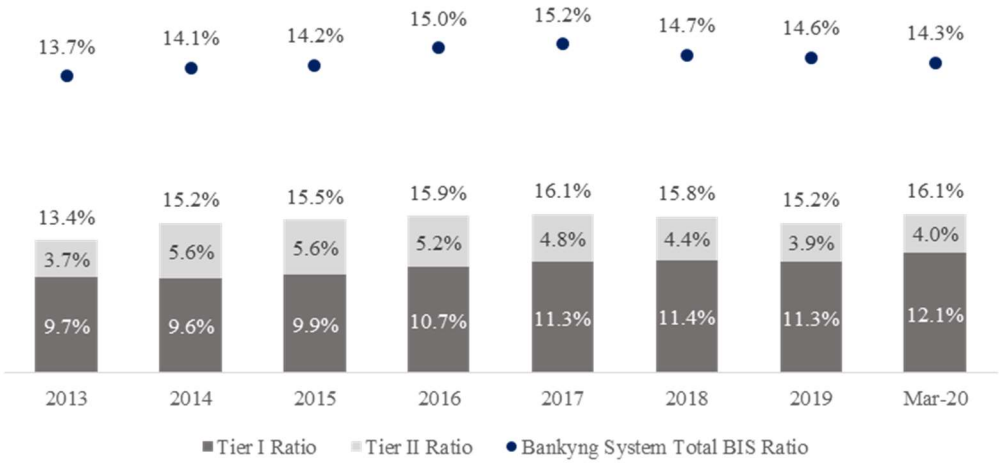


Source: SBS

The following chart sets forth the net-interest margin for Interbank from 2017 to March 31, 2020.

The following chart sets forth Interbank's BIS ratio compared to the Peruvian banking system's total capital ratio from 2013 to March 31, 2020:

Historical Interbank BIS Ratio

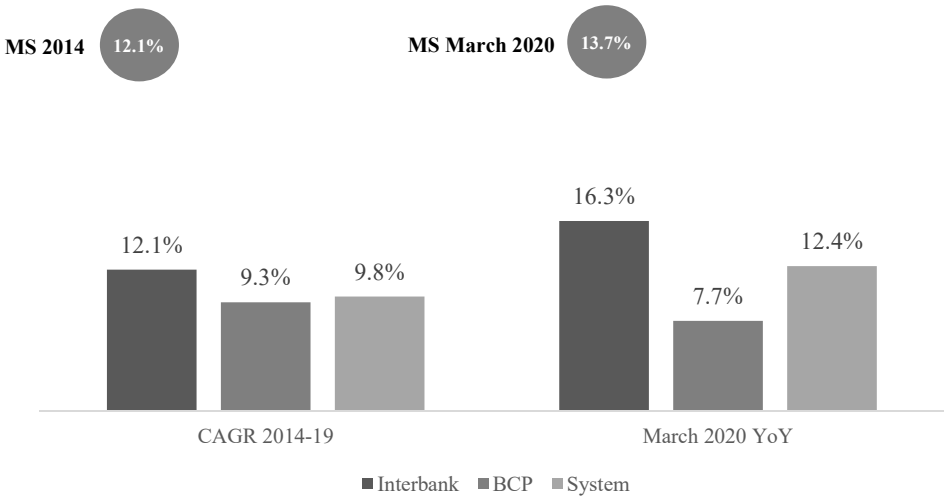


Source: SBS

As of April 30, 2020 and after dividend payments, Interbank's BIS ratio was 14.9%, above the 14.6% of the Peruvian banking system. As of the same date, Interbank's Tier I ratio stood at 11.5%, while its Tier II ratio resulted in 3.4%. Finally, Interbank's Core Equity Tier I reached 11.4%, also as of April 30, 2020.

In terms of deposits, Interbank has a diversified funding base with strength in Retail Deposits. Moreover, Interbank's strategic focus on retail has allowed to gain market share in retail deposits over the years reaching 13.7% as of March 31, 2020 compared to 12.1% as of December 31, 2014, providing a healthy funding base.

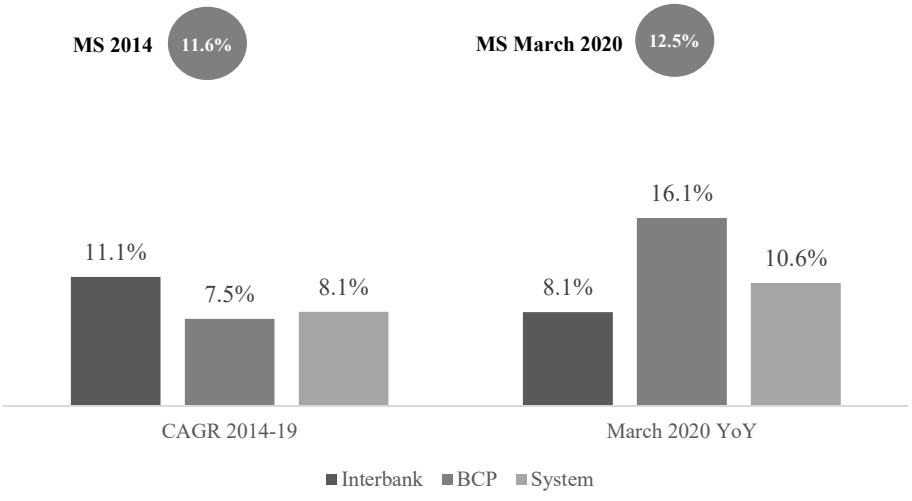
Interbank's Retail Deposits Growth Evolution



Source: SBS

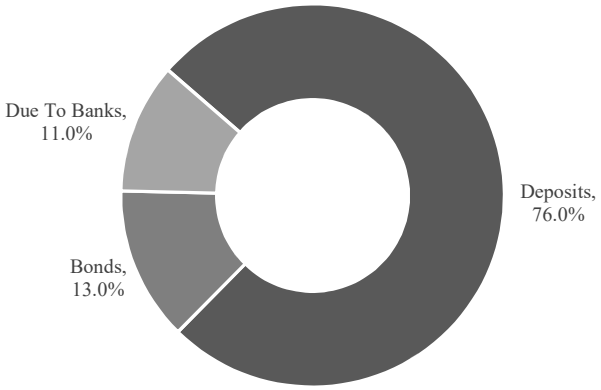
As of April 30, 2020, retail deposits at Interbank continued to accelerate, reaching a 18.9% year-over-year growth, with BCP at 13.2% and the Peruvian banking system at 15.9%.

Interbanks's Total Deposits Growth Evolution



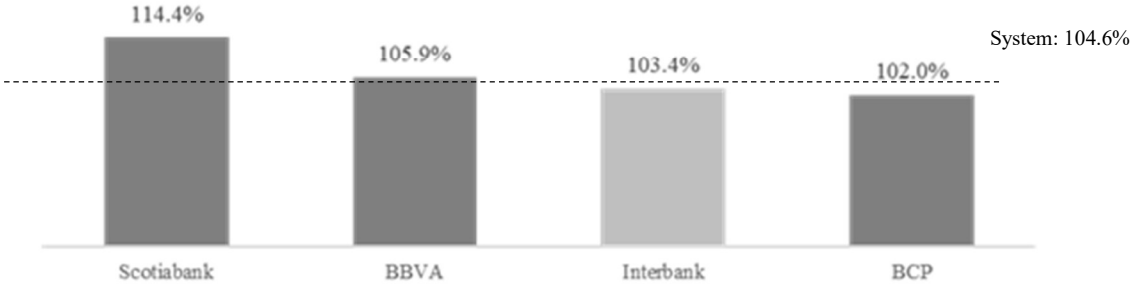
Source: SBS

Interbank's Funding Base Breakdown (as of March 2020)



Source: SBS

Interbank's Loan-to-Deposit Ratio (as of March 2020)



Source: SBS

Distribution Channels

	2018	March 2020	% Change
Financial Stores	270	253	-6.3%
ATMs	1,973	1,594	-19.2%
Correspondent Agents	2,506	3,363	34.2%
Sales Force	598	579	-3.2%
Call Center Agents	340	308	-9.4%

Source: Company Information

REGULATION AND SUPERVISION

General Overview of the Peruvian Financial Regulatory Framework

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Reserve Bank of Peru. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian financial system, while the main function of the Central Reserve Bank of Peru is to preserve monetary stability. Also, Peruvian banks are subject to certain regulations of the SMV.

The regulatory framework for the operation of the Peruvian financial and insurance sector is set in the Peruvian Banking and Insurance Law (*Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*), which was enacted in December 1996. The Peruvian Banking and Insurance Law regulates Peruvian financial and insurance companies and private pension funds administrators. In accordance with the Peruvian Banking and Insurance Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking financial and insurance sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies such as trust companies and investment banks, insurance companies and private pension fund managers (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial and insurance institutions must seek the authorization of the SBS before initiating operations. The SBS has administrative and financial autonomy, and its head office is located in Lima. The current chairman of the SBS, María del Socorro Heysen Zegarra, was appointed by President Kuczynski in August 2016.

In June 2008, as a way to facilitate the adoption process to the Basel II standards, the Peruvian Banking and Insurance Law was amended by Legislative Decree No. 1028 and Legislative Decree No. 1052, to comply with the international standards. The changes introduced have been designed to be implemented progressively. The SBS, by use of its regulatory attributes, has issued several regulations that seek to adapt the Peruvian Financial System to the new Basel Capital Accord.

As noted, Peruvian banks, financial institutions and insurance companies are mainly regulated and supervised by the following administrative institutions:

The SBS

The SBS is the regulatory authority charged with the implementation and enforcement of the requirements contained in the Peruvian Banking and Insurance Law approved by Law No. 26702, and, more generally, with the regulation and supervision of all financial and insurance companies in Peru and, since July 2005, the private pension funds administrators.

Its objectives include: (i) protecting the public interest; (ii) safeguarding the financial stability of the institutions over which it has authority; and (iii) punishing violators of its regulations.

Its main responsibilities include: (i) reviewing and approving, with the assistance of the Central Reserve Bank of Peru, the establishment, organization and operations of the institutions it regulates and their subsidiaries; (ii) overseeing mergers, dissolutions and reorganizations of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as us and Intercorp Peru); (iv) reviewing the by-laws and amendments thereto of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; (vi) controlling the *Central de Riesgos* (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks

to allow them to monitor individual borrowers' overall exposure to Peru's financial system); and (vii) supervising the anti-money laundering system through the financial intelligence unit.

The SBS enforces the Peruvian Banking and Insurance Law on an ongoing basis through periodic resolutions. The Peruvian Banking and Insurance Law provides for stringent loan loss reserve standards, brings asset risk weighing in line with the Basel Committee on Banking Supervision guidelines and includes the supervision of holding companies of financial institutions by the SBS.

For the foregoing purpose, the SBS requires banks, financial and insurance companies to report, on a periodic basis, all relevant information necessary for off-site evaluation of its financial performance. The relevant information for off-site evaluation includes audited financial statements on a consolidated basis, board of directors' reports, auditor's reports and any other reports which reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the reported information.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking and Insurance Law and other related legislation, examining all banking and insurance operations, and analyzing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees as a result of any violation of the Peruvian financial and insurance system rules. Sanctions vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breach of regulations under the supervision of the SBS.

The Central Reserve Bank of Peru

The Central Reserve Bank of Peru was incorporated in 1922 and performs the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Central Reserve Bank of Peru exercises its power and authority independently and is responsible for its affairs in accordance with the Peruvian government's policies. The Central Reserve Bank of Peru is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof and is also responsible for establishing mandatory minimum liquidity reserves. The Central Reserve Bank of Peru manages Peruvian international reserves and gathers and publishes data on its finances and is also the sole issuer of Peruvian currency.

The Capital Markets Superintendency

The SMV is the Peruvian securities market regulatory authority, attached to the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finance). The main purpose of the SMV is promoting, overseeing and regulating the securities market, supervising and controlling all individuals and entities that intervene in such market, controlling compliance with the provisions of the Peruvian Securities Market Law and its regulations and sanctioning the breach thereof.

Pursuant to article 29 of the Peruvian Banking and Insurance Law, the issued and outstanding shares of Peruvian banks must be registered before the SMV and listed with the BVL. Therefore, according to the Peruvian Securities Market Law and its regulations, banks are required to file before the SMV and the BVL, in Spanish and on a going forward basis, quarterly and annual reports and notices of material events (*hechos de importancia*).

Banking Regulation and Supervision

Banking regulations and capital adequacy in Peru take into account the recommendations of the Basel Committee. The SBS has adopted the principles and guidelines of Basel II and Basel III. So far, in adopting certain Basel III recommendations approved in September 2010, the SBS has increased the minimum regulatory capital required for Peruvian banks. However, Basel III has not yet been totally implemented, and we cannot provide any assurances whether or as to the extent to which the SBS may adopt it.

Implementation of Basel II Principles

To carry out the implementation of Basel II, the SBS has approved a schedule of two (2) phases: a first mandatory phase and a second voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most important regulations. On June 22, 2008, Legislative Decree No. 1028 was issued, which contains certain amendments to the current Peruvian Banking and Insurance Law, most of which were aimed to adapt it to Basel II standards.

In order to conform to Basel II standards, the methodology for measuring credit, market and operational risks has been amended to allow both standardized and internal model-based methods for measuring market and credit risks. All Peruvian financial institutions and insurance companies were to have implemented the standardized approach methodology by June 2009. Financial institutions and insurance companies will have the opportunity to request the validation and approval to implement the internal rating-based ("IRB") methodology. Only those financial institutions and insurance companies that apply to use the IRB methodology will follow the second phase of implementation of Basel II standards.

The second phase consists of a validation process of the IRB methodology by the SBS and its subsequent approval. Once the IRB methodology has been validated and approved by the SBS, the pertinent financial institution will use regulatory capital floors to calculate their capital requirements. The amount of required capital may not be less than the percentage of capital requirements obtained under the previous methodology.

	First Year	Second Year	Third Year
Basic IRB and Internal Models of Credit Risk	95%	90%	80%
Advanced Models of Credit Risk and/or Operational Risk	90%	90%(1)	

(1) 80% for operational risk.

Capital Adequacy Requirements—Basel II

Under the amended provisions of Article 199 of the Peruvian Banking and Insurance Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) may not be lower than 10% of its total risk- weighted assets, the latter being defined as the sum of: (i) ten times the regulatory capital allocated to cover market risks; (ii) ten times the regulatory capital allocated to cover operational risks; and (iii) the total amount of credit risk-weighted assets.

According to the amended provisions of Articles 184 and 185 of the Peruvian Banking and Insurance Law, regulatory capital is defined as the sum of: (i) Tier I Regulatory Capital or Basic Capital; and (ii) Supplementary Capital.

Basic Capital or Tier I Regulatory Capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval and retained earnings of past years and of the current year, which are committed for capitalization. It also includes instruments having the characteristics of permanence and loss absorption issued in compliance with regulations recently enacted by the SBS. Basic Capital is subject to the following deductions: losses of prior years and of the current year, any deficit due to allowances, and goodwill resulting from corporate reorganizations and acquisitions. Basic Capital is also subject to certain additional deductions (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary Capital is constituted by the sum of Tier II and Tier III Regulatory Capital. Tier II Regulatory Capital consists of voluntary reserves (which may be reduced without prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features, and the generic loan loss provision (up to certain limits). Tier II Regulatory Capital is subject to certain deductions under the law (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier III Regulatory Capital consists of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report analyzing the bank's assets for the previous month and the total amount of the bank's regulatory capital. Foreign currency denominated assets are valued in *soles* at an average exchange rate published by the SBS in effect as of the date of such report.

In February 2016, the SBS issued SBS Resolution No. 975-2016, which changed the conditions that subordinated debt must meet in order to be considered in the calculation of additional capital and the calculation methodology applicable to risk-weighted assets. This resolution is applicable to subordinated debt incurred or created from the date of its approval. However, as established in this regulation, subordinated debt incurred or created prior to its approval (and which does not meet the requirements of this new regulation) will still be considered in the calculation of regulatory capital, subject to certain rules specified therein.

Implementation of Basel III Principles

In order to implement the Basel III principles, in July 2011 the SBS approved SBS Resolution No. 8425-2011, which requires additional regulatory capital based on the risk profile of each financial institution in accordance with the guidelines approved by the SBS, to cover risks not contemplated in Pillar I of Basel II. The new resolution also includes capital requirements based on the Basel III principles related to capital conservation in order to mitigate the following risks: (a) economic cycle risk, (b) business concentration risk (by individual Section and/or region), (c) market concentration risk, (d) interest risk on the banking book and (e) other risks. The regime is being gradually implemented in phases over a period of five years, starting in July 2012. Nevertheless, the SBS has not fully adopted Basel III. These additional requirements were fully implemented in July 2016.

As of the date of this offering memorandum, Interbank is in compliance with the additional regulatory capital requirement approved by the SBS.

Liquidity Requirement of Basel III Principles

In December 2012, the SBS approved SBS Resolution No. 9075-2012, requiring a new calculation of the liquidity ratio coverage. The liquidity ratio coverage is a ratio for financial institutions to ensure the maintenance of adequate levels of high-quality liquidity assets that could easily be converted into cash to meet liquidity needs, for a 30 calendar day period, under a stress liquidity scenario. High-quality liquidity assets are defined as assets that are easily and immediately converted into cash.

To date, Interbank is in full compliance with all regulatory limits. In addition, Interbank's alert system monitors any deviations so Interbank may take any preventive measures.

For the implementation of this ratio, pursuant to SBS Resolution No. 6694-2015, the SBS has defined an adequation plan, as detailed below:

	Period Jan, 2014-Dec. 2017	**Period Jan. 2018-Dec. 2018**	**Period Jan. 2019– forward**
Liquidity Ratio Coverage Ratio	80%	90%	100%

Subordinated Debt as a Component of Regulatory Capital of Interbank

Subject to certain requirements set forth under Peruvian law, the full amount of redeemable subordinated debt, such as the Notes, or a portion thereof, may qualify as a component of Tier II Regulatory Capital of Interbank. By issuing redeemable subordinated debt, Interbank will increase its regulatory capital base, which will in turn increase its lending capacity.

As a component of Tier II Regulatory Capital, the amount of outstanding redeemable subordinated debt, such as the Notes, including interest and principal, in that order and on a prorated basis and *pari passu* among themselves, shall be used by the SBS, when applicable, to absorb losses that are incurred by Interbank. Accordingly, pursuant to the Peruvian Banking Law and regulations promulgated thereunder, during an intervention by the SBS or dissolution and liquidation of the bank, any losses of Interbank would be absorbed first by the share capital and other instruments which qualify as Tier I Regulatory Capital, second by *instrumentos híbridos representativos de capital y de deuda*

(hybrid instruments representing equity and debt) which qualify as Tier II Regulatory Capital, third by *instrumentos no híbridos representativos de capital* (non-hybrid instruments representing equity) which qualify as Tier II Regulatory Capital, fourth by *instrumentos no híbridos representativos de deuda* (non-hybrid instruments representing redeemable debt) which qualify as Tier II Regulatory Capital (such as the notes) and fifth by Tier III Regulatory Capital, in that order.

The only portion of redeemable subordinated debt that is eligible to be included in Tier II Regulatory Capital in its entirety is the aggregate outstanding amount of subordinated debt that has a term to maturity equal to or greater than five years. The percentage of redeemable subordinated debt eligible to be included in Tier II Regulatory Capital decreases at a 20% discount rate per annum during the five-year period prior to maturity as follows:

Maturity	Discount Rate
Less than or equal to one year	100%
More than one year but less than two years	80%
More than two years but less than three years	60%
More than three years but less than four years	40%
More than four years but less than five years	20%

As a result, from 2024, the outstanding aggregate principal amount of the Notes, if not previously redeemed, will not fully qualify as Tier II Regulatory Capital and from 2028, the outstanding aggregate principal amount of the Notes, if not previously redeemed, will no longer qualify as Tier II Regulatory Capital at all.

Classification of the Loan Portfolio

According to SBS regulations, the provision for loan losses is calculated and recorded following SBS Resolution No. 11356-2008, which sets parameters to determine the calculation of provisions which is based on formulas and the use of specific percentages over the balances of loans and collateral received. For example, banks must consider certain criteria with respect to the borrower, including securities; credit category; borrower's liquidity, borrower's equity and outstanding debt, among others. Also, it requires constitution of generic provisions based on total loan portfolio, including generic provisions on not-impaired loans. The loan portfolio provisions which result from such classification differ materially from the loan portfolio provisions which result from our application of IFRS. For a discussion of our loan portfolio classification policies and the resulting allowances, see "Selected Statistical Information—Classification of our Loan Portfolio" and "Selected Statistical Information—Allowance for Loan Losses" and note 24.1(a) to our audited annual financial statements and note 21(a) to our unaudited interim condensed financial statements.

Loan Loss Reserves

Procedures relating to loan loss reserves and loan portfolio classification are set out in regulations issued by the SBS. Pursuant to SBS Resolution No. 11356-2008, enacted in November 2008 and in force since July 2010, as amended, banks must consider certain criteria with respect to the borrower, including the securities; the credit category; the borrower's liquidity, including whether the borrower has adequate equity and a low amount of outstanding debt relative to their ability to generate profits; whether the borrower or its industry is susceptible to significant variation in cash flow; whether the borrower has a history of prompt payments on its debt; and whether the borrower is part of an economic sector that demonstrates a trend towards growth. Additional criteria regarding financial institutions' operational risk losses' database, was established by SBS through Circular No. G-191-2017, issued January 25, 2017, which entered into force in January 1, 2018.

Banks are required to classify such borrowers in any of the following categories:

- Normal (*Normal*). Debtors of commercial loans or credits that fall into this category have complied in a timely manner with their obligations and at the time the credit is evaluated there is no reason to doubt that interest and principal on the loan will be paid in a timely fashion or that the status will change before the next evaluation. To place a loan or credit in the Normal (*Normal*) category, a clear understanding of the use of proceeds and the origin of the cash flows to be used by the debtor to repay the loan or credit is required. Included in this category are: (i) small-sized company, micro-

business loans, revolving consumer loans and non-revolving consumer loans with payment delays of up to eight days; and (ii) residential mortgage loans with payment delays of up to 30 days. Corporate loans, large-sized loans and residential mortgage loans in this category require a reserve of 0.7%, while medium-sized company and small-sized company loans, micro-business loans, revolving consumer loans and non-revolving consumer loans in this category require a reserve of 1.0%.

- Potential Problem (*Problema Potencial*): Loans or credits in this category are known as credits with "potential problems". Commercial loans or credits included in this category are those that at the time of evaluation demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in this category include: frequent delays in loan payments that are promptly cured, lack of information required to analyze the debtor, outdated financial information, temporary economic or financial imbalances on the part of the debtor that could affect its ability to repay the loan, market conditions that could affect the economic sector in which the debtor operates, material overdue debts or pending judicial collection actions initiated by other financial institutions, noncompliance with the original contractual terms and conditions, conflicts of interest within the debtor company, labor problems, unfavorable credit history, the debtor's noncompliance with its internal policies, excessive reliance on one source of raw materials or one buyer of the debtor's products and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Included in this category are: (i) corporate loans, large-sized and medium-sized company with payment delays of up to 60 days; (ii) small-sized company, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of 9 to 30 days; and (iii) residential mortgage loans with payment delays of 31 to 60 days. A 5.0% reserve on total loans outstanding under this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 2.5%, and when secured with "readily liquidated preferred" guarantees, the required reserve is 1.25%.

- Substandard (*Deficiente*): Loans or credits in this category are known as "substandard" credits. Debtors of commercial loans or credits placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor's financial capacity. Loans or credits demonstrating the same deficiencies as a Potential Problem (*Problema Potencial*) are considered Substandard (*Deficiente*) if such deficiencies are not corrected in the near term, or if they could impede the recovery of principal and interest on the loan on the originally agreed terms. Included in this category are: (i) corporate debtors, large-sized company loan debtors and medium-sized company loan debtors with payment delays of 61 to 120 days; (ii) small-sized company loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 31 to 60 days; and (iii) residential mortgage loan debtors with payment delays of 61 to 120 days. Loans or credits included in this category require a reserve equal to 25.0% of the outstanding principal amount of the loan that is not secured by collateral. A 25.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 12.5%, and when secured with "readily liquidated preferred" guarantees, the required reserve is 6.25%.

- Doubtful (*Dudoso*): Loans or credits included in this category are known as "doubtful" credits. Debtors of commercial loans or credits included in this category present characteristics of actual credit risk that make the recovery of the loan doubtful. Although the loan recovery is doubtful, if there is a reasonable likelihood that in the near future the creditworthiness of the debtor might improve, a Doubtful (*Dudoso*) categorization is appropriate. These credits are distinguished from Loss (*Pérdida*) credits by the requirement that the debtor continue to operate its business, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. Included in this category are: (i) corporate debtors, large-sized company and medium-

sized company loan debtors with delays of 121 to 365 days; (ii) small-sized company loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 61 to 120 days; and (iii) residential mortgage loan debtors with payment delays of 121 to 365 days. A 60.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 30.0%, and when secured with "highly liquid preferred" guarantees, the required reserve is 15.0%.

- Loss (*Pérdida*): Loans or credits in this category are known as "loss" credits. Commercial loans or credits that are considered unrecoverable or that for any other reason should not appear on our books as an asset based on the originally contractual terms fall into this category. Included in this category are: (i) corporate debtors, large-sized and medium-sized company loan debtors with occasional and reduced payment delays of more than 365 days; (ii) small-sized company loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of more than 120 days; and (iii) residential mortgage loan debtors with payment delays of more than 365 days. A 100% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 60.0%, and when secured with "readily liquidated preferred" guarantees, the required reserve is 30.0%.

SBS regulations require Peruvian banks and other regulated institutions to maintain two types of loan loss reserves: (a) general loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as "Normal" (Normal), with an allowance rate of a minimum of 0.7% for corporate loans, large-sized business loans and residential mortgage loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under the Potential Problem, Substandard, Doubtful and Loss categories, at an allowance rate of 5%, 25%, 60% and 100%, respectively. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans, *provided* that certain requirements are satisfied.

As of December 31, 2008, banks were required to make dynamic loan loss reserves (*provisiones procíclicas*) based on the behavior of Peru's annualized average GDP over the last 30 months as determined and published by the Central Reserve Bank of Peru. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. This suspension was lifted by the SBS on September 28, 2010, through Circular No. B-2193-2010.

On November 27, 2014, the SBS, through Circular No. B-2224-2014, announced the suspension of the procyclical requirements. As a result, pro-cyclical provisions may be reassigned to cover mandatory reserves. Pro-cyclical provisions, however, may not be used to increase the banks' dividends.

On March 13, 2020, March 16, 2020, March 20, 2020 and May 29, 2020, the SBS issued *Oficios Múltiples* No. 10997-2020-SBS, No. 11150-2020-SBS, No. 11170-2020-SBS and No. 13805-2020, respectively. Through these regulations, the SBS established the following exceptional measures applicable to the loan portfolio, in order to facilitate debt repayment from customers of financial entities within the Peruvian financial institutions affected by the COVID-19 pandemic:

- Entities of the financial system may modify or amend contractual conditions of loans without characterizing such modifications or amendments as refinancing insofar as the total term does not extend for more than six months of the original term. Also, debtors must have a maximum of 15 days overdue in their payments as of February 29, 2020.

- For retail loans with modification of contractual conditions, the interest associated may continue to be recognized on an accrual basis. However, if the debtor changes its situation to a past-due after setting new terms of credit, the financial institution must revert the accrued interest of such loan proportionally in a period of six months.

- For non-retail loans with modification of contractual conditions, the interest associated must be recognized on a cash basis. Uncollected accrued interest related with these loans must be revert as of the date of modification.

- For debtors with more than 15 days overdue as of February 29, 2020, the computation of overdue days shall be suspended as long as the national health emergency is maintained.

- If a debtor has overdue payments after contractual modifications, such loan will be considered as refinanced credit, following the general criteria of SBS Resolution No.11356-2008, as indicated in the audited financial statements.

In accordance with the *Oficio Múltiple* SBS No.11150-2020, the scope of the facilities mentioned above will be determined by each entity of Peruvian financial system, after analyzing the level of impact on its loan portfolio.

Considering the above, as of March 31, 2020, Interbank had modified credits for an approximate amount of S/4,220,593,000 and recognized less accrued interest for an approximate amount of S/10,793,000. Additionally, according to an evaluation made by Interbank's management, it decided to record voluntary provisions, as allowed by the SBS for an approximate amount of S/146,929,000.

On April 27, 2020, SBS Resolution No. 1314-2020 established that the allowance rate for loan loss reserves applicable to loans guaranteed pursuant to the *Reactiva Peru* program would be 0%, such that any allowance for loan loss is undertaken by the counterparty granting the guarantee rather than the banks granting the loan. Similarly, on April 28, 2020, the SBS, through SBS Resolution No. 1315-2020 established that the allowance rate for loan loss reserves applicable to the part of loans that are guaranteed by the *Fondo de Apoyo Empresarial a la MYPE* (FAE-MYPE) would be 0% when the counterparty substitution credit risk enters into effect.

Banks must report loan classifications on a monthly basis to the SBS. The worst classification assigned to a single person by any bank affects classification and allowance requirements for all other banks, which means that all banks are bound by the worst classification that is assigned to any given debtor by any bank in the Peruvian banking and financial sector.

Risk of Over-Indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss reserve. Banks and financial entities that comply with the requirements described above are not required to maintain any such specific allowance.

Legal Reserve Requirements

Pursuant to Article 67 of the Peruvian Banking and Insurance Law, all banks must create a legal reserve. Each year a bank must allocate 10% of its net income to its legal reserve until its legal reserve is equal to 35% of its paid-in capital. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be funded as described above.

Lending Limits

Under Article 206 of the Peruvian Banking and Insurance Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of the bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk.

The SBS has issued special regulations establishing the guidelines that must be followed by banks when determining legal reserves for legal proceedings for past-due loans and foreclosures.

For purposes of Peruvian Banking and Insurance Law, a single borrower includes an individual or an economic group. An economic group constituting a single or common risk, according to Peruvian Banking and Insurance Law, includes a person, such person's close relatives and companies in which such person or close relatives have significant share ownership or decision-making capability. According to current regulations, shareholders who own or control directly or indirectly at least 4% of a company's shares are considered to share common risk with such company. Significant decision-making capability is deemed to be present when, among others, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. For instance, the limit can be extended to 15% when the excess is secured by a mortgage; it may be raised to 20% when the excess is collateralized with securities listed in the Selective Index of the BVL (ISBVL); and it may be raised to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits must also be taken into account, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks, which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio through different types of assets, benefiting liquid and low- risk assets.

Lending to Related Parties

The Peruvian Banking and Insurance Law regulates and limits transactions with related parties and affiliates of financial institutions, on an unconsolidated basis. In 2015, the SBS and the SMV enacted new regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific supervision standards of financial institutions and conglomerates formed by financial institutions.

Additionally, pursuant to Article 202 of the Peruvian Banking and Insurance Law, the aggregate amount of loans to related party borrowers may not exceed 30% of a bank's regulatory capital (exceptionally, according to Circular B-2148-2005, as amended, the amount of loans to related parties may not exceed 50% of a bank's regulatory capital if the excess of 30% is secured by credit letters from foreign financial institutions). For purposes of this test, related party borrower includes any person or an affiliate of that person holding, directly or indirectly, 4% or more of a bank's capital stock, directors, certain of the bank's principal executive officers or other persons in more junior positions affiliated with the bank's management.

All loans to related parties must be made on an arm's-length basis with terms no more favorable than the best terms that Interbank would offer to the public.

In addition, under Article 201 of the Peruvian Banking and Insurance Law, the total amount of loans extended to directors, officers, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. All loans made to any single such related party borrower may not exceed 0.35% of a bank's regulatory capital (i.e., 5% of the overall 7% limit) per each person, including such person's spouse and relatives. In addition, the Peruvian Banking and Insurance Law generally provides that banks may not extend credit to or guarantee the

obligations of employees or members of the board of directors, except for home mortgage loans to employees and directors.

Country Risk Reserve Requirements

SBS Resolution No. 7932-2015, enacted in December 2015, requires the funding of reserves to cover exposure to country risk, which is defined to include sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities necessary for coping with country risk.

Integral Risk Management

Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to their nature and risk level. In January 2017, the SBS enacted the SBS Resolution No. 272-2017, which replaced SBS Resolution No. 037-2008. SBS Resolution No. 272-2017 contains guidelines for integral risk management of financial institutions and covers all kinds of risks that could affect a banking operation, such as operational, market, credit, AML, liquidity and reputational risks. Furthermore, it introduced various changes, focusing on corporate governance practices including the following: (i) two or more independent directors must be appointed when boards are integrated by six or more members, (ii) a remunerations committee must be formed and (iii) concepts such as 'risk appetite', 'risk capacity' and 'risk limits' have been modeled after the Principles for an Effective Risk Appetite Framework of the Financial Stability Board.

Credit Risk

According to the Peruvian Banking and Insurance Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology for calculating their regulatory capital requirement for credit risk, after receiving prior approval from the SBS. However, regulations required for the full implementation of both standardized and IRB methodologies by Peruvian financial institutions were not enacted until November 4, 2009, with SBS Resolution No. 14354-2009.

Under SBS Resolution No. 14354-2009, enacted in November 2009, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, IRB methodologies for calculating their regulatory capital requirement for credit risk. Interbank has not decided if it will request approval from the SBS to adopt the IRB methodology.

In addition, according to SBS Resolution No. 3780-2011, financial institutions are required to implement an organizational structure and certain procedures in connection with control on interests management and strategic needs procedures in order to adequately manage credit risk.

Market Risk

Regulations for the supervision of market risks, enacted in May 1998, require banks to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risk as the probability of loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolio, which may, or may not, be accounted for in their statements of financial position. In June 2009, the SBS enacted SBS Resolution No. 6328- 2009, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Since July 1, 2009, financial institutions have been allowed to use IRB methodology (subject to prior approval by the SBS) in substitution of the standardized methodology.

Operational Risk

SBS Resolution No. 2115-2009, enacted in April 2009, defines the methodology to be applied, and the requirements to be satisfied, by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. The IRB methodology uses a bank's gross operational margin as an "exposure indicator", and its application does not require

the prior approval by the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115- 2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, which approves the guidelines for managing operational risk, defines "operational risk" as the possibility of suffering losses due to inadequate procedures, failures of personnel, IT or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank's board of directors is responsible for designing the general policies to manage operational risk and that a bank's management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank's losses due to operational risk, classifying such losses by event.

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking and Insurance Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Resolution No. 7033-2012, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available-for-sale, (c) investments until maturity (long-term) and (d) investments in subsidiaries and affiliates.

On July 7, 2018, the SBS issued SBS Resolution No. 2610-2018 which entered into force as of October 1, 2018, and amended the regulation on classification and valuation of investments approved by SBS Resolution No. 7033-2012 and its amendments.

The main amendment contained in this resolution is the introduction of a standard methodology for the identification of impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments.

Reserve Requirements from the Central Reserve Bank of Peru

Under the Peruvian Banking and Insurance Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Reserve Bank of Peru may require additional marginal reserves. The exact level and method of calculation of these reserve requirements is set by the Central Reserve Bank of Peru, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. The following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain obligations, securities, certain bonds and funds administered by the bank. Subject to certain requirements, the regulation excludes mid-term and long-term funding (i.e., more than two years) from foreign financial institutions, other central banks, governments or multilateral lending agencies.

In April 2004, the Central Reserve Bank of Peru began requiring reserves on amounts due to foreign banks and other foreign financial institutions, which were not previously considered obligations.

Currently, the minimum legal reserve requirement for local and foreign currency deposits is 4.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 35% for funds that exceed a certain level set by the Central Reserve Bank of Peru. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Reserve Bank of Peru. However, in connection with the potential reduction of economic activity in Peru as a result of the COVID-19 pandemic, the Central Reserve Bank of Peru established that the 35% marginal rate normally applicable to foreign-currency deposits that exceed a certain level set by the Central Reserve Bank of Peru will not apply during 2020.

Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e., liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities such as the notes.

They must also keep at least 0.75% and 3.0% of their local and foreign currency deposited in the Central Reserve Bank of Peru, respectively. The Central Reserve Bank of Peru oversees compliance with the reserve requirements.

The Central Reserve Bank of Peru also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both local and foreign currency deposits. The current applicable interest rate: (a) for local currency reserves, different from those described below, is the overnight deposits interest rate, minus 195 basis points; and, (b) for foreign currency deposits, is the higher of (i) 0% and (ii) 25% of the one-month LIBOR interest rate minus 1/8 of 1%. Currently, no interest rate is payable in respect of local currency deposits to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds and others with a foreign parent company, except for those authorized by the SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Central Reserve Bank of Peru in accordance with monetary policy objectives.

In the past, the Central Reserve Bank of Peru has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Reserve Bank of Peru.

Deposit Insurance Fund

Bank deposits are protected by the *Fondo de Seguros de Depósito* (Deposit Insurance Fund), against bank failure. Specifically, savings deposit by natural persons, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by the SBS. For the period between March and May 2020, the maximum coverage amount is S/100,123 per person per bank.

The Deposit Insurance Fund was established in 1991 and was organized as a private corporation in 1996. The Deposit Insurance Fund's governing body is led by a representative of the SBS. The additional members are appointed by the Central Reserve Bank of Peru (one member), the MEF (one member) and by the banks (three members). SBS provides the necessary administrative members and operational resources for the Deposit Insurance Fund.

The financial resources available to the Deposit Insurance Fund pursuant to the Peruvian Banking and Insurance Law include, among others, the original contribution from the Central Reserve Bank of Peru, insurance premiums paid by banks, unclaimed bank deposits (after 10 years) and fines imposed by the SBS for violations of the Peruvian Banking and Insurance Law.

In addition, the Deposit Insurance Fund may, in extraordinary situations, borrow funds with authorization from the Peruvian treasury, or it may borrow long-term government securities from the Peruvian treasury.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or "FATF", established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which includes specific rules for customer and employee due diligence and recordkeeping. In March 2008, the SBS enacted additional anti-money laundering provisions, pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF.

On February 17, 2011, the SBS modified current anti-money laundering provisions through SBS Resolution No. 2108-2011, as amended, in order to adapt these provisions to international standards established by the Financial Action Task Force of South America (*Grupo de Acción Financiera de Sudamerica*, or "GAFISUD"), in relation to due diligence in the identification of clients according to their risk and profile level, among other considerations. On May 14, 2015 and December 6, 2017, the SBS further amended and supplemented the aforementioned provisions through SBS Resolution No. 2660-2015 and SBS Resolution No. 4705-2017. SBS Resolution No. 2018-2011 was replaced by SBS Resolution No. 2891-2018, which came into force on October 1, 2018.

The Peruvian government agency responsible for supervising the anti-money laundering system is the UIF, which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

Additionally, Law N° 30424, enacted in April 2016 and which took effect on January 1, 2018, as amended, attributes criminal administrative liability to legal entities when money laundering, terrorist financing and/or bribery (including multinational bribery) crimes are committed on its behalf or in its benefit by any legal representative or *de facto* or *de iure* executive. Such regulation establishes that criminal administrative liability will be exempted or mitigated if the legal entity has adopted an adequate and suitable prevention model following the criteria and minimum guidelines outlined in Law N° 30424.

Disclosure of Material Information

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the BVL. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the SMV and the BVL. Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking and Insurance Law, the SBS has the power to interrupt the operations of a bank in order to prevent, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Intervention will be taken upon the occurrence of certain events, including (a) suspension of payments, (b) failure to comply with the restructuring plan during the surveillance regime, (c) regulatory capital is less than 50% of the minimum regulatory capital required or (d) deficit or reduction of more than 50% of its regulatory capital in a 12-month period. Less drastic measures, such as (1) placing additional requirements, (2) ordering a capital increase or an asset divesture or (3) imposing a financial restructuring plan, may be also adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations for up to 45 days, and may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as: (a) canceling losses by reducing reserves, capital and subordinated debt, (b) segregating certain assets and liabilities for transfer to another financial institution and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking and Insurance Law prevents any creditor of the bank from (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance industry and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

First order—Labor claims:

- *1st* Employee remunerations.
- *2nd* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order—Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking and Insurance Law, in the portion not covered by the Deposit Insurance Fund and the contributions and resources used by such Deposit Insurance Fund to cover the above described claims for bank deposits and other types of saving instruments.

Third order—Taxes:

- *1st* Claims by the Peruvian social security administration (*Seguro Social de Salud del Perú EsSalud*) related to health care benefits for which the bank is responsible as employer.
- *2nd* Taxes.

Fourth order—Unsecured and non-privileged credits:

- *1st* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank, whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.
- *2nd* The legal interest on the bank's obligations that may accrue during the liquidation.
- *3rd* Subordinated debt.

Except for the first and second categories under unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall survive in order to guarantee the obligation it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims, savings and deposits, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking and Insurance Law.

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to corporations in general.

MANAGEMENT

Board of Directors

Interbank's board of directors consists of ten members, five of whom are independent. The business address of Interbank's board of directors is Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. The following table sets forth certain information about our directors as of the date of this offering memorandum.

Name	Position	Year of Birth	Year Appointed
Carlos Tomás Rodríguez Pastor Persivale	Chairman	1959	1995
Ramón José Vicente Barúa Alzamora	Director	1946	1994
José Alfonso Bustamante y Bustamante(1)	Director	1941	2007
David Fischman Kalincausky(1)	Director	1958	2003
Carlos Miguel Heeren Ramos(1)	Director	1968	2015
Felipe Federico Roy Morris Guerinoni	Director	1953	2000
Lucía Cayetana Aljovín Gazzani(1)	Director	1966	2018
Hugo Antonio Santa María Guzmán(1)	Director	1963	2016
Fernando Martín Zavala Lombardi	Director	1971	2019
Vacant(2)	Director		

(1) Independent director pursuant to Peruvian regulation.
(2) This position was held by Carmen Rosa Graham Ayllón who passed away on April 18, 2020.

The following sets forth selected biographical information for each of the members of Interbank's board of directors.

Carlos Tomás Rodríguez-Pastor Persivale, has served as Interbank's chairman since 1995 and was Interbank's interim Chief Executive Officer during 2010. In addition, Mr. Rodríguez-Pastor serves as director of Intercorp Peru, Inteligo Group Corp., Interseguro, Supermercados Peruanos, Tiendas Peruanas, Homecenters Peruanos, Colegios Peruanos, InRetail Peru Corp., InRetail Pharma, Financiera OH! S.A. and Universidad Tecnológica del Perú, among others. Mr. Rodríguez-Pastor received a bachelor's degree in social science from the University of California at Berkeley and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College. He also serves as IFS' chairman since 2007.

Ramón José Vicente Barúa Alzamora, has served as one of Interbank's directors since 1994. In addition, Mr. Barúa serves as a director of Supermercados Peruanos, Tiendas Peruanas, Homecenters Peruanos, Real Plaza, Financiera OH!, Inteligo Bank, Intertítulos, and Interseguro. He has also served as director of IFS and Intercorp Perú, and until 2019, he was the Chief Executive Officer of Intercorp Perú. Mr. Barúa received a bachelor's degree in industrial engineering from the Universidad Nacional de Ingeniería in Lima and a degree in economics from the Université Catholique de Louvain in Belgium.

José Alfonso Bustamante y Bustamante, has served as one of Interbank's directors since 2007. Mr. Bustamante is the President of the Board of Corporación Financiera de Inversiones S.A., and also serves as a director of IFS and several other Peruvian companies, including Agrícola Cerro Prieto S.A.C. and San Miguel Industrias Pet S.A. Mr. Bustamante has been Prime Minister of Peru and Minister of Industry, Tourism, Integration and International Commercial Relations (1993–1994), President of Prom Perú, President of ASBANC, and President of the Board of Directors of Telefónica del Perú and Bancosur, a former Peruvian branch of Banco Santander. Mr. Bustamante received a degree in agricultural engineering from the Universidad Nacional Agraria La Molina in Lima and pursued his graduate studies at the University of Michigan, Ann Arbor.

David Fischman Kalincausky, has served as one of Interbank's directors since 2003. Mr. Fischman also serves as a director of Supermercados Peruanos. Mr. Fischman received a degree in civil engineering from Georgia Tech University and a master's degree in business administration from Boston University.

Carlos Heeren Ramos, has served as one of Interbank's directors since 2015 and is CEO of UTEC (Universidad de Ingeniería y Tecnología) and Tecsup (Instituto Superior de Tecnología). He currently serves on the board of a number of companies as well as non-profit organizations. Prior to his current role, he was a partner in the largest consulting firm in Peru, Apoyo Consultoría, where he served as the head of management consulting.

Additionally, he spent 12 years as a faculty member in the Graduate School of the Universidad del Pacífico. He obtained his bachelor's degree in economics at the Universidad del Pacífico, and obtained his master's degree in economics from the University of Texas at Austin.

Felipe Federico Roy Morris Guerinoni, has served as one of Interbank's directors since 2000 and as one of IFS' directors since 2007. Mr. Morris also serves as Chairman of Interseguro and Financiera Oh!, as Vice-Chairman of Interbank and as Director of Intercorp Peru and Inteligo Bank. Mr. Morris received a bachelor's degree in economics from the Universidad del Pacífico in Lima, a master's degree in economics from the University of Pittsburgh and a master's degree in finance from American University.

Lucía Cayetana Aljovin Gazzani, has been serving as Interbank's director since July 2018 and as one of IFS' directors since her appointment in April 2019. She has also served as Foreign Affairs Minister, Minister of Energy and Mines and Minister of Social Inclusion, and is the President of the National Fishing Society. Previously, she was a partner at Miranda & Amado law firm, a member of the board of directors of the Lima Stock Exchange and served as director of other Peruvian companies and nonprofit organizations. Mrs. Aljovin received a degree in Law from the Pontificia Universidad Católica del Perú and a master's degree in business administration from Universidad Adolfo Ibañez of Chile. She has also been a journalist and a professor at several Peruvian universities.

Hugo Antonio Santa María Guzmán, has served as an Interbank director since November 2016. Mr. Santa María is partner, manager of economic studies, and chief economist of APOYO Consultoría, where he runs the Business Advisory Service (SAE, for its acronym in Spanish). SAE is the leading economic and business (analysis) service in Peru. He is currently a member of the board of directors of Sociedad Agricola Virú S.A. and Colegios Peruanos and serves as an alternate director of InRetail Perú Corp. Previously, he was a member of the boards of Banco Santander Peru, Grupo ACP, Compañía Minera Atacocha and the Consolidated Reserve Fund (investment fund of the Peruvian public pension system) and independent director and President of the board of Mibanco. Mr. Santa María has been a professor in graduate programs at Universidad del Pacífico, Universidad Peruana de Ciencias Aplicadas and Universidad de Piura. Mr. Santa María holds a bachelor's degree in economics from Universidad del Pacífico and Ph.D. from Washington University in St. Louis. He also has served as one of IFS' directors since April 2019.

Fernando Martin Zavala Lombardi, has served as an Interbank director since March 2019. He also serves as a director of IFS since his appointment in April 2019. Mr. Zavala is the CEO and a director of Intercorp Peru Ltd. and director of InRetail Peru Corp., Universidad Tecnológica del Perú, Colegios Peruanos, Interfondos, Interseguro, and Inteligo Bank. He previously served as CEO in Peru and Panama of the multinational company SABmiller, as General Manager of Indecopi and has been a director of several companies in Peru, and several business guilds and NGOs as well. In the public sector, he has been Prime Minister and Minister of Economy and Finance, the latest twice. Mr. Zavala received a bachelor's degree in economics from Universidad del Pacífico in Lima, a master's degree in business management from Universidad de Piura, and a master's in business administration from University of Birmingham in England.

Executive Officers

The business address of Interbank's executive officers is Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. The following table sets forth certain information about Interbank's executive officers as of the date of this offering memorandum.

Name	Position	Year of Birth	Year Appointed
Luis Felipe Castellanos López Torres	Chief Executive Officer	1970	2011
Michela Casassa Ramat	Chief Financial Officer	1973	2012
Carlos Tori Grande	Vice President of Retail Business	1976	2016
Gabriela Prado Bustamante	Vice President of Risk Management	1970	2008
Víctor Cárcamo Palacios	Vice President of Commercial Banking	1972	2016
Cesar Augusto Andrade Nicoli	Vice President of Operations	1971	2015
Giorgio Bernasconi Carozzi	Vice President of Capital Markets	1961	2009
Alfonso Díaz Tordoya	Vice President of Distribution Channels	1979	2016
Zelma Acosta-Rubio Rodríguez	Vice President of Corporate and Legal Affairs	1965	2007
Julio Del Valle Montero	Manager of Human Resources	1977	2019

Luis Felipe Castellanos López Torres has served as Interbank's Chief Executive Officer since January 2011 and as IFS's Chief Executive Officer since 2013. Mr. Castellanos is also one of Interseguro's directors since his appointment in April 2019. Mr. Castellanos joined Interbank in 2006 as the Chief Executive Officer of Interfondos. He has served as Interbank's Vice President for Retail Banking and Manager of the Mortgage and Real Estate Division. Previously, he was a Director in the investment banking division at Citigroup Global Markets in New York. Before joining Citigroup, Mr. Castellanos was responsible for the treasury department at Minera Yanacocha S.A. Mr. Castellanos received a bachelor's degree in business administration from the Universidad del Pacífico and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

Michela Casassa Ramat has served as Interbank's Chief Financial Officer since September 2012 and as IFS's Chief Financial Officer since 2012. Mrs. Casassa joined Interbank in September 2011 as Head of Strategic Planning. Prior to joining Interbank, she served as Head of Strategy for Corporate and Investment Banking at Banco de Crédito del Perú in Lima and Unicredit in Munich, and Head of Strategy for the International Division of Unicredit in Milan and Istanbul. She has also worked at The Boston Consulting Group in Milan and Citibank in Lima. Mrs. Casassa holds a bachelor's degree in business administration from the Universidad de Lima and an MBA with a specialization in finance from the SDA Bocconi in Milan.

Carlos Tori Grande has served as Interbank's Vice President of Retail Business since December 2016. Previously, Mr. Tori was responsible for Interbank's Distribution Channels Division and served as manager of the corporate banking and corporate finance division. Mr. Tori currently serves as a director in several companies related to Interbank, including Interfondos SAF, Expressnet S.A.C. and Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.C. Before joining Interbank, Mr. Tori also worked at Merrill Lynch, Citigroup and Bank Boston. Mr. Tori received a bachelor's degree in business administration from Texas A&M University and a master's degree in business administration from Amos Tuck School of Business at Dartmouth University.

Gabriela Prado Bustamante has served as Interbank's Vice President of Risk Management since July 2008. Previously, Ms. Prado was responsible for Interbank's Special Asset Management Division. From 2000 to 2004, Ms. Prado served as Manager of Interbank's Risk Management Division, which is responsible for monitoring customer performance. Ms. Prado received a bachelor's degree in business administration from the Universidad de Lima, and a graduate degree in business administration from the INCAE Business School.

Víctor Cárcamo Palacios has served as Interbank's Vice President of Commercial Banking since January 2016. Previously, Mr. Carcamo served as manager of Interbank's corporate banking and corporate finance division. Before joining Interbank, Mr. Carcamo worked in Banco Santander – México. Mr. Carcamo received a bachelor's degree in economics from Universidad de Lima and a master's degree in business administration from Universidad Adolfo Ibáñez, having also completed the General Management Program from Harvard Business School.

César Andrade Nicolini has served as Interbank's Vice President of Operations since May 2015. Before joining Interbank, Mr. Andrade served as director in the Salesforce strategy division of LATAM Airlines, commercial director of Lan Perú Commercial, Vice President of Movistar Colombia and Consumer Segment Vice President of Telefónica del Perú. Mr. Andrade received a bachelor's degree in economics from Universidad del Pacifico and a master's degree in business administration from Kellogg School of Management.

Giorgio Bernasconi Carozzi has served as Interbank's Vice President for Capital Markets since March 2009. Prior to joining Interbank, Mr. Bernasconi served as Director in Strategy and Marketing, Global Markets and Distribution for Latin America and was responsible for Latin American capital markets at BBVA Bancomer in México. From 1997 to 2006, he was Deputy General Manager for BBVA Banco Continental. He previously served as Treasury Vice President for Citibank Lima. Mr. Bernasconi has a bachelor's degree in administration from the Pontificia Universidad Católica del Perú.

Alfonso Díaz Tordoya has served as Interbank's Vice President of Distribution Channels since December 2016. Previously, Mr. Díaz was responsible for Interbank's Alternative Channels Management Division. Before joining Interbank, Mr. Diaz worked in AT Kearney - Brasil, Tarpon Investment – Brasil and Citigroup. Mr. Diaz received a bachelor's degree in industrial engineering from Universidad de Lima and a master's degree in business administration from Harvard Business School.

Zelma Acosta-Rubio Rodríguez has served as Interbank's General Counsel and Secretary of the Board of Directors since April 2007, Vice President of Corporate and Legal Affairs since 2018 and Chief Diversity Officer for Intercorp the same year. Mrs. Acosta-Rubio also serves as a director of several related companies of Interbank, including La Fiduciaria S.A. and Intertitulos S.A. Before joining Interbank, Mrs. Acosta Rubio worked at Clifford Chance in London and Milbank, Tweed, Hadley & McCloy in New York. Mrs. Acosta Rubio received a law degree from the Universidad Catolica Andres Bello in Caracas, a master's degree in comparative jurisprudence from New York University, a master's degree in international banking law from Morin Center for Banking and Financial Law at Boston University, and a master's degree in business administration from the Management School at Universidad de Piura. Mrs. Acosta Rubio is admitted to the Caracas and New York State Bar.

Julio Del Valle Montero, has served as Interbank's Human Resources Manager since January 2019. Mr. Del Valle joined Interbank in 2007 and since then has led teams related to Process Transformation, Procurement and Facility Management. Previously, he worked as Senior Manager at BNSF Railway in Texas, United States. Mr. Del Valle holds a bachelor's degree in industrial engineering from St. Mary's University and a master's degree in business administration from SMU Cox School of Business.

Compensation

Compensation of our directors for board attendance is set annually by shareholders resolution. Our directors receive a fixed payment per meeting. In 2019, annual compensation to our board members totaled 0.0409% in the aggregate of Interbank's gross income.

Executive Long-Term Incentive Plan

We have not yet adopted an executive long-term incentive plan. We expect that our management and directors will consider alternatives for the implementation of an executive long-term incentive plan with a view toward adopting a plan or plans suitable for us, subject to necessary approvals.

Board Committees

Executive Committee

Our executive committee is comprised of the following three members of the board of directors: Carlos Rodríguez-Pastor (Chairman), Fernando Zavala Lombardi, and Felipe Morris Guerinoni.

The executive committee's primary responsibility is to support the board of directors in following up on its objectives and in the implementation of its resolutions. The executive committee also supports the board of directors by reviewing and analyzing certain matters delegated to them by the board of directors and presenting its conclusions to the board of directors for further consideration.

Audit Committee

Our audit committee was established in March 2000. According to SBS regulations, the audit committee must be comprised of at least three board members who do not hold management positions, one of whom must be an independent member. Currently, the members of the audit committee are: David Fischman Kalincausky (Chairman), Cayetana Aljovín Gazzani, and Carlos Miguel Heeren Ramos.

Pursuant to SBS regulations, the audit committee is responsible for reviewing compliance with the internal auditing program, informing the board of directors about compliance with internal policies and procedures and the internal auditing program and informing the board of directors about any action taken to correct any situation that is not in compliance with the internal auditing program. In addition, the audit committee is responsible for evaluating the performance of the external auditors and coordinating on a continuous basis with the external auditors any matters relating to the internal auditing program.

Under Peruvian regulations, the audit committee must have a charter that establishes the policies and procedures used to complete its functions. This charter is to establish, among other things, criteria for avoiding conflicts of interest, incompatibility of duties, periodicity of its meetings, organization, scope of its activities and

responsibilities. The SBS requires the audit committee to record its resolutions on minutes which must be made available at any time to the SBS.

Credit Directive Committee

Our credit directive committee is comprised of five members and led by a member of the board of directors. Two of the committee members, including the committee leader, are from our board of directors and rotate annually. One of those director members leads the committee. In addition, the committee is composed of representatives of: (i) the chief executive officer; (ii) the Vice-Presidents of Risk Management, and (iii) a representative of the Vice-Presidents of Commercial Banking, the Vice-Presidents of Retail Banking or the Vice- Presidents of Capital Markets. If necessary, a business executive related to credit operation may participate in the committee.

Corporate Governance Committee

Our corporate governance committee is currently comprised of the following three members of our board of directors: Carlos Miguel Heeren Ramos (Chairman), Cayetana Aljovín Gazzani, and Hugo Santa María Guzmán.

The corporate governance committee supports the board of directors in the adoption, implementation and supervision of corporate governance practices. The corporate governance committee is also responsible for creating an annual report on corporate governance and proposing actions in order for the board of directors to obtain the highest standards of corporate governance practices.

Compensation Committee

Our compensation committee is currently comprised of the following three members of the board of directors: Carlos Rodríguez Pastor (Chairman), Alfonso Bustamante y Bustamante and Fernando Zavala Lombardi.

This committee is responsible for assessing and approving new benefits programs, determining compensation packages and identifying potential collaborators or managers. The board of directors may grant additional responsibilities to the compensation committee.

Related Parties Transactions Committee

Our related parties transactions committee is comprised of three members. As of the date of this offering memorandum, this committee is comprised by the following two members: David Fischman Kalincausky and Felipe Morris Guerinoni, along with two alternate members: Carlos Miguel Heeren Ramos and Alfonso Bustamante y Bustamante. Until April 18, 2020, Carmen Rosa Graham Ayllón held the third position which is now vacant. These directors are independent from management of the companies of the group. The related parties transaction committee is responsible for assessing and approving all credit transactions granted to parties related to the bank.

Integral Risk Committee

Our integral risk committee is currently comprised of two members of the board of directors (two alternates in their absence) and most members of the Executive Committee. To date, the integral risk committee is comprised of Felipe Morris Guerinoni (Chairman), and Hugo Santa María Guzmán, and as alternates, Alfonso Bustamante y Bustamante and Fernando Zavala Lombardi; and the Chief Executive Officer, Chief Financial Officer; Vice President for Risk Management; Vice President for Commercial Banking; Vice President for Operations; Vice President for Retail Banking; Vice-President for Distribution Channels; Vice President for Capital Markets and our Vice President of Corporate and Legal Affairs.

The integral risk committee is responsible for: (i) approving our general risk policies; (ii) defining our risk level tolerance and our grade of risk exposure; (iii) deciding and implementing any required corrective actions; (iv) approving exhibitions involving significant variations in the defined risk profile; (v) evaluating our levels of capital in order for us to address the risk and warn of possible weaknesses; and (vi) suggesting measures to improve the integral risk management.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we and our subsidiaries engage in a variety of transactions among ourselves and with certain of our affiliates and related parties. All material transactions between us or our subsidiaries and our other affiliates or related parties are evaluated by our senior management and our board in accordance with specific regulations and internal rules applicable to all third-party transactions. These transactions are subject to prevailing market conditions and transfer pricing regulations.

Interbank extends loans to related parties, including its executive officers and directors and executive officers and directors of our affiliates, in accordance with Peruvian law and regulations established by the SBS. According to the SBS, loans to related parties cannot be made on more favorable terms than those offered to the public, with the exception of mortgage loans granted to workers for housing purposes. As a result, all related-party loans have been made in the ordinary course of business, on an arm's-length basis and on substantially the same terms, including with respect to interest rates and collateral, as those prevailing at the time for comparable transactions offered to the public. In addition, related-party loans do not involve greater collection risk nor present other features unfavorable to Interbank as compared to loans offered to the public. Peruvian law and SBS regulations also set forth limitations on the amount of credit loans that may be extended to related parties based on Article 201 and Article 202 of the Peruvian Banking and Insurance Law. The law establishes that the total amount of loans to be extended to directors, employees and close relatives of any such persons may not exceed 7.0% of the bank's regulatory capital. All loans extended to any director or employee of the company (including close relatives of such person) may not exceed 0.35% of the regulatory capital (i.e., 5.0% of the overall 7.0% limit discussed above).

In addition, under Article 202 of the Peruvian Banking and Insurance Law, no loans extended to related parties or affiliates may exceed 30.0% of a bank's regulatory capital. Under these laws, related-party borrowers include any corporation holding, directly or indirectly, 4.0% or more of a bank's shares, such bank's directors, certain of its principal executive officers or other persons affiliated with such bank's management or any individual or entity that is deemed to have a significant influence in its operations.

Furthermore, under Peruvian law, board members and executive officers of a publicly-held company subject to the regulations of the SMV, such as us, may not (i) engage in transactions with the company unless approved by the board of directors, (ii) appropriate for their own benefit a business opportunity that belongs to the company, (iii) disclose or use, inappropriately, for their own benefit, privileged information, and (iv) participate in any corporate decision that presents a conflict of interest with the company. In all cases, the execution of agreements that involve at least 5.0% of the assets of the company with persons or entities related to directors, managers or shareholders that own, directly or indirectly, more than 10.0% of the share capital requires the prior authorization of the board of directors (with no participation of the director(s) involved in the transaction, if any). In addition, the execution of agreements with a party controlled by the company's controlling shareholder requires the prior authorization of the board of directors and an evaluation of the terms of the transaction by an external independent company (audit companies or other evaluator to be determined by the SMV).

For additional information about loans to, and certain other transactions with, related parties and affiliates including directors and officers, see note 22 to our audited annual financial statements and note 18 to our unaudited condensed interim financial statements.

Lease Agreements between Interbank and Supermercados Peruanos S.A. ("Supermercados Peruanos")

In December, 2003, Interbank and Supermercados Peruanos S.A., a subsidiary of Intercorp, entered into a master area assignment agreement, as amended, pursuant to which Supermercados Peruanos agreed to lease 1,000 square meters of floor space, at US$80.0 plus taxes per square meter per month for the first five years (2004-2009); US$92.0 plus taxes for the following five years (2009-2014); and US$113.3 plus taxes, for the last five years (2014-2019) of the term of the agreement. Under the terms of such agreement, the assignee granted to Interbank, for a term of 15 years, the right to use an area in its supermarkets for the operation of its financial stores. Interbank made an advanced payment of US$8 million to be applied to the monthly rental payments, and a security deposit of US$2 million also to be applied, among others, as warranty of the payment of the monthly consideration.

In September, 2009, Interbank and Supermercados Peruanos entered into a second amendment to the agreement, pursuant to which Supermercados Peruanos agreed to assign 1,038 square meters of additional floor space,

corresponding to areas in new supermarkets, at US$80 per square meter per month, plus taxes. Interbank made an advanced payment of US$6.0 million, to be applied to the first 80 monthly rental payments. Negotiations are currently being held to renew this agreement.

Loan Agreement between Interbank and GTP Inversionistas S.A.C.

In May 2017, Interbank and GTP Inversionistas S.A.C. entered into a loan agreement under which Interbank disbursed to the latter US$32,560,000 for the indirect acquisition of 25.0% of the capital stock of Universidad Tecnológica del Perú S.A.C. ("UTP"). The loan was granted for a term of five years to be repaid in five annual payments with an effective annual interest rate of 7.9%. The collateral granted consisted on a pledge agreement of 25.0% of the capital stock of UTP. The total outstanding debt for such loan amounts to US$30.2 million, as of March 31, 2020. Since the SBS allowed all Peruvian financial institutions to amend terms and conditions of outstanding loans without characterizing such amendments as refinancings, provided that the tenor of any loan is not extended for more than six months from its original term and the related debtors were in compliance with their obligations thereunder at the time the Peruvian government declared the national state of emergency through Supreme Decree 044-2020-PCM, Interbank and GTP Inversionistas S.A.C. agreed to reschedule payments of the loan agreement. Consequently, the maturity has been extended until May 2027.

Leasing Agreements with Supermercados Peruanos

Interbank and Supermercados Peruanos S.A., have entered into several leasing agreements whereby Interbank leased real estate property, machinery and equipment to Supermercados Peruanos. As of March 31, 2020, the total outstanding debt for such leasing agreements amounts to S/101.9 million.

Loan Agreement with Supermercados Peruanos

On September 27, 2018, Interbank and Supermercados Peruanos S.A. entered into a medium-term loan agreement under which Interbank granted a loan for up to S/95 million to be paid in 28 installments at a monthly interest rate of 5.85%. As of March 31, 2020, the total outstanding debt for such loan amounts to S/198 million.

Leasing Agreements with Homecenters Peruanos ("HPSA")

Interbank and Homecenters Peruanos S.A., a subsidiary of Intercorp, have entered into several leasing agreements whereby Interbank leased machinery and equipment to HPSA. As of March 31, 2020, the total outstanding debt for such leasing agreements amounts to S/59 million.

Loan Agreements with HPSA

In November, 2019, Interbank and HPSA, a subsidiary of Intercorp, entered into a term loan agreement for S/25 million at annual interest rate of 5.30%. As of March 31, 2020, the total outstanding debt under such loan agreement amounts to S/24 million.

Loan Agreement with InRetail Pharma

Interbank and InRetail Pharma, a subsidiary of Intercorp, have entered into a syndicated secured loan agreement for up to S/161.9 million due on April 2025. The collateral granted consisted on mortgage over real estate properties and personal guarantees (*fianzas solidarias*) granted by several of its subsidiaries. As of March 31, 2020, the total outstanding debt for such loan amounts to S/121.5 million at an interest rate of 4.7%.

Loan Agreement with UTP

In September 2018, Interbank and UTP, a subsidiary of Intercorp, entered into a loan agreement under which Interbank disbursed UTP S/80 million at an interest rate of 6.9%. The loan was granted for a term of seven years, which includes a two-year grace period. The collateral granted consisted on mortgage over real estate properties and assignment of surface rights. As of March 31, 2020, the outstanding debt is S/80 million, currently UTP has been making only interest payments. Since the SBS allowed all Peruvian financial institutions to amend terms and conditions of outstanding loans without characterizing such amendments as refinancings, provided that the tenor of any loan is not extended for more than six months from its original term and the related debtors were in compliance

with their obligations thereunder at the time the Peruvian government declared the national state of emergency through Supreme Decree 044-2020-PCM, Interbank and UTP agreed to amend the installments of the loan. The maturity remains as agreed originally.

Loan Agreement with UTP

In March 2020, Interbank and UTP, a subsidiary of Intercorp, entered into a long term loan under which Interbank disbursed to UTP S/112 million at an interest rate of 5.60%. The loan was granted for a term of seven years, which includes a one-year grace period. The collateral granted consisted of a receivables accounts trust (*fideicomiso de flujos*). This collateral is shared *pari passu* with other financial institutions. As of March 31, 2020, the outstanding debt is S/112 million, currently UTP has been making only interest payments.

DESCRIPTION OF THE NOTES

We will issue the notes pursuant to an indenture to be entered into among Banco Internacional del Perú S.A.A. and The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent. We will, under the indenture, appoint a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture will be available for inspection during normal business hours at the offices of the trustee and any other paying agent. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including our obligations and your rights.

You will find the definitions of capitalized terms used in this section under "—Definitions". For purposes of this section of this offering memorandum, references to "Interbank", "we", "us" and "our" refer only to Banco Internacional del Perú S.A.A., and not to its subsidiaries.

Interbank will not be required to, nor does it currently intend to, register the notes under the Securities Act nor otherwise offer to exchange the notes for notes registered under the Securities Act. The indenture will not be qualified under or subject to the terms of the U.S. Trust Indenture Act of 1939, as amended.

General

The notes:

- will be Interbank's direct, unsecured subordinated obligations, junior in right of payment to all existing and future Senior Obligations of Interbank in accordance with the subordination provisions of the indenture;
- will initially be issued in an aggregate principal amount of US$300,000,000;
- will mature on July 8, 2030;
- will not be subject to redemption prior to maturity at the option of Interbank, except as described under "Redemption Prior to Maturity";
- will be issued in denominations of US$150,000 and integral multiples of US$1,000 in excess thereof; and
- will be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Acceleration of any payments due under the notes will occur only upon the occurrence and continuation of an Acceleration Event. There is no right of acceleration in the case of a default in any payment on the notes (whether when due, upon redemption or otherwise) or the performance of any of Interbank's other obligations under the indenture or the notes. For more information, see "—Ranking," "—Loss Absorption" and "—Acceleration Event."

As of March 31, 2020, Interbank had S/3,448 million (approximately US$1,003 million) of Senior Obligations, S/1,636 million (approximately US$476 million) of Parity Obligations and S/687 million (approximately US$200 million) of Junior Obligations. On April 23, 2020, Interbank redeemed US$200 million aggregate principal amount of its 8.500% non-cumulative fixed/floating rate step-up junior subordinated notes due 2070 issued through its Panamanian branch on April 23, 2010, which represented the totality of Interbank's Junior Obligations.

Interbank intends to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF market.

Subject to applicable Peruvian Banking Law, and with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, Interbank may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and

forming a single series with, the notes initially issued in this offering; *provided* that any additional notes shall be issued under a separate CUSIP or ISIN number unless the additional notes are issued pursuant to a "qualified reopening" of, or are otherwise fungible with, the notes sold in this offering for U.S. federal income tax purposes.

Ranking

The notes will constitute Interbank's direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of Interbank's bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under the Peruvian Banking Law, the notes will rank:

- junior in right of payment to all of Interbank's existing and future Senior Obligations;
- *pari passu* in right of payment with all of Interbank's existing and future Parity Obligations; and
- senior in right of payment to all of Interbank's existing and future Junior Obligations and share capital.

The indenture provides that, in the event of Interbank's bankruptcy, unless all creditors of its Senior Obligations have been paid in full, no payment or other distribution may be made in respect of the notes. If the trustee under the indenture or any holders of the notes receive any payment or distribution that is prohibited under these provisions, then the trustee or the holders will have to repay that money to, or hold that money in trust for the benefit of, creditors of Interbank's Senior Obligations. See "—Loss Absorption" and "Risk Factors—Risks Relating to the Notes—The notes will be unsecured, subordinated obligations and will rank junior in right of payment to all of our existing and future Senior Obligations."

Principal, Maturity and Interest

Interbank will issue US$300,000,000 in aggregate principal amount of notes in this offering. The notes will mature on July 8, 2030, unless previously redeemed with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required.

The notes will bear interest from July 8, 2020 or from and including the most recent interest payment date on which Interbank has paid or provided for interest on the notes to but excluding the next interest payment date. From and including July 8, 2020 to but excluding July 8, 2025 (the "Reset Date," which shall not be earlier than the date that is five years from the issue date), the notes will bear interest at a rate per annum of 4.000%. During the period from and including the Reset Date to but excluding the date of maturity or earlier redemption date, the interest rate per annum for the notes will be equal to the sum of (i) the Benchmark Rate on the Reset Date and (ii) 371.1 basis points (rounded to three decimal places, with any value lesser than 0.0005 being rounded down). The notes will be redeemed at par at maturity. Interbank will pay interest on the notes semi-annually on each January 8 and July 8, commencing on January 8, 2021, to the person in whose name such note was registered at the close of business on the immediately preceding January 3 or July 3, as the case may be (whether or not a Business Day). However, interest not punctually paid or duly made available for payment, if any, will be paid instead to the person in whose name the note is registered on a special record date rather than on the regular record date. In the case of interest due at the date of maturity, Interbank will pay interest to the persons to whom principal is payable, whether or not the date of maturity is an interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

In the event that an interest payment date is not a Business Day, Interbank will pay interest on the next day that is a Business Day, with the same force and effect as if paid on such interest payment date, and no interest shall accrue on the amount so payable for the period from and after such interest payment date on account of such delay. If the date of maturity or earlier redemption date falls on a day that is not a Business Day, the payment of principal and interest, if any, may be made on the next succeeding Business Day and no interest shall accrue on the amount so payable for the period from and after such date of maturity or earlier redemption date.

Any money that Interbank pays to the paying agents for the purpose of making payments on the notes that remains unclaimed two years after the payments were due will, subject to any applicable unclaimed property laws, at

Interbank's written request, be returned to Interbank. After that time any holder of a Note can only look to Interbank for payment on the notes.

Redemption Prior to Maturity

The notes will not be redeemable at the option of Interbank prior to maturity, except as described below. For further information on the SBS regulations for redemptions prior to maturity, see "Regulation and Supervision—Banking Regulation and Supervision—Subordinated Debt as a Component of Regulatory Capital of Interbank".

Optional Redemption

On the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, Interbank may at its option redeem the notes, in whole or in part, at a redemption price equal to 100.000% of the aggregate principal amount of the notes to be redeemed, plus any accrued and unpaid interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts, if any.

Make-Whole Redemption

After the Reset Date, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, Interbank may at its option redeem the notes, in whole or in part, at a price equal to the greater of (1) 100% of the outstanding principal amount of such notes on such redemption date and (2) the sum of the present value of each remaining scheduled payment of principal and interest on such notes (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), plus in each case any accrued and unpaid interest on the principal amount of such notes up to, but not including, the date of redemption, plus Additional Amounts, if any.

Redemption upon Tax Event or Regulatory Event

At any time with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, Interbank may redeem the notes, in whole, but not in part, following the occurrence of a Tax Event (as defined below) or a Regulatory Event (as defined below) at a redemption price equal to 100.000% of the aggregate principal amount of the outstanding notes, plus any accrued and unpaid interest on the principal amount of the outstanding notes up to, but not including, the date of redemption, plus Additional Amounts, if any.

In the case of a redemption due to a Tax Event, before giving notice of redemption to the holders, Interbank shall deliver to the trustee an officers' certificate stating that Interbank is entitled to effect such redemption in accordance with the terms set forth in the indenture, setting forth in reasonable detail a statement of the facts relating thereto and stating that such obligation cannot be avoided by taking reasonable measures available to Interbank (such measures not involving any material cost to Interbank or the incurring of any material tax or penalty); *provided* that for this purpose reasonable measures shall not include any change in Interbank's jurisdiction of organization or location of its principal executive office. The statement will be accompanied by a written opinion of counsel to the effect, among other things, that as a result of a Tax Event, Interbank has become obligated to pay or on the next interest payment date would be liable for (a) Additional Amounts payable in respect of the notes in excess of the gross amount of Additional Amounts payable in respect of such notes prior to such Tax Event, or (b) paying any Peruvian value added taxes imposed in respect of payments of interest on the notes.

In the case of a Tax Event or a Regulatory Event, Interbank is required, prior to exercising the right of redemption, to deliver to the trustee an officers' certificate together with a written legal opinion of Peruvian counsel of recognized standing, selected by Interbank, confirming that such right of redemption has been authorized by the SBS or any other then-applicable Peruvian Governmental Authority, if then required, or confirming that such authorization is not required.

"*Tax Event*" means that, as a result of (i) any change in or amendment (including any announced prospective change) to the laws or regulations of Peru or any political subdivision or governmental authority thereof, (ii) any

judicial decision, administrative resolution or order, other official administrative act or announcement or other regulatory procedure of Peru or any political subdivision or governmental authority thereof (each, an "Administrative Action"), or (iii) any amendment to or change in the official position or the official interpretation of an Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction (and irrespective of the manner in which any such amendment, change or Administrative Action is made known), which such amendment or change is effective or such Administrative Action is announced on or after the date of issuance of the notes, Interbank has become obligated or on the next interest payment date Interbank would be obligated to pay (a) Additional Amounts in respect of the notes in excess of the gross amount of Additional Amounts payable in respect of the notes prior to such amendment, change or Administrative Action or (b) any Peruvian value added taxes imposed in respect of payments of interest on the notes to the extent that such Peruvian value added taxes cannot be offset against any other tax liabilities that may arise out of Interbank's ordinary course of business; *provided* that such obligation cannot be avoided by taking reasonable measures available to Interbank (such measures not involving any material cost to Interbank or the incurring of any material tax or penalty).

"*Regulatory Event*" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any regulatory authority therein or (ii) any change in the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, which change or amendment becomes effective on or after the issuance date of the notes, Interbank will no longer be entitled to treat the full, or the applicable portion of, principal amount of the notes as Tier II Regulatory Capital pursuant to Peruvian banking regulations. See "Peruvian Banking Regulations—Subordinated Debt as a Component of Regulatory Capital of Interbank."

Notice of Redemption

In the event that Interbank exercises its option to redeem the notes (subject to obtaining the approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required), Interbank will give, or cause to be given, a notice of redemption to each holder (which, in the case of global notes, will be DTC) of notes to be redeemed at least 10 days and not more than 60 days prior to the redemption date as described under "—Notices."

Unless Interbank defaults in the payment of the redemption price, interest will cease to accrue on the notes on and after the redemption date.

Open Market Purchases

Interbank or any of its affiliates may at any time purchase any notes in the open market or otherwise in any manner and at any price, which notes may be delivered to the trustee to be promptly cancelled by it. Any such note not delivered to the trustee to be cancelled may be resold in compliance with all relevant laws, regulations and directives, *provided*, that with respect to Interbank or any related entity included within the scope of Article 3(2) of the Subordinated Debt Regulations, such purchases are permitted by applicable Peruvian Banking Law and its regulations in order for the notes to continue qualifying as Regulatory Capital and with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority.

Form, Denomination and Title

The notes will be issued in fully registered form without coupons attached in minimum denominations of US$150,000 and integral multiples of US$1,000 in excess thereof. Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "—Form of the Notes—Global Notes".

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or any transfer agent. Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "—Form of the Notes". Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions". The trustee will initially act as the registrar and as a transfer agent with respect to the notes.

Transfer will be effected without charge by or on behalf of Interbank, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it.

Interbank is not required to transfer or exchange any note selected for redemption. No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal, premium, if any, or interest on that note.

Additional Amounts

All payments to a holder in respect of the notes will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law. If Interbank shall be required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, Interbank will (a) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction (including withholding or deduction with respect to such Additional Amounts) equal the respective amounts which would have been receivable by such holders in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of the notes or receiving principal or interest payments on the notes or enforcing its rights thereunder (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal of or premium, if any, or interest with respect to the notes;

(iii) to the extent that such Taxes would not have been imposed or levied but for the failure of the holder (or beneficial owner) to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (2) the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) Interbank has given the holders (or beneficial owners) at least 30 days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its note for payment within 30 days after Interbank has made available a payment of principal or interest, *provided* that

Interbank will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are estate, inheritance, gift, personal property, use or sales taxes or any similar taxes, assessments or other governmental charges;

(vi) for any Taxes or equivalent thereof imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986 as of the issue date of the notes, any current or future regulations promulgated thereunder or other official administrative interpretations thereof and any agreements entered into pursuant to current Section 1471(b)(1) of the Internal Revenue Code of 1986, and including (for the avoidance of doubt) any intergovernmental agreements (and any law, regulation, rule or practice implementing any such intergovernmental agreement) in respect of the foregoing; or

(vii) any combination of items (i) through (vi) above.

Furthermore, no Additional Amounts will be paid to a holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder.

"Taxes" means, with respect to payments on the notes, all taxes, withholdings, duties, assessments or governmental charges in the nature of a tax (including related penalties and interest) imposed or levied by or on behalf of a Taxing Jurisdiction.

"Taxing Jurisdiction" means Peru, or the jurisdiction of incorporation or tax residence of Interbank or any successor entity of Interbank, or the jurisdiction through which Interbank (or any successor) or any paying agent acting on behalf of Interbank (or any successor) makes any payments with respect to the notes, or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax.

Interbank will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which Interbank has paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

Interbank will also pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, registration, enforcement or the making of payments in respect of the notes or the indenture, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of a Taxing Jurisdiction other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any default under the indenture.

All references in this offering memorandum to principal, premium, if any, and interest on the notes will include any Additional Amounts payable by Interbank in respect of such principal, premium, if any, and interest.

Covenants

Limited Covenants

The indenture does not include any covenants or other provisions which afford holders of the notes protection in the event of a highly leveraged transaction or a change of control at Interbank. The indenture does not limit Interbank's ability to incur additional indebtedness (including Additional notes), its ability to grant liens on its assets and properties, its payment of dividends, its ability to make investments or enter into transactions with its affiliates or require it to create or maintain any reserves.

Limitation on Consolidation, Merger or Transfer of Assets

Interbank will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

- the resulting, surviving or transferee Person (if not Interbank) is a Person organized and existing under the laws of Peru, and expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of Interbank under the indenture and the notes;

- immediately prior to such transaction and immediately after giving effect to such transaction, no default will have occurred and be continuing; and

- Interbank delivers to the trustee an officers' certificate and an opinion of counsel of recognized standing, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture, if any, comply with the indenture and with the requirements of the Peruvian Banking Law and regulations of the SBS.

The trustee will be entitled to rely exclusively on and will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting Requirements

Interbank will provide or cause to be provided to the trustee any financial statements which Interbank may file with the SMV or the SEC, or which are otherwise made available to the public in such language or form as such financial statements are prepared. In addition to the foregoing (and without duplication), Interbank will cause to be provided to the trustee (i) in English (or accompanied by an English translation thereof) as soon as available and in any case within 45 days after the end of each fiscal quarter (other than the fourth quarter), its unaudited balance sheet, statement of income, statement of changes in stockholders' equity and statements of cash flow calculated in accordance with Peruvian Banking GAAP or IFRS or such other accounting standards as may from time to time be required for Peruvian banks and (ii) in English (or accompanied by an English translation thereof) as soon as available and in any case within 90 days after the end of each fiscal year, its audited balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow calculated in accordance with Peruvian Banking GAAP or IFRS or such other accounting standards as may from time to time be required for Peruvian banks and accompanied by a report thereon by an independent public accountant of recognized international standing, together in all cases under (i) and (ii) with a management description and analysis of Interbank's financial condition and results of operations substantially in the form set forth under "Management's Description and Analysis of Financial Condition and Results of Operations" in this offering memorandum.

For as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, Interbank will furnish to any holder of notes issued under Rule 144A, or to any prospective purchase designated by such holder of notes, upon request of such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to Interbank to the extent required in order to permit such holder of notes to comply with Rule 144A with respect to any resale of its note, unless during that time, Interbank is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about Interbank is otherwise required pursuant to Rule 144A.

Loss Absorption

Pursuant to the Peruvian Banking Law and regulations promulgated thereunder, the SBS shall, when applicable, in the case of an Intervention (as defined below) by the SBS or the dissolution and liquidation of Interbank, use accrued and unpaid interest on, and principal amounts (including premium, if any) of, the notes, in that order and on a prorated basis and *pari passu* among them, to absorb losses of Interbank. If the SBS were to do so, any losses of Interbank would be absorbed first by the share capital and other instruments which qualify as Tier I Regulatory Capital, second by *instrumentos híbridos representativos de capital y de deuda* (hybrid instruments representing equity and

debt) which qualify as Tier II Regulatory Capital, third by *instrumentos no híbridos representativos de capital* (non-hybrid instruments representing equity) which qualify as Tier II Regulatory Capital, fourth by *instrumentos no híbridos representativos de deuda* (non-hybrid instruments representing redeemable debt) which qualify as Tier II Regulatory Capital (such as the notes) and fifth by Tier III Regulatory Capital, in that order. See "Risk Factors—Risks Relating to the Notes—The notes may be used to absorb losses that we incur."

Peruvian Bankruptcy Considerations

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Central Reserve Bank of Peru; (c) repeated violation of the Peruvian Banking Law or the bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (*provided* that, if the deficit is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divesture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations for up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; (b) segregating certain assets and liabilities for transfer to another financial institution; and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for: (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance systems, and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions, *provided* that certain requirements under applicable law are met.

During liquidation, claims of bank creditors rank as follows:

First order – Labor claims:

1st Employee remunerations.

2nd Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order – Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos*).

Third order – Taxes:

1st Claims by the Peruvian social security administration (*Seguro Social de Salud - EsSalud*) related to health care benefits for which the bank is responsible as employer.

2nd Taxes.

Fourth order – Unsecured and non-privileged credits:

1st All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.

2nd The legal interest on the bank's obligations that may accrue during the liquidation. *3rd* Subordinated debt.

Except for unsecured and non-privileged credits (unless otherwise agreed in such instances amongst creditors), all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall survive in order to guarantee the obligation it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims, savings and deposits, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking Law. See "Risk Factors—Risk Relating to the Notes—The Notes will be unsecured, subordinated obligations and will rank junior in right of payment to all of our existing and future Senior Obligations."

Creditors representing at least 30% of total amount of credits may submit a restructuring plan for consideration and approval of the SBS. Such restructuring plan may establish that losses will be absorbed by holders of subordinated debt. Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to corporations in general.

Acceleration Event

If Interbank fails to make payment of principal or of interest or Additional Amounts, if any, on the notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture and Interbank will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the notes. There is no right of acceleration in the case of a default in any payment on the notes (whether when due, upon redemption or otherwise) or the performance of any of Interbank's other obligations under the indenture or the notes.

Acceleration of any payments due under the notes will occur only upon the occurrence and continuation of an Acceleration Event. If an Acceleration Event occurs and is continuing, the notes shall become immediately due and payable, and the rate at which interest will accrue on the notes (to the extent the notes have not been used to absorb losses) during the Intervention or dissolution and liquidation will be limited to the legal interest rate for dollar-denominated indebtedness determined by the Central Reserve Bank of Peru. Pursuant to the Peruvian Banking Law, upon Intervention by the SBS, the operations of Interbank will be interrupted in order to prevent, or to control and reduce the effects of, an Interbank failure. Upon Intervention by the SBS or the dissolution and liquidation of Interbank, the notes may be used to absorb losses. See "—Loss Absorption."

Amendment, Supplement, Waiver

With certain exceptions and subject to applicable Peruvian Banking Law, and with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, the notes and the indenture may be amended, supplemented or waived with the written consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

(i) reduce the rate of or extend the time for payment of interest on any note (for the avoidance of doubt, changing the period provided for any notice under the indenture and the notes is not limited by this clause);

(ii) reduce the principal of or change the stated maturity of any note;

(iii) reduce the amount payable upon the redemption of any note or change the time at which any note may be redeemed (for the avoidance of doubt, changing the period provided for any notice under the indenture and the notes is not limited by this clause);

(iv) change the currency or place for payment of principal of, premium, if any, or interest on, any note;

(v) impair the right to institute suit for the enforcement of any payment on or with respect to any note;

(vi) reduce the principal amount of notes whose holders must consent to any amendment, supplement or waiver; or

(vii) make any change in the amendment or waiver provisions which require each holder's consent.

Any amendment to, or waiver of, the subordination provisions of the indenture that adversely affects the rights of the holders of the Notes will require the consent of the holders of at least 75% in aggregate principal amount of Notes then outstanding. No amendment may make any change that adversely affects the ranking of Senior Obligations as set forth in the Peruvian Banking Law unless the creditors of such Senior Obligations (or any representative thereof authorized to give a consent) consent to such change.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, Interbank is required to give to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Subject to applicable Peruvian Banking Law, and with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, Interbank and the trustee may, without notice to or the consent or vote of any holder of the notes, amend, waive or supplement the notes or the indenture for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency (including, without limitation, any inconsistency between the text of the indenture or the notes and the description of the indenture and the notes contained in this offering memorandum);

(2) to comply with the covenant described under "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets";

(3) to add to the covenants of Interbank for the benefit of holders of the notes;

(4) to surrender any right conferred by the indenture upon Interbank;

(5) to evidence and provide for the acceptance of an appointment by a successor trustee;

(6) to provide for the issuance of additional notes; or

(7) to make any other change that does not materially and adversely affect the rights of any holder of the notes.

Any notes owned by Interbank or any of its Subsidiaries or Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of notes outstanding have given any request, demand, authorization, direction, consent or waiver under the indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the register maintained by the registrar. For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be Luxemburger Wort) or on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice will be deemed to have been delivered on the date of first publication.

Interbank shall also cause all other such publications of such notices as may be required from time to time by applicable Peruvian law, including, without limitation, those required under the applicable Peruvian regulations issued by the SBS or any other applicable Peruvian regulator.

Trustee

The Bank of New York Mellon will be the trustee under the indenture. The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

The trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. The indenture provides that during the existence of an Acceleration Event, the trustee will exercise the rights and powers vested in it by the indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

Interbank and its Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

The trustee may hold notes in its own name.

Registrar, Transfer Agent and Paying Agents

The trustee will initially act as registrar for the notes. The trustee will also act as transfer agent and paying agent for the notes. Interbank has the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the notes. Registration of transfers of the notes will be effected without charge, but upon payment (or the giving of such indemnity as the registrar or the relevant transfer agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Interbank will not be required to register or cause to be registered the transfer of notes after all the notes have been called for redemption.

For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, Interbank will maintain a Luxembourg listing agent. Interbank has initially appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as Luxembourg listing agent.

Governing Law, Submission to Jurisdiction and Claims

The notes are being issued as redeemable subordinated debt under Article 233 of the Peruvian Banking Law. For the avoidance of doubt, in the case of an Intervention by the SBS or the dissolution and liquidation of Interbank, the Peruvian Banking Law and the regulations promulgated thereunder shall govern any such Intervention or dissolution or liquidation.

The notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Interbank will submit to the jurisdiction of the U.S. federal and New York state courts located in the Borough of Manhattan, New York City, and to the courts of its own corporate domicile, in respect of actions brought against it as defendants, for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. Interbank has appointed CT Corporation System, 28 Liberty Street New York, New York 10005, as its authorized agent upon which process may be served in any such action.

According to the laws of the State of New York, claims against Interbank for the payment of principal of and premium, if any, and interest on the notes must be made within six years from the due date for payment thereof.

Waiver of Immunities

To the extent that Interbank may claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the notes or the indenture and to the extent that in any jurisdiction there may be immunity attributable to Interbank or its assets, whether or not claimed, Interbank will for the benefit of the holders irrevocably waive and agree not to claim such immunity to full extent permitted by law.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by Interbank under or in connection with the notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of Interbank or otherwise) by the trustee or any holder of a note in respect of any sum expressed to be due to it from Interbank will only constitute a discharge of Interbank to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the indenture or any note, Interbank will indemnify such recipient against any loss sustained by it as a result. In any event, Interbank will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the trustee or the holder of a note, as applicable, to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of Interbank, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the trustee or any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the indenture or any note.

Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms.

"*Acceleration Event*" means that the SBS has issued a resolution, decree, order or any other administrative act for the Intervention by the SBS or the dissolution and liquidation of Interbank, in each case pursuant to the Peruvian Banking Law.

"*Affiliate"* means, with respect to any specified Person, (a) any other Person who, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or officer of (i) such specified Person, (ii) any subsidiary of such specified Person or (iii) any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Benchmark Rate*" means, with respect to the Reset Date, (a) the yield calculated by Interbank after 4:15 p.m., New York time, on the second Business Day preceding the Reset Date, as follows: for the latest Business Day that appears in the statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) ("H.15") under the caption "Treasury Constant Maturities – Nominal," Interbank shall select the yield for the 5-year constant maturity; or (b) if H.15 is no longer published or regularly available, the rate per annum equal to the semi-annual equivalent yield to maturity of the United States Treasury security, selected by Interbank with a maturity closest to the Reset Date and, if two or more have the same maturity, that is trading closest to par, and that is otherwise consistent with customary financial practice, assuming a price for such Reset Date equal to the average of the bid and ask prices for such United States Treasury (expressed in each case as a percentage of its principal amount) quoted in writing to Interbank utilizing a source customarily used in the financial markets at 3:30 p.m., New York time, on the second Business Day preceding the Reset Date.

"*Business Day*" means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States or Lima, Peru, generally are authorized or required by law, regulation or executive order to remain closed.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity.

"*Comparable Treasury Price*" means, with respect to any redemption date (1) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if an Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*holder*" means the Person in whose name a note is registered in the register.

"*IFRS*" means International Financial Reporting Standards adopted by the International Accounting Standards Board.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by Interbank.

"*Junior Obligations*" means (i) all *instrumentos híbridos representativos de capital y de deuda* (hybrid instruments representing equity and debt) of Interbank which qualify as Tier II Regulatory Capital and all *instrumentos no híbridos representativos de capital* (non-hybrid instruments representing equity) of Interbank which qualify as Tier II Regulatory Capital, in accordance with the Peruvian *Reglamento de Deuda Subordinada aplicable a las Empresas del Sistema Financiero*, or successor regulation, (ii) all instruments of Interbank which qualify as Tier I Regulatory Capital, and (iii) any other securities or obligations of Interbank which, by operation of law or otherwise, rank pari

passu with any class of Interbank's share capital with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.

"*Parity Obligations*" means (i) all securities or other redeemable subordinated obligations of Interbank which qualify as Tier II Regulatory Capital of Interbank other than those that constitute Junior Obligations and (ii) any other securities or obligations of Interbank which rank (pursuant to mandatory provisions of law or otherwise), or are expressed to rank, *pari passu* with Interbank's obligations under the notes.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Peruvian Banking GAAP*" means the generally accepted accounting principles in Peru prescribed by the SBS for financial institutions subject to supervision by the SBS.

"*Peruvian Banking Law*" means the Peruvian General Law of the Financial and Insurance Systems and Organic Law of the Superintendence of Banking and Insurance (*Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*), No. 26702, as amended, or any successor laws thereto, as in effect from time to time.

"*Peruvian Governmental Authority*" means the government of Peru or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, the Peruvian Central Bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers, or functions of or pertaining to a government with jurisdiction, over Interbank.

"*Reference Treasury Dealer*" means BofA Securities Inc. and JPMorgan Securities LLC or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by Interbank; *provided*, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), Interbank will substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and ask price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"*Regulatory Capital*" (*patrimonio efectivo*) has the meaning assigned to such term under the Peruvian Banking Law and in regulations issued by the SBS, as the same may be amended, restated, supplemented or replaced from time to time.

"*SBS*" means the Peruvian Superintendence of Banks, Insurance and Pension Funds Administrators (*Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones*), or any successor thereto.

"*SEC*" means the U.S. Securities and Exchange Commission, or any successor thereto.

"*Senior Obligations*" means (i) all claims of Interbank's unsubordinated creditors and other claims and obligations that rank senior in right of payment under mandatory provisions of Peruvian law, including all labor claims of Interbank's employees, all claims of Interbank's depositors, all claims of the Peruvian social security administration (*Seguro Social de Salud*) for healthcare obligations and all claims for taxes, and (ii) all claims of all of Interbank's other creditors, except claims in respect of Parity Obligations and Junior Obligations.

"*SMV*" means the Peruvian Capital Markets Superintendence (*Superintendencia del Mercado de Valores*), or any successor thereto.

"*Subordinated Debt Regulations*" means the *Reglamento de Deuda Subordinada aplicable a las Empresas del Sistema Financiero* approved by SBS Resolution No. 975-2016, as amended, restated, supplemented or replaced from time to time.

"*Subsidiary*" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of share capital or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) Interbank, (b) Interbank and one or more Subsidiaries or (c) one or more Subsidiaries.

"*Tier I Regulatory Capital*" means the Tier I regulatory capital (*patrimonio efectivo básico o de nivel 1*) of Interbank calculated in accordance with article 184(A) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

"*Tier II Regulatory Capital*" means the Tier II regulatory capital (*patrimonio efectivo de nivel 2*) of Interbank calculated in accordance with article 184(B) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

"*Tier III Regulatory Capital*" means the Tier III regulatory capital (*patrimonio efectivo de nivel 3*) of Interbank calculated in accordance with article 184(B) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Form of the Notes

Notes sold pursuant to Regulation S will be represented by a global note in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold pursuant to Rule 144A will be represented by a global note in fully registered form without interest coupons (the "Rule 144A Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes are being offered and sold in this initial offering in the United States solely to "qualified institutional buyers" under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States pursuant to Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions".

Prior to the 40th day after the date of original issuance of the notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Exchanges between the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee, who takes delivery of that interest through a note offered and sold in the United States to qualified institutional buyers pursuant to Rule 144A Global Note, will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction completing the requirements of Rule 144A transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the trustee of a certification from the transferor (in the form provided in the indenture) that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Global Notes

Upon receipt of the Regulation S Global Note and the Rule 144A Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of Persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to Persons who have accounts with DTC ("DTC Participants") or Persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of Persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Except as described in "Certificated Notes", owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear Bank S.A./N.V., as operator of Euroclear System ("Euroclear") and Clearstream Banking, societe anonyme ("Clearstream").

Investors may hold interests in the Global Notes through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Global Notes in customers' securities accounts in the depositaries' names on the books of DTC.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither we, any initial purchaser, the trustee or any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures. The laws of some jurisdictions require that certain Persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such Persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a Person having a beneficial interest in a global note to pledge such interest to Persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated note in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Note in DTC, and making or receiving payment in accordance with normal procedures applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Rule 144A Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to Persons who hold accounts with them and by such Persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Rule 144A Global Note among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform

such procedures, and such procedures may be discontinued at any time. Neither we nor the initial purchaser will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

(1) If DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for a global note and a successor depositary is not appointed by us within 90 days, (2) upon the occurrence of certain other events as provided in the indenture or (3) if we, at our sole discretion, determine that the global notes will be exchangeable for certificated notes and we notify the trustee thereof, we will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Rule 144A Global Note, as the case may be. Upon the occurrence of any of the foregoing events, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the trustee in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the trustee with (a) written instruction and other information required by us and the trustee to complete, execute and deliver such certificated notes and (b) certification that such interest is being transferred in compliance with the Securities Act. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Certificated notes will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream.

TAXATION

The following discussion summarizes certain Peruvian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws, regulations, rulings and decisions now in effect in Peru and the United States, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Peruvian Tax Considerations

The discussion in this offering memorandum regarding Peruvian tax considerations is not intended or written to be used, and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Prospective investors should consult an independent tax advisor with respect to the Peruvian tax consequences of acquiring, owning or disposing of the notes.

The following is a general summary of certain material Peruvian tax consequences that may be relevant with respect to the purchase, ownership or disposition of the notes by non-Peruvian holders. This summary is not intended to be a comprehensive description of all of the Peruvian tax considerations that may be relevant to a decision by non-Peruvian holders to make an investment in the notes.

For purposes of this section, "non-Peruvian holder" means (i) any individual who is not domiciled in Peru; and (ii) any legal entity incorporated outside of Peru, *provided* that it does not conduct any trade or business through a permanent establishment in Peru or hold the notes through a Peruvian branch. A non-Peruvian individual will be deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any 12-month period. The change on the condition of residence will be effective as of January 1 of the following calendar year.

The following considerations are general and consequences may vary if a tax treaty signed by Peru is applicable. The tax treaties currently in force are those signed with Chile, Canada, Brazil, Portugal, Mexico, Korea, Switzerland and the Decision 578 applicable to countries that are members of the Andean Community (Colombia, Ecuador, Bolivia and Peru). If a non-Peruvian holder of the notes is a resident of any of those countries, we recommend consulting an independent tax advisor.

Income Tax

Payment of interest on the notes

Interest paid on the notes to non-Peruvian holders (which, in the case of global notes, will be DTC) will be treated as Peruvian-source income and will be subject to a Peruvian withholding income tax at a rate of 4.99%, unless the non-Peruvian holder (which, in the case of global notes, will be DTC) is considered to be related to us under Peruvian tax laws or if the non-Peruvian holder is an individual and the interest derives from or passes through a tax haven jurisdiction, a non-cooperative jurisdiction and/or the interest is subject to a preferred tax regime as defined by Peruvian law, in which cases the withholding income tax rate will be 30%.

We are required to act as the withholding agent for the income tax payable in connection with interest paid on the notes to non-Peruvian holders.

Sale of beneficial interest in a global note and sale of certificated note

So long as the notes are issued in global form and are held by DTC (or its nominee), proceeds received by a non-Peruvian beneficial owner on a sale, repurchase, exchange or disposition of a beneficial interest in the global notes will not be subject to any Peruvian withholding or capital gains tax.

In the event that the beneficial interests in the global notes are exchanged for certificated notes, any capital gain arising from the sale, exchange or other disposition of these certificated notes by non-Peruvian holders would be subject to Peruvian income tax at a preferential rate of 5% if the following requirements are satisfied: (i) the certificated notes are registered with the Peruvian Securities Public Registry, and (ii) the certificated notes are negotiated in a Peruvian Stock Market. Otherwise, capital gains will be taxable at a 30% rate.

A capital gain will be equal to the difference between (i) the amount realized on the sale, exchange or disposition of the certificated notes, and (ii) the purchase price paid for the notes, which must be certified by the Peruvian tax administration pursuant to a form submitted by the seller along with back-up documentation evidencing, among others, that the purchase price has been paid in a Peruvian bank account. The purchase price would not have to be certified if the certificated notes are negotiated in the Peruvian Stock Market

Redemption of the notes

Any premium received upon redemption of the notes in accordance with the indenture will be subject to a withholding tax at a rate of either 4.99% or 30% depending on whether the premium is characterized as interest or capital gain. However, a 30% withholding tax rate will apply to any premium received if the non-Peruvian holder (which, in the case of global notes, will be DTC) of the notes is considered to be related to us.

We have agreed, subject to specific exceptions and limitations, to pay Additional Amounts in respect of certain Peruvian income taxes mentioned above. See "Description of the Notes —Additional Amounts."

Value Added Tax

Interest paid on the notes is not subject to Peruvian value added tax (*Impuesto General a las Ventas*) ("VAT").

The sale, exchange or disposition of the notes is not subject to VAT.

Financial Transactions Tax

In Peru, there is a financial transactions tax ("FTT"), which taxes at a rate of 0.005% any debit or credit made in an account opened with a Peruvian bank or any other financial institution, either in Peruvian or foreign currency. Therefore, if the issue price paid for the notes is deposited in a Peruvian Financial System ("PFS") bank account, such credit will be subject to FTT, and also the subsequent withdrawal of such amount. Likewise, interest and principal paid from or deposited in a PFS bank account will also be subject to the FTT. The taxpayer of the FTT is the holder of the PFS bank account.

U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this offering memorandum and that hold the notes as "capital assets" (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the "IRS"), published rulings and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address all of the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt organizations;

- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships (or other entities or arrangements treated as partnerships for U.S. federal income tax purposes) or partners therein;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates; or
- holders that hold the notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, the alternative minimum tax, the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

As used herein, the term "U.S. Holder" means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the notes.

General

The notes should be treated as debt instruments for U.S. federal income tax purposes. Assuming such treatment is respected, the notes should be treated as "variable rate debt instruments" that provide for stated interest at a single fixed rate followed by a qualified floating rate ("QFR") for U.S. federal income tax purposes.

Under the Treasury regulations applicable to variable rate debt instruments, in order to determine the amount of original issue discount ("OID"), if any, in respect of the notes, an equivalent fixed rate debt instrument must be constructed. The equivalent fixed rate debt instrument is constructed in the following manner: (i) first, the initial fixed rate is converted to a QFR that would preserve the fair market value of the notes, and (ii) second, each QFR (including the QFR determined under clause (i) above) is converted to a fixed rate substitute (which generally will be the value of that QFR as of the issue date of the notes). Under the applicable Treasury regulations, the notes generally will be treated as providing for qualified stated interest at a rate equal to the lowest rate of interest in effect at any time under the equivalent fixed rate debt instrument, and any interest under the equivalent fixed rate debt instrument in excess of that rate generally would be treated as part of the stated redemption price at maturity and, therefore, potentially may give rise to OID. Based on the application of these rules to the notes and the expected pricing terms of the notes, we do not expect the notes to be treated as issued with OID. The remaining discussion assumes this treatment.

Stated Interest

Stated interest paid to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes *provided* that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued by the U.S. Holder for the relevant taxable year. The rules governing the foreign tax credit and deduction are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or deduction under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest or Additional Amounts which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of notes is subject to foreign income tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes *provided* that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit and deduction are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or deduction under their particular circumstances.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts, if any), and to proceeds from the sale or redemption of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of any excess withheld *provided* the required information is furnished to the IRS in a timely manner.

In addition, certain U.S. Holders are required to report information relating to their ownership of "specified foreign financial assets," which may include the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding

the effect, if any, of these rules on their ownership and disposition of the notes, including the significant penalties for non-compliance.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement dated the date of this offering memorandum between us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes offered hereby that appears opposite its name in the table below.

Initial Purchasers	Principal Amount
BofA Securities, Inc.	US$150,000,000
J.P. Morgan Securities LLC	US$150,000,000
Total	US$300,000,000

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent and that the initial purchasers will purchase all of the notes offered hereby if any of such notes offered hereby are purchased. The initial purchasers may offer and sell the notes through any of their affiliates.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum. The price at which the notes are offered may be changed at any time without notice.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under

U.S. securities laws, and to contribute to payments that the initial purchasers may be required to make in respect of any of these liabilities.

The notes offered hereby have not been and will not be registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes in the United States only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions".

Listing of Securities

Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the application will be approved. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes. If an active public trading market for the notes is not maintained, the market price and liquidity of the notes may be adversely affected.

No Sales of Similar Securities

We have agreed that we will not, for a period of 45 days after the date of this offering memorandum, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization Transactions

In connection with the offering of the notes, the initial purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that

which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun may be ended at any time, but it must end no later than 30 days after the date on which the issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant securities, whichever is the earlier. Any stabilization action or over allotment must be conducted by the relevant initial purchaser(s) (or persons acting on their behalf) in accordance with all applicable laws and rules.

Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Peru

The Notes will not be subject to a public offering in Peru. The Notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the SMV or the BVL. Accordingly, the Notes cannot be offered or sold in Peru, except if (i) the Notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively at institutional investors (as defined by Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined by Peruvian law) must rely in their own examination of the terms of the offering of the Notes to determine their ability to invest in the Notes.

No offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in the Republic of Peru except in compliance with the securities law thereof.

European Economic Area and United Kingdom

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area ("EEA") or the United Kingdom ("UK") will be made pursuant to an exemption under Regulation (EU) 2017/1129 (as amended):

Each initial purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes to any retail investor in the EEA or in the UK. For these purposes, a 'retail investor' means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended) or have been implemented in UK domestic law, as appropriate.

United Kingdom

Each initial purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (as amended, "FSMA") received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), to (ii) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The notes offered in this offering memorandum have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan.

Each initial purchaser has represented and agreed that the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term, as used in this paragraph, means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor), whose sole purpose is to hold investments, and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, (2) where no consideration is given for the transfer or (3) by operation of law.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Chile

The offer of the notes will begin on June 24, 2020 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 24 de junio de 2020 y está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por loque los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Colombia

The notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This offering memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes or the offering of the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the offering, the Issuer or the notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this offering memorandum will not be filed with, and the offering of the notes will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offering of notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the notes.

Taiwan

The notes have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China ("Taiwan") and/or other regulatory authority of Taiwan pursuant to applicable securities laws and regulations and may not be sold, issued or offered within the Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Taiwan Securities and Exchange Act or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of the Taiwan. No person or entity in Taiwan is authorized to offer, sell or distribute or otherwise intermediate the offering of the notes or the provision of information relating to this offering memorandum.

The notes may be made available to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan for purchase outside Taiwan by investors residing in Taiwan, but may not be issued, offered sold or resold in Taiwan, unless otherwise permitted by Taiwan laws and regulations. No subscription or other offer to purchase the notes shall be binding on us until received and accepted by us or any agent outside of Taiwan (the "Place of Acceptance"), and the purchase/sale contract arising therefrom shall be deemed a contract entered into in the Place of Acceptance.

Other Relationships

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express

independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

Delivery of the notes offered hereby is expected on or about July 8, 2020, which will be the fifth business day following the date of pricing of the notes. Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market will be required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

This offering memorandum and the notes have not been and will not be registered with or approved by the SMV or the BVL. Accordingly, no offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in the Republic of Peru, except in compliance with the applicable Peruvian securities laws.

This offering memorandum and the notes have not been and will not be registered with or approved by the SMV, the BVL or any other regulatory authority in Peru, nor have any such authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Such registration is not required where the distribution of notes is made in accordance with the laws and rules of the countries in which the distribution is made; *provided, however,* that this offering memorandum may not be publicly distributed in Peru and the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The notes may not be offered for sale or sold in Peru, or in any other jurisdiction except in compliance with the applicable securities laws.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of the notes (other than the Initial Purchasers in connection with the initial issuance and sale of the notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that the notes initially offered in the United States to qualified institutional buyers will be represented by a global note, and that the notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- it will not resell or otherwise transfer any of such notes except (a) to any of its subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

- it acknowledges that prior to any proposed transfer of the notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture including transfers pursuant to Rule 144A or Regulation S;

- it acknowledges that the trustee, registrar or any transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

- it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly give notice to us and the initial purchasers; and

- if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account, and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend that will appear on the face of the Rule 144A Global Note and that will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent.

> "This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this note, agrees that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it will notify any purchaser of this note from it of the resale restrictions referred to above.
>
> This legend may be removed solely in the discretion and at the direction of the issuer".

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

> "This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or any other securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration, and in accordance with any applicable securities laws of any other applicable jurisdiction.

The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note".

LEGAL MATTERS

The validity of the notes will be passed upon for us by Shearman & Sterling LLP, our U.S. counsel, and for the initial purchasers by Simpson Thacher & Bartlett LLP, their U.S. counsel. Certain matters of Peruvian law relating to the notes will be passed upon for us by Estudio Echecopar, member firm of Baker & McKenzie International, our Peruvian counsel, and for the initial purchasers by Miranda & Amado, Peruvian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The translation of financial statements originally issued in Spanish of Banco Internacional del Perú S.A.A. as of December 31, 2019 and 2018, and our results of operations for each of the three years ended December 31, 2019, 2018, and 2017, included in this offering memorandum have been audited by Paredes, Burga & Asociados S.C.R.L., a member firm of Ernst & Young Global Limited, independent auditors, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been duly authorized by the resolutions of our Board of Directors dated May 26, 2020.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or any of our assets, and we are not aware of any pending or threatened proceedings which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise) or general affairs since December 31, 2019 (the end of the most recent fiscal year for which audited financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected free of charge during normal business hours at the offices of the Luxembourg listing agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained free of charge during normal business hours at the offices of the Luxembourg listing agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum:

   - this offering memorandum;
   - our latest published audited annual financial statements and unaudited financial statements; and
   - our by-laws.

6. We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

7. Our LEI is 5493001TRCGXJLRLHN14.

8. The notes have been accepted for clearance and settlement through DTC and its direct and indirect participants' accounts for Euroclear and Clearstream. The CUSIP and ISIN, as applicable, for the notes are as follows:

Rule 144A Global Note CUSIP: 05968DAD2	Regulation S Global Note CUSIP: P13435AD7
Rule 144A Global Note ISIN: US05968DAD21	Regulation S Global Note ISIN: USP13435AD71
Rule 144A Global Note Common Code: 216453697	Regulation S Global Note Common Code: 216453662

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Banco Internacional del Perú S.A.A. - Interbank

Unaudited interim condensed financial statements as of March 31, 2020, and for the three-month period then ended

Banco Internacional del Perú S.A.A. - Interbank

Unaudited interim condensed financial statements as of March 31, 2020, and for the three-month period then ended

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Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of financial position

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

	Note	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Assets			
Cash and due from banks	3(a)		
Cash and clearing		1,943,143	1,871,874
Deposits in the Central Reserve Bank of Peru		6,099,890	5,864,723
Deposits in local and foreign banks		583,774	769,569
Restricted funds		1,511,330	1,270,341
		10,138,137	9,776,507
Inter-bank funds	3(e)	150,005	85,006
Investments at fair value through profit or loss		45,550	4,788
Available-for-sale investments	4(a)	3,730,915	3,362,741
Held-to-maturity investments	4(c)	2,260,757	2,191,854
Loan portfolio, net	5	34,757,112	34,739,232
Investments in subsidiaries and associates		104,044	96,121
Property, furniture and equipment, net		408,253	408,218
Other assets, net	6(a)	1,589,516	1,474,298
Deferred Income Tax, net		199,739	164,348
Total assets		53,384,028	52,303,113
Contingent risk and commitments	12	34,872,312	32,803,148

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

Banco Internacional del Perú S.A.A. – Interbank

Interim condensed statements of income

For the three-month period ended March 31, 2020 and 2019 (unaudited)

	Note	2020 S/(000)	2019 S/(000)
Interest income	13	1,037,977	971,073
Interest expenses	13	(286,747)	(295,234)
Gross financial margin		751,230	675,839
Provision for loan losses, net of recoveries	5(d)	(295,110)	(200,714)
Net financial margin		456,120	475,125
Income from financial services	14	241,810	244,624
Expenses for financial services	14	(86,372)	(80,427)
Financial margin, net of income and expenses for financial services		611,558	639,322
Gain on financial transactions	15	108,637	122,365
Administrative expenses	16	(360,180)	(334,869)
Depreciation		(16,320)	(17,620)
Amortization		(25,552)	(20,316)
Net operating income		318,143	388,882
Provision for contingencies and other		(1,905)	(3,849)
Operating income		316,238	385,033
Other (expenses) income, net	17	(2,087)	1,806
Income before income tax		314,151	386,839
Income tax	11(c)	(82,264)	(100,178)
Net income		231,887	286,661
Basic and diluted earnings per share (in Soles)	18	0.059	0.073
Weighted average number of shares outstanding (in thousands of units)	18	3,919,066	3,919,066

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

Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of comprehensive income

For the three-month period ended March 31, 2020 and 2019 (unaudited)

	2020 S/(000)	**2019** S/(000)
Net income	231,887	286,661
Other comprehensive income:		
Net (loss) gain on available-for-sale investments	(87,554)	68,267
Net movement of cash flow hedges	19,533	(12,313)
Equity participation in subsidiaries and associates	-	(698)
Income tax	4,041	(6,652)
Other comprehensive income for the period, net of income tax	(63,980)	48,604
Total comprehensive income for the period, net of income tax	167,907	335,265

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

Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of changes in equity

For the three-month period ended March 31, 2020 and 2019 (unaudited)

	Number of shares			
	Issued (in thousands)	**In treasury** (in thousands)	**Capital stock** S/(000)	**Tre st** S/
Balances as of January 1, 2019	3,470,409	18,387	3,470,409	(33
Changes in shareholders' equity for 2019				
Net income	-	-	-	
Other comprehensive income	-	-	-	
Total comprehensive income	-	-	-	
Transfer of, Note 10(c)	-	-	-	
Capitalization of net income, Note 10(a)	467,044	-	467,044	
Dividends declared, Note 10(a)	-	-	-	
Others	-	-	-	
Balances as of March 31, 2019	3,937,453	18,387	3,937,453	(33
Balances as of January 1, 2020	3,937,453	18,387	3,937,453	(33
Changes in shareholders' equity for 2020				
Net income	-	-	-	
Other comprehensive income	-	-	-	
Total comprehensive income	-	-	-	
Balances as of March 31, 2020	3,937,453	18,387	3,937,453	(33

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

Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of cash flows

For the three-month period ended March 31, 2020 and 2019 (unaudited)

	2020 S/(000)	2019 S/(000)
Cash flows from operating activities		
Net income	231,887	286,661
Adjustments to reconcile the net income with cash provided by operating activities – Plus (minus)		
Provision for loan losses, net of recoveries	295,110	200,714
Depreciation and amortization	41,872	37,936
Provision for contingencies and others	1,905	3,849
Deferred Income Tax	(31,350)	(11,446)
Income from sale and valuation of investments, net	(36,792)	(11,756)
Participation from investments in subsidiaries and associates	(8,410)	(9,661)
Income from sale of subsidiary	-	(52,580)
(Gain) loss from sale of assets received as payment and sized through legal action	(7)	53
Provision for assets received as payment and seized through legal actions	83	937
Net changes in assets and liabilities		
Net increase in loan portfolio	(329,152)	(956,804)
(Net increase) net decrease in investments	(570,498)	330,717
(Net decrease) net increase in deposits and obligations	(830,989)	1,671,483
Net increase (net decrease) in deposits from financial entities	309,880	(414,306)
Decrease in accrued interest	27,684	22,744
Increase in accrued interest payable	50,676	13,588
(Increase) decrease in restricted funds	(240,989)	439,335
Increase in other assets, net	(101,167)	(91,579)
Increase in provisions and other liabilities	70,020	214,484
Net cash (used in) provided by operating activities	(1,120,237)	1,674,369

Interim condensed statements of cash flows (continued)

	2020 S/(000)	2019 S/(000)
Cash flows from investing activities		
Purchase of property, furniture and equipment	(17,116)	(11,339)
Purchase of intangible assets	(19,951)	(19,099)
Sale of assets received as payment and seized through legal actions, and property, furniture and equipment	2,132	278
Sale of subsidiary	-	100,470
Net cash (used in) provided by investing activities	(34,935)	70,310
Cash flows from financing activities		
Collections of repurchase agreements obtained	1,729,369	1,466,751
Payments of repurchase agreements	(1,056,531)	(2,019,981)
Collections of debts and financial obligations obtained	708,887	203,434
Payments of debts and financial obligations obtained	(74,319)	(219,600)
Issuance of securities, bonds and obligations outstanding	-	300,579
Payments of securities, bonds and obligations outstanding	(167,937)	(62,505)
(Net increase) net decrease in receivable inter-bank funds	(64,999)	425,020
(Net decrease) net increase of inter-bank funds obtained	(57,634)	106,524
Collection of dividends, net of decrease in investments in subsidiaries and associates	-	10,056
Net cash provided by financing activities	1,016,836	210,278
(Net decrease) net increase in cash before the effect of changes in the exchange rate	(138,336)	1,954,957
Effect of changes in exchange rate on cash and cash equivalents	260,913	(87,715)
Net cash increase	122,577	1,867,242
Balance of cash at the beginning of the year	8,503,013	6,424,430
Balance of cash as of March 31	8,625,590	8,291,672

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

1. Operations

(a) Business activity -

Banco Internacional del Perú S.A.A. - Interbank (henceforth "the Bank") is a Subsidiary of Intercorp Financial Services Inc. (henceforth “IFS”), a holding corporation incorporated in the Republic of Panama in September 2006, that owns 99.30 percent of the Bank’s capital stock as of March 31, 2020 and December 31, 2019. On the other hand, IFS is a subsidiary of Intercorp Perú Ltd.

The Bank is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth “SBS” by its Spanish acronym) to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the “Ley General del Sistema Financiero y de Seguros y Orgánica de la SBS (General Act of the Financial and Insurance System and Organic of the SBS - Act No.26702 and amendments), which establishes the requirements, rights, obligations, guarantees, restrictions and other operating conditions to which legal entities operating in the financial and insurance system are subject.

The Bank’s legal domicile is Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru. As of March 31, 2020, the Bank operated 253 offices and a branch established in Panama (255 offices and a branch established in Panama as of December 31, 2019). The Board’s session held on April 23, 2019, agreed on the voluntary closing of the branch incorporated in the Republic of Panama. As of the date of this report, there is no specific date for the completion of said closing process.

The financial statements as of December 31, 2019 were approved by the General Shareholders’ Meeting held on April 3, 2020. The accompanying interim condensed financial statements as of March 31, 2020 and for the three-month period then ended were approved by the Board of Directors on April 28, 2020.

(b) Covid-19 pandemic -

A new strain of coronavirus (COVID-19) that was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization, has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. In this sense, on March 15, 2020, the Peruvian government, through the Supreme Decree No.044-2020, declared a national state of emergency ordering a mandatory lock-down of Peru’s borders, social distancing and stay-at-home quarantine, shutdown of business considered non-essential (exceptions were production, distribution and marketing of food, pharmaceuticals products, financial services and health), among other. As of the date of this report, this period of national state of emergency has been extended until June 30, 2020 inclusive.

As a consequence, Ministry of Economy and Finance (“MEF”, by its Spanish acronym), Central Reserve Bank of Peru (“BCRP”, by its Spanish acronym) and SBS, have introduced extraordinary measures to alleviate the financial and economic impact of Covid-19 in particular for banking

customers due to shutdown of certain economic sectors, as well as, some measures focused on ensuring the continuity of payment chain in the economy.

The main measures in the banking system are relating to facilities for credit rescheduling (deferral payments), suspension of counting overdue days, permitting the withdrawal of certain amounts from compensation for service time accounts and the launch of credit programs guaranteed by the Peruvian government. These measures have been described in more detail in Note 2.2 (for measures enacted until the date of the interim reporting period - March 31, 2020) and Note 23 (for measures enacted after the interim reporting period). The financial statements as of March 31, 2020 and for the three-month period then ended include the impacts of the measures that were effective as of that date.

The Bank is closely monitoring the situation and management is focused on guaranteeing the operation and strengthening the Bank' liquidity and solvency position, while adopting a series of measures to help clients affected by this crisis. With respect to liquidity, Interbank has remained active in the Central Bank's day-to-day operations and has drawn lines of credit available from correspondent banks abroad. Moreover, Interbank approved a reduction in its 2019 earnings' payout ratio, from the previous 45 percent to 25 percent, in order to strengthen its total capital and core capital ratios to face the volatile environment. First quarter of 2020 earnings have also been agreed to be capitalized in advance.

2. Significant accounting policies

2.1. Basis of presentation and use of estimates

The interim condensed financial statements as of March 31, 2020, and for the three-month period ended March 31, 2020 have been prepared in accordance with the regulations established by SBS in force in Peru and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards - IFRS approved in Peru through resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Accounting Council henceforth "CNC" for its Spanish acronym) in force in Peru. The SBS regulations regarding the notes to the interim condensed financial statements follows IAS 34 "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's audited financial statements as of December 31, 2019 and 2018 (henceforth "2019 Annual Financial Statements"), dated February 21, 2020, which have been prepared following regulations established by the SBS.

Income tax in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The interim condensed financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments at fair value through profit or loss (trading securities) and available-for-sale investments, which have been measured at fair value. The interim

condensed financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The preparation of the interim condensed 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 condensed financial statements.

Estimates and criteria are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Existing circumstances and assumptions about future developments, however, may change due to markets' behavior or circumstances arising beyond the control of the Bank. Such changes are reflected in the assumptions when they occur. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying interim condensed financial statements are related to the provision for loan losses, the valuation and impairment of investments and the valuation of derivative financial instruments; in addition, there are other estimates such as the useful life of tangible and intangible assets, and the estimation of deferred income tax assets and liabilities.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the 2019 Annual Financial Statements; except for new accounting standards issued by the SBS during the year 2020 principally due to Covid-19 outbreak, see Note 2.2.

The accompanying interim condensed financial statements do not include the effects of the consolidation of the Bank with its subsidiaries, because their non-consolidation, individually or in aggregate, does not significantly affect the Bank's financial position, operating results and cash flows. As of March 31, 2020, there were no changes in the composition and ownership of the Bank's investments in subsidiaries and associates, as compared to the information presented in the 2019 Annual Financial Statements.

2.2. New pronouncements –

As mentioned in Note 1(b), due to the national state of emergency, the SBS enacted the following regulations:

(a) Multiple Official Letter No.10997-2020-SBS, No.11150-2020-SBS and No.11170-2020-SBS, issued on March 13, 2020, March 16, 2020 and March 20, 2020, respectively –
Through these regulations, the SBS established the following exceptional measures applicable to the loan portfolio, in order to facilitate debt repayment from customers of financial entities within the Peruvian financial system affected by the Covid-19 outbreak:

- Entities of the financial system may modify or amend contractual conditions of loans without characterizing such modifications or amendments as refinancing insofar as the total term does not extend for more than six months after the original term. Also, debtors must have a maximum of 15 days overdue in their payments as of February 29, 2020.

- For retail loans with modification of contractual conditions, the interest associated may continue to be recognized on an accrual basis. However, if the debtor changes its situation to a past-due after setting new terms of credit, the financial institution must revert the accrued interest of such loan proportionally in a period of six months.

- For non-retail loans with modification of contractual conditions, the interest associated must be recognized on a cash basis. Uncollected accrued interest related with these loans must be revert as of the date of modification.

- For debtors with more than 15 days overdue as of February 29, 2020, the computation of overdue days shall be suspended as long as the national state of emergency is maintained.

- If a debtor has overdue payments after contractual modifications, such loan will be considered as refinanced credit, following the general criteria of SBS Resolution No.11356-2008, as indicated in the 2019 Annual Financial Statements.

In accordance with the Multiple Official Letter SBS No.11150-2020, the scope of the facilities mentioned above will be determined by each entity of the Peruvian financial system, after analyzing the level of impact on its loan portfolio.

Considering the above mentioned, as of March 31, 2020, the Bank modified credits for an approximate amount of S/4,220,593,000 and recognized less accrued interest for an approximate amount of S/10,793,000. Also, according to an evaluation made by Bank's Management, it decided to record voluntary provisions, as allowed by the SBS, for an approximate amount of S/146,929,000.

(b) SBS Resolution No. 1264-2020, issued on March 26, 2020 -

This resolution establishes that regulations issued in the Multiple Official Letter mentioned in 2.2.(a), above, will not increase the calculation of regulatory capital requirements for non-revolving consumer loans and mortgage loans. Likewise, said resolution authorizes financial entities to use the additional regulatory capital accumulated by the economic cycle component, see Note 10(d).

After March 31, 2020, the SBS issued additional regulations associated with the national state of emergency due to Covid-19 outbreak. These regulations will have effects on the Bank's financial statements after March 31, 2020 as described in Note 23.

3. Cash and due from banks

(a) This caption is made up as follow:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cash and clearing (b)	1,943,143	1,871,874
Deposits in the Central Reserve Bank of Peru (BCRP) (b)	6,098,673	5,861,570
Deposits in local and foreign banks (c)	583,774	769,569
Accrued interest	1,217	3,153
Total cash and cash equivalents	8,626,807	8,506,166
Restricted funds (d)	1,511,330	1,270,341
Total	10,138,137	9,776,507

(b) Available funds include the mandatory reserve that the Bank must maintain for its obligations with the public and are within the limits established by prevailing legislation. As of March 31, 2020, the balances maintained by the bank as mandatory reserve amounted to approximately S/6,784,033,000 (S/6,756,687,000 as of December 31,2019).

The legal reserve corresponds to the funds deposited in the vaults of the Bank and the BCRP, and remains within the limits required by current regulation.

The reserve funds that represent the minimum mandatory do not earn interest; however, the excess of the legal reserve deposited in the BCRP earns interest at a nominal rate established by the BCRP. As of March 31, 2020, the monthly excess in foreign currency accrued interests in US dollars at an annual average rate of 0.43 percent (accrued interests in US dollars at an annual average rate of 1.25 percent as of December 31, 2019).

(c) Deposits in local and foreign Banks correspond mainly to balances in soles and US dollars, are unrestricted and earn interest at market rates.

(d) The Bank maintains restricted funds related to:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Repurchase agreements with the BCRP (*)	1,411,183	1,208,506
Derivative financial instruments, Note 6(c)	96,064	57,816
Other	4,083	4,019
Total	1,511,330	1,270,341

(*) As of March 31, 2020, correspond to deposits in the BCRP which guarantee loans from this entity for S/1,403,920,000, these loans have maturities between April 2020 and March 2022, and bore interest at effective rates between 2.46 and 4.12 percent (guaranteed loans from BCRP for S/1,217,919,000 which had maturities between March and July 2020, and bore interest at effective rates between 3.00 and 4.15 percent, as of December 31, 2019).

(e) Inter-bank funds -
As of March 31, 2020, inter-bank funds assets had maturity in the first days of April 2020, accrued interest at an annual rate of 1.25 percent in local currency (maturity in the first days of January 2020 and an annual rate of 2.26 percent in local currency as of December 31, 2019) and did not have specific guarantees.

As of March 31, 2020, inter-bank funds liabilities had maturity in the first days of April 2020, accrued interest at an annual rate of 1.14 percent in local currency (maturity in the first days of January 2020 and an annual rate of 2.25 percent in local currency and 1.75 percent in foreign currency as of December 31, 2019) and did not have specific guarantees.

4. Available-for-sale and held-to-maturity investments

(a) The detail of available-for-sale investments as of March 31, 2020 and December 31, 2019 is as follows:

	As of March 31, 20	
		Unrealized gross am
	Amortized cost S/(000)	**Gains** S/(000)
Sovereign Bonds of the Republic of Peru	1,608,873	16,270
Negotiable Deposit Certificates issued by BCRP	1,128,781	4,025
Corporate and financial bonds	581,521	1,316
Global Bonds of the Republic of Colombia	153,102	-
Deposit certificates – Bancolombia Panama S.A.	103,110	227
Deposit certificates – Corpbanca NY S.A.	103,110	71
Global Bonds of the Republic of Peru	79,672	2,040
Total	3,758,169	23,949
Unlisted shares	992	711
Listed shares	77	-
	1,069	711
	3,759,238	24,660
Plus		
Accrued Interest		
Total		

(b) As of March 31, 2020, principally due to the Covid-19 pandemic, see note 1(b), investment prices have decreased, in this sense the Bank has recognized an unrealized net loss of S/49,630,000. The Bank has determined that the unrealized losses as of March 31, 2020 and December 31, 2019 are of temporary nature associated with the global pandemic and do not correspond to an increase in credit risk from such investments. The Bank intends and has the ability to hold each investment for a period of time sufficient to allow for a recovery in fair value or until maturity date.

As a result of the assessment of impairment on available-for-sale investments according to SBS regulations, the Bank did not recognize any loss during the three-month period ended March 31, 2020 and 2019 and during the fiscal year 2019.

(c) As of March 31,2020 and December 31,2019, held-to-maturity investments are entirely comprised of Peruvian Sovereign Bonds amounting to S/2,260,757,000 and S/2,191,854,000, respectively, including accrued interests.

During the year 2019, the Peruvian Government made a public offering to buy back its Sovereign Bonds in order to renew its debt and fund the fiscal deficit. Although SBS Resolution No. 7033-2012 establishes that any sale or transfer of held-to-maturity investments binds financial institutions to reclassify all instruments of this category into available-for-sale investments, with the authorization of the SBS through Multiple Official Letter SBS N°4300-2018, the Bank sold Peruvian Sovereign Bonds classified as held-to-maturity investments for an amount of approximately S/340,518,000. Likewise, with the purpose of keeping its strategy of assets management, the Bank simultaneously acquired other Sovereign Bonds of the Republic of Peru for approximately S/340,432,000 classifying them as maturity investments. As of March 31, 2019, such transaction generated a gain of S/4,269,000, which was recorded in the caption “Income from sale and valuation of investments, net“ of the interim condensed statements of income, see Note 15.

During the year 2018, the Bank reclassified Sovereign Bonds of the Republic of Peru classified as available-for-sale investments into held-to-maturity investments whose book value and accumulated unrealized loss in the shareholders’ equity at that date amounted to approximately S/152,134,000 and S/1,160,000, respectively. From the years 2015 to 2018, the Bank made similar reclassifications, which accumulated an unrealized loss accumulated in equity for S/25,850,000 which is transferred to results during the remaining term of the respective instruments. As a result of these transfers, the Bank has recorded a net loss of approximately S/490,000 and S/1,272,000, in the income statements as of March 31, 2020 and 2019, respectively.

As of March 31, 2020 and December 31, 2019, the Bank maintains loans with the BCRP for approximately S/1,205,936,000 and S/719,099,000, respectively, including interest, which are guaranteed with Sovereign Bonds of the Republic of Peru classified as restricted, for approximately S/1,317,325,000 and S/762,347,000 respectively; these loans have maturities between April 2020 and March 2021 and April 2020 and July 2020, respectively, and accrued interest at effective rates between 1.62 and 4.72 percent and 3.03 and 4.72 percent, respectively.

As of March 31,2020, the held to maturity invesments have maturities between September 2023 and August 2037, have accrued interest at effective annual rates between 4.29 and 6.26 percent;

and their estimated fair value amounts to approximately S/2,375,348,000 (as of December 31, 2019, the maturity fluctuated between September 2023 and August 2037, which accrued interest at an annual effective rate between 4.29 and 6.26 percent, and their estimated fair value amounted to approximately S/2,328,303,000).

5. Loan portfolio, net

(a) The table below presents the components of this caption:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Direct credits		
Loans	15,012,752	14,828,820
Mortgage loans for housing	7,035,593	6,935,219
Credit card	5,803,533	5,873,856
Loans for foreign trade	2,585,541	2,590,371
Cash loans	1,946,181	1,879,496
Financial leasing	1,384,055	1,533,395
Discounted documents	557,110	686,164
Factoring operations	355,291	374,192
Vehicle loans	176,003	180,627
Overdrafts and advances in current account	133,338	84,163
Refinanced credits	258,769	251,180
Past due loans and judicial collection	1,009,986	948,422
	36,258,152	36,165,905
Plus (minus)		
Accrued income from current loans	296,436	280,287
Accrued interest and interest charged in advance	(44,153)	(32,954)
Provision for doubtful collection credits	(1,753,323)	(1,674,006)
Total direct credits, net	34,757,112	34,739,232
Indirect credits, Note 12(a)	4,005,521	4,223,478

(b) As of March 31, 2020 and December 31, 2019, financial entities in Peru must constitute provisions for loan losses considering the risk classification and using the percentages indicated by SBS Resolutions N°11356-2008 and N°6941-2008, as detailed in Note 5(d) “Loan portfolio, net” to the 2019 Annual Financial Statements.

As mentioned in note 2.2. (a), through Multiple Official Letter No.11170-2020, the SBS authorized that in the case of debtors who present credits with more than 15 calendar days overdue as of February 29, 2020, the entities of the financial system will be able to maintain the accounting situation of such credits and the count of overdue days registered as of February 29, 2020, shall be suspended as long as the national state of emergency is maintained.

As of March 31, 2020 if computation of overdue days had not been suspended, the additional required provision would be for an amount of S/128,441,000. It is worth to mention that this amount is covered with voluntary provisions maintained by the Bank as allowed by the SBS, see paragraph (d) below.

(c) The table below presents the loan portfolio by type of loan:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Commercial loans	15,283,121	15,373,323
Customer loans	12,905,382	12,821,567
Mortgage loans	7,352,318	7,220,889
Small and micro-business loans	717,331	750,126
Total	36,258,152	36,165,905

(d) The changes in the provision for loan losses (direct and indirect) are as follows:

	2020 S/(000)	2019 S/(000)
Balance as of January 1	1,757,491	1,589,109
Provision	336,440	249,947
Recoveries of provisions	(41,330)	(49,233)
Recoveries of written-off loans	27,754	31,312
Written-off loans and sales	(255,965)	(193,042)
Exchange difference, net	11,237	(5,002)
Balance as of March 31 (*)	1,835,627	1,623,091
Balance as of December 31, 2019		1,757,491

(*) The provision for loan losses includes the allowance for direct and indirect loans amounting to S/1,753,323,000 and S/82,304,000, respectively, as of March 31, 2020 (S/1,674,006,000 and S/83,485,000, respectively as of December 31, 2019 and S/1,535,570,000 and S/87,521,000, respectively, as of March 31, 2019). The allowance for loan losses for indirect loans is presented in the "Provisions and other liabilities" caption of the interim condensed statements of financial position; see Note 6(a).

As of March 31, 2020, due to Covid-19 outbreak situation described in note 1(b) and considering the new regulations mentioned in note 2.2.(a), the Bank's Management decided to record voluntary provisions allowed by the SBS amounting to S/146,929,000 in order to cover credit risk of some Bank clients.

(e) In Management's opinion, the provision for loan losses recorded as of March 31, 2020, and as of December 31, 2019 has-been established in accordance with SBS regulations in force as of those

dates. Interest rates on loans are freely determined, based on the rates prevailing on the Peruvian market.

(f) Interest rates on loans are freely determined, based on the rates prevailing on the Peruvian market.

6. Other assets, net and provisions and other liabilities

(a) This caption is made up as follows:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Other assets, net		
Financial instruments		
Accounts receivable from sales operations with repurchase agreements (b)	440,001	510,001
Accounts receivable from derivate financial instruments (c)	420,592	225,530
Accounts receivable, net	102,589	129,762
Accounts receivable from sale of investments	64,755	41,338
Operations in process	34,755	44,346
Commissions receivable of credit card	9,994	13,207
Total	1,072,686	964,184
Non-financial instruments		
Intangible assets, net	404,037	409,638
Deferred charges	68,532	56,513
Premium by loan portfolio, net	9,880	10,160
Public works tax deduction	7,553	7,178
Rights paid to related entity	6,874	6,628
Rentals paid in advance	3,107	3,065
Others	16,847	16,932
	516,830	510,114
Total	1,589,516	1,474,298

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Provisions and other liabilities		
Financial instruments		
Accounts payable for derivative financial instruments (c)	398,050	215,671
Other accounts payable	270,876	287,854
Operations in process	121,363	132,962
Accounts payable for purchase of investments	86,177	73,610
Provision for contingent loans and for credit risk associated with over-indebtedness, note 5(d)	82,304	83,485
Participations and remunerations payable	70,027	121,148
Dividends payable	219	221
	1,029,016	914,951
Non-financial instruments		
Taxes payable	61,229	26,103
Provision for other contingencies	39,896	38,880
Deferred income	23,988	22,826
Premiums to the deposits insurance fund	12,232	11,692
Others	2,478	2,666
	139,823	102,167
Total	1,168,839	1,017,118

(b) As of March 31, 2020 and December 31, 2019, the Bank agreed on repurchase agreements with other financial entities 1.25 and 2.25 percent, and mature in the first days of April 2020 and January 2020, respectively. These transactions a S/444,979,000 and S/518,893,000 respectively.

(c) The following table presents as March 31, 2020 and December 2019, the fair value of derivative financial instruments r amount of the derivative's underlying asset and is the base over which changes in the value of derivatives are measur

	As of March 31, 2020			
	Assets S/(000)	**Liabilities** S/(000)	**Notional amount** S/(000)	**Maturity**
Derivatives negotiation -				
Forward of foreing currency	63,764	72,892	10,271,371	Between April 2020 and Septe
Interest rate swaps	222,591	221,691	4,860,358	Between November 2020 and
Currency swaps	48,724	40,957	2,031,411	Between April 2020 and Febru
Cross currency swaps (*)	-	56,038	202,295	January 2023
Options	27	1,270	78,285	Between April 2020 and Ma
	335,106	392,848	17,443,720	
Derivatives designated as hedges -				
Cash flow:				
Cross currency swaps (CCS)	85,486	-	1,515,717	January 2023
Interest rate swaps (IRS)	-	2,274	137,480	November 2020
Interest rate swaps (IRS)	-	1,465	85,925	December 2020
Interest rate swaps (IRS)	-	1,463	85,925	December 2020
	85,486	5,202	1,825,047	
	420,592	398,050	19,268,767	

(*) Originates from the revocation of an accounting hedge as of December 31, 2015. In accordance with the SBS guidelines, the u statements of changes in shareholders' equity which amounted to S/16,949,000, was transferred to the caption "Retained ea

(i) As of March 31, 2020 and December 31, 2019, the Banks holds forwards exchange contracts and currency and approximately US$27,950,000 (equivalent to S/96,064,000) and US$17,446,000 (equivalent to S/57,816,000), r

(ii) For the designated hedging derivatives mentioned in the chart above, changes in fair values of hedging instrum the three-month period ended March 31, 2020 and during the fiscal year 2019. Likewise, during the three-mont

(iii) Derivatives held for trading are traded mainly to satisfy clients' needs. The Bank may also take positions with th not comply with NIC 39 hedge accounting requirements.

7. Deposits and obligations

(a) This caption is made up as follows:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Savings deposits	12,525,931	11,351,153
Current accounts	9,261,806	9,533,097
Time deposits	8,950,655	10,512,090
Compensation for time of service (c)	1,777,722	1,933,052
Obligations with the public restricted	718,176	744,434
Other obligations	14,773	6,226
Total	33,249,063	34,080,052

(b) As of March 31, 2020 and December 31, 2019, approximately S/10,934,868,000 and S/10,725,904,000, respectively, of deposits and obligations are covered by the Deposit Insurance Fund. Likewise, at those dates the coverage of the “Deposit Insurance Fund” by each client is up to S/100,123 and S/100,661, respectively.

(c) On March 27, 2020, the Peruvian Government issued the Emergency Decree No. 033-2020, which allows each worker to obtain up to S/2,400 of their compensation for time of service deposits. Financial entities must disburse up to said amount at the request of the worker. Such Emergency Decree will be in force during the national state of emergency due to Covid-19 outbreak. As of March 31, 2020, approximately 56,422 clients withdrew compensation for time of service deposits for a total amount approximately of S/85,493,000.

(d) Interest rates applied to deposits and obligations are determined by the Bank based on interest rates prevailing on the Peruvian market. The Bank has established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount do not bear interest.

(e) The following table presents the detail of "Deposits from financial entities"

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Current accounts	1,335,380	1,153,813
Time deposits	464,402	357,038
Savings deposits	40,036	19,087
	1,839,818	1,529,938

8. Debts and financial obligations

(a) This caption is made up as follows:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
By type		
Promotional credit lines	1,441,101	1,422,068
Loans received from foreign entities (b)	920,429	298,260
	2,361,530	1,720,328
Interest and commissions payable	4,817	4,904
	2,366,347	1,725,232
By term		
Short term	916,379	412,125
Long term	1,449,968	1,313,107
Total	2,366,347	1,725,232

(b) Some of the loan agreements include standard clauses regarding the compliance of financial ratios, the use of funds and other administrative matters. As of March 31, 2020 and December 31, 2019, the Bank mainly maintains the following debt clauses

(i) Submit audited financial statements on an annual basis as well as quarterly unaudited financial statements (in Spanish and English).
(ii) The clauses establish to maintain a certain global capital ratio.
(iii) The clauses establish to maintain a certain coverage margin of non-performing loan portfolio.
(iv) The clauses establish to maintain a certain default ratio.

In the opinion of Management and its legal advisors, these clauses have been met as of March 31, 2020 and December 31, 2019.

9. Securities, bonds and obligations outstanding

(a) This caption is made up as follows:

Issuances	Annual nominal interest rate	Interest payment	Maturity	Issued amount (000)
Local issuances				
Negotiable certificates of deposits – First program				
First issuance (A series)	4.28%	Annual	2020	S/150,000
Subordinated bonds – first program				
Third issuance (A series)	3.5% + VAC	Semiannual	2023	S/110,000
Eighth issuance (A series)	6.91%	Semiannual	2022	S/137,900
Subordinated bonds – second program				
Second issuance (A series)	5.81%	Semiannual	2023	S/150,000
Third issuance (A series)	7.50%	Semiannual	2023	US$50,000
Corporate bonds – second program				
Fifth issuance (A series)	3.41% + VAC	Semiannual	2029	S/150,000
Total local issuances				
International issuances				
Corporate bonds	3.375%	Semiannual	2023	US$484,895
Corporate bonds	3.25%	Semiannual	2026	US$400,000
Subordinated bonds	6.625%	Semiannual	2029	US$300,000
Junior subordinated notes	8.50%	Semiannual	2070	US$200,000
Corporate bonds	5.00%	Semiannual	2026	S/312,000
Total international issuances				
Total local and international issuances				
Interest payable				
Total				

(b) Local and international issuances maintain certain financial and operating covenants, which, in Management's opinion December 31, 2019.

10. Shareholder's equity

(a) Capital stock -

As of March 31, 2020 and December 31, 2019, the Bank's capital stock is represented by approximately 3,937,453,000 common shares, which are fully subscribed and paid-in, each with a nominal value of one Sol.

The General Shareholders' Meeting held on March 27, 2019, agreed to capitalize the earnings generated in 2018, net of legal reserve and distribution of dividends, for approximately S/467,044,000. Dividends distributed amounted to approximately S/467,044,000.

Under current regulations, there are no restrictions governing dividend distributions abroad or the repatriation of foreign capital.

(b) Treasury stock -

As of March 31, 2020 and December 31, 2019, this item corresponds to 18,387,000 Bank shares with an acquisition cost of approximately S/33,910,000.

(c) Legal and special reserves -

Pursuant to current legislation, the Bank is required to establish a legal reserve for an amount equivalent to at least 35 percent of its paid-in capital; this legal reserve is funded through an annual appropriation of at least 10 percent of net income and can only be used to absorb losses or be capitalized. In both cases, the Bank is required to replenish it.

The Shareholders' Meeting held on March 27, 2019, agreed to the appropriation of legal reserves for the profits of the fiscal years 2018 for approximately S/103,788,000.

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

As of March 31, 2020 and December 31, 2019, in application of Legislative Decree No.1028 and amendments, the Bank presents the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary):

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Total risk weighted assets and credits	51,265,312	50,673,786
Total regulatory capital	8,264,023	7,679,278
Basic regulatory capital (Tier 1)	6,218,787	5,721,707
Supplementary regulatory capital (Tier 2)	2,045,236	1,957,571
Global regulatory capital ratio	16.12%	15.15%

As of March 31, 2020 and December 31, 2019, the Bank has complied with the SBS Resolutions No.2115-2009, No.6328-2009 and No.14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and their amendments. These resolutions establish, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

In July 2011, the SBS issued Resolution N°8425-2011 requiring an additional regulatory capital. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk, interest rates risk and others. As of March 31, 2020 and December 31, 2019, the additional requirement of equity for legal purpose estimated by the Bank amounts to approximately S/708,530,000 and S/803,717,000, respectively. In Management's opinion, the Bank has complied with the requirements set forth in the aforementioned Resolution.

As mentioned in Note 2.2(b), on March 26, 2020, SBS issued the Resolution No. 1264-2020, establishing that Multiple Official Letter mentioned in 2.2.(a) related to modified credits, will not increase the calculation of regulatory capital requirements for non-revolving consumer and mortgage loans. Likewise, said resolution authorizes to financial entities to use the additional regulatory capital accumulated by the economic cycle component.

11. Tax situation

(a) The Bank is subject to the Peruvian tax legislation. Tax regulations mentioned in the 2019 Audited Financial Statements have not been modified and are still in force to date.

(b) As mentioned in Note 1(b), due to the nationwide state of emergency, has been issued the followings legislatives decrees:

- Legislative Decree No. 1471, modifies the Income Tax Law, and establishes an exceptional regime that allows taxpayers to reduce or suspend Income Tax prepayments for April, May, June and / or July 2020.

  The suspension will be applicable if after comparing the net income obtained in April, May, June and / or July 2020 with that obtained in the same months of the 2019 fiscal year, a reduction higher than 30% occurs.

  If the income is not reduced, the Income Tax prepayments will be made under the general rules in force.

- Legislative Decree No. 1481 establishes the possibility for taxpayers to apply under Income Tax system a), the tax losses arise on 2020, for 5 years instead of 4 years.

- Legislative Decree No. 1487 establishes a special regime of deferment and payment in instalments of tax debts for taxpayers, if certain requirements are met.

- Legislative Decree No. 1488, establishes a special depreciation regime for certain fixed assets, increasing the acceptable percentages for tax purposes (e.g. 20% for buildings which construction begins after January 2020, 50% for computers acquired during 2020 and 2021). The Legislative Decree will enter in force on January 1, 2021.

The Tax Authority (henceforth "SUNAT", by its Spanish acronym), the following rules have been established:

- The filing dates of Income Tax and other taxes and fiscal obligations for certain taxpayers (e.g. for those which income were under 5,000 Tax Units in the previous year), were delayed.
- The monthly default interest tax rate ("TIM") was reduced from 1.2% to 1% on local currency debts and 0.6% to 0.5% on foreign currency debts. The monthly interest rate for refunds by over- payments was also reduced from 0.5% to 0.42% in local currency and from 0.3% to 0.25% in foreign currency.
- The Peruvian Tax Authorities has the authority to not impose some tax penalties for tax omissions which occurred or were detected during the National Emergency.

Through different Urgency Decrees enacted by the Peruvian Government, terms for the commencing and prosecuting of tax procedures were suspended.

(c) The SUNAT is legally entitled to review and, if necessary, amend the annual income tax returns for up to four years subsequent to the date on which the tax return must be filed.

The Value-Added-Tax for December 2015 to December 2019 and Income Tax returns of the Bank for 2014 to 2019 are pending to be audited by SUNAT.

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

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 adversarial 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 a ruling by the Permanent Chamber of Constitutional and Social Law of the Supreme Court issued in August 2009 and a recent pronouncement issued 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. Lastly, 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 anullment 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.

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 there exists sufficient technical support for the prevalence of Interbank's position, in relation with the tax periods under resolution process; thus, it has not recorded any provision for this contingency as of December 31, 2019 and 2018.

The tax liability calculated for this concept and other minor contingencies as of March 31, 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/307,000,000, out of which S/34,000,000 corresponded to taxes and the difference to fines and interest arrears.

In May 2020, the Bank was notified of resolutions whereby SUNAT increased, improperly, the tax debt regards the "interests in suspense" by approximately S/. 88,000,000. The Bank has presented the corresponding appeals. The Bank´s management and its external advisors consider that there exists technical support to reverse SUNAT's position.

On the other hand, on February 3, 2017, SUNAT concluded the audit process corresponding to the Income Tax for the year 2010. The Bank paid the debt under protest and filed a claim procedure. Subsequently, on November 6, 2018, SUNAT concluded 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 levy any additional 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. As of March 31, 2020, the tax debt requested by SUNAT amounts to approximately S/58,000,000 (including taxes, penalties and moratorium interest). The main concept observed was the deduction of loan write-offs without proof by the SBS.

The tax liability calculated for this concept and other minor contingencies as of March 31, 2020, amounted to approximately S/40,000,000, out of which S/11,000,000 corresponded to taxes and the difference to fines and interest arrears

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 March 31, 2020.

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 in 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 in 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 in process.

Lastly, to date, SUNAT is auditing Interbank's 2012 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 March 31, 2020.

The Bank calculates the period's Income Tax expense using the best estimate of the weighted average annual tax rate expected for the full annual earnings. The table below presents the amounts reported in the interim condensed income statements for the three-month periods ended March 31, 2020 and 2019:

	2020 S/(000)	**2019** S/(000)
Current – Expense	113,614	111,624
Deferred – (Income)	(31,350)	(11,446)
	82,264	100,178

12. Contingent risk and commitments

(a) This caption is comprised of the following:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Contingent operations (b)		
Indirect loans, Note 5(a)		
Bank letters of guarantee and stand-by letters of credit	3,763,480	3,863,457
Import and export letters of credit	209,973	220,336
Due from bank acceptances	32,068	139,685
	4,005,521	4,223,478
Financial derivative instruments operations, Nota 6(b)	19,268,767	17,232,922
Responsibilities for credit lines (c)	9,976,625	9,673,520
Responsibilities for credit lines – commercial and others (c)	1,213,382	1,287,973
Other contingent operations	408,017	385,255
Total contingent operations	34,872,312	32,803,148

(b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statements of financial position. See more details on credit risk of contingent risks and commitments in the 2019 Annual Financial Statements.

(c) Responsibilities of credit lines include consumer, micro-business, small-business and corporate credit lines that are cancelable when the customer receives notice to that effect.

(d) The Bank provides services of custody, trustee, corporate administration, investment management and consulting to third parties, in which transactions are executed by the Bank on behalf of its customers but they do not bear any responsibility for the Bank regarding those decisions. Said assets are not included in these financial statements.

13. Interest income and expenses

This caption is comprised of the following:

	For the three-month periods ended March 31	
	2020 S/(000)	**2019** S/(000)
Interest income		
Interest and commissions on loan portfolios	969,741	893,129
Income from interests over investments	51,663	51,927
Interest on due from banks and inter-bank funds	15,935	25,231
Other income	638	786
Total interest income	1,037,977	971,073
Interest expenses		
Interest and commissions on deposits and obligations	(162,402)	(168,170)
Interest on bonds and other obligations	(84,675)	(86,534)
Interest and commissions for debts and financial obligations	(37,537)	(37,928)
Other expenses	(2,133)	(2,602)
Total interest expense	(286,747)	(295,234)

14. Income and expenses from financial services

This caption is comprised of the following:

	For the three-month periods ended March 31,	
	2020 S/(000)	**2019** S/(000)
Income from financial services		
Commission on credit cards	91,066	97,480
Income from insurance	48,629	45,497
Commissions for savings accounts, excess transactions and others	44,600	44,497
Commissions on contingent operations	12,979	13,853
Transactions at ATMs	10,740	11,704
Fee for collection services	9,961	9,874
Income from financial advisory services	7,272	5,326
Rates	1,633	2,227
Other	14,930	14,166
Total	241,810	244,624
Expenses for financial services		
Credit cards	(30,828)	(24,385)
Insurances	(25,441)	(27,092)
Premiums paid to the Deposit Insurance Fund	(12,212)	(10,901)
Fees paid to foreign banks	(3,234)	(3,671)
Other	(14,657)	(14,378)
Total	(86,372)	(80,427)

15. Gain on financial transactions

(a) This caption is comprised of the following:

	For the three-month periods ended March 31,	
	2020 S/(000)	**2019** S/(000)
Gain on exchange difference and exchange operations	128,836	41,829
Income from sale and valuation of investments, net	36,792	11,756
Equity share from investments in subsidiaries and associates	8,410	9,661
Gain on sale of loans (b)	51	578
Income from sale of subsidiary (c)	-	52,580
(Loss) gain from trading derivatives, net	(65,233)	6,028
Other	(219)	(67)
Results on financial operations	108,637	122,365

(b) For the three-month periods ended March 31, 2020 and 2019, the Bank sold written-off loans which amounted to S/1,282,000 and S/49,414,000, respectively. These sales were paid in cash and performed with unrelated third parties.

(c) On December 18, 2018, the Bank's Board of Directors approved the sale of 100 percent of the capital stock of Interfondos S.A., Sociedad Administradora de Fondos ("Interfondos"). The purchase price of the Interfondo's shares amounted to US$30,000,000 (equivalent to approximately S/100,470,000) recording a profit amounting to S/52,580,000, see Note 6(c) of the 2019 Annual Financial Statements.

16. Administrative expenses

(a) This caption is made up as follows:

	For the three-month periods ended March 31,	
	2020 S/(000)	**2019** S/(000)
Services received from third parties (b)	185,558	167,180
Personnel and Board of Directors expenses (c)	167,721	161,346
Taxes and contributions	6,901	6,343
Total	360,180	334,869

(b) The services received from third parties include mostly transport services for valuables, repairing and maintenance services, information technology services, office leases, advertising and public relations expenses, telecommunications costs and professional fees, among others.

(c) The table below presents the composition of personnel and Board of Directors expenses:

	For the three-month periods ended March 31,	
	2020 S/(000)	**2019** S/(000)
Salaries	108,008	104,467
Workers' profit sharing	24,375	23,683
Vacations, health care and others	11,699	12,707
Social security	11,210	10,438
Severance indemnity expenses ("CTS", by its Spanish acronym)	8,438	8,073
Separation of personnel	3,991	1,978
Total	167,721	161,346

The average number of employees for the March 31, 2020 and 2019, was 6,774 and 6,881 respectively.

17. Other (expenses) income, net

This caption is comprised of the following:

	For the three-month periods ended March 31,	
	2020 S/(000)	**2019** S/(000)
Services rendered to third parties	2,587	3,115
Leases and others	1,171	1,484
Provisions of assets received as payment and seized through legal actions	(83)	(937)
Donations	(1,078)	(1,290)
Other expenses	(4,684)	(566)
Total other (expenses) income, net	(2,087)	1,806

18. Basic and diluted earnings per share

The following table reflects the basic and diluted earnings per share computations:

	Shares outstanding net of treasury stock (in thousands)	**Shares considered in computation** (in thousands)	**Effective days in the period**	**Weighted average number of shares** (in thousands)
2019				
Balance as of January 1, 2019	3,452,022	3,452,022	90	3,452,022
Capitalization of retained earnings performed in 2019 Note 10(a)	467,044	467,044	90	467,044
Balance as of March 31, 2019	3,919,066	3,919,066		3,919,066
Net earnings as of March 31, 2019 S/(000)				286,661
Basic and diluted earnings per share (in Soles)				0.073
2020				
Balance as of January 1, 2020	3,919,066	3,919,066	90	3,919,066
Balance as of March 31, 2020	3,919,066	3,919,066		3,919,066
Net earnings as of March 31, 2020 S/(000)				231,887
Basic and diluted earnings per share (in Soles)				0.059

19. Transactions with related parties

(a) The table below presents the main balances of the Bank with its shareholders, subsidiaries and related parties as of M ended March 31, 2020 and 2019:

	As of March 31, 2020		
	Shareholders (*) S/(000)	**Subsidiaries** S/(000)	**Related par** S/(000)
Assets			
Cash and due from banks	-	-	6,08
Loan portfolio, net (b)	15	-	1,208,15
Available-for-sale investments	7,885	-	
Other assets	-	165	87,14
Liabilities			
Deposits and obligations	362,982	26,682	777,60
Securities, bonds and other obligations outstanding	19,050	-	4,10
Other liabilities	-	-	22
Off-balance sheet accounts			
Indirect loans	-	8,050	102,48
Derivatives held for trading	-	-	64,95

	As of March 31, 2020		
	Shareholders (*) S/(000)	**Subsidiaries** S/(000)	**Related par** S/(000)
Income (expenses)			
Interest income	81	-	16,19
Interest expenses	(1,921)	(148)	(4,78
Other, net	175	3,523	8,04

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Inter Intercorp Financial Services Inc.

Under Peruvian legislation, all loans to related parties must be granted on terms not more favorable than terms that th Bank has fulfilled with all requirements set forth in prevailing regulation governing transactions carried out by and betv

(b) As of March 31, 2020 and December 31, 2019, the detail of loans to shareholders and related entities is the following:

	As of March 31, 2020	
	Direct loans S/(000)	Indirect loans S/(000)
Supermercados Peruanos S.A.	313,471	681
Universidad Tecnológica del Perú S.A.C.	192,047	-
Inretail Pharma S.A.	147,762	6,913
GTP Inversionistas S.A.C.	103,963	-
Homecenters Peruanos S.A.	93,370	-
Colegios Peruanos S.A.	64,580	1,859
Financiera OH S.A.	50,007	807
San Miguel Industrias Pet S.A.	21,850	17,751
Tiendas Peruanas S.A.	37,696	-
Centros de Salud Peruanos S.A.C.	37,602	-
San Miguel Industrias Ecuador Sanmindec S.A.	32,910	-
Bembos S.A.C.	26,497	5,496
Cineplex S.A.	26,379	4,498
Intralot del Perú S.A.	6,691	20,614
PF Interproperties Perú	-	22,024
EP Franquicias S.A.C.	11,714	259
Corporación Peruana de Restaurantes S.A.	11,502	130
EP de Restaurantes S.A.C.	10,263	89
Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.	-	9,426
Alert del Perú S.A.	7,887	414
Internacional de Titulos Sociedad Titulizadora S.A.	-	8,050
Alameda Colonial S.A.	-	5,861
Procesos de Medios de Pago S.A.	3,702	-
Others	8,280	5,658
	1,208,173	110,530

(c) Loans to personnel -

The Bank grants loans to its employees and officers under terms that are similar to those offered to third parties for the various types of loans and other financial products available. Loans granted to employees mainly relate to mortgage loans and are presented in the “Loan portfolio, net” caption in the statements of financial position. The interest rates applied to employee loans are generally lower than market interest rates; however, all other terms of the loans are substantially the same as those prevailing in the market. As of March 31, 2020 and December 31, 2019, loans to employees amount to approximately S/208,667,000 and S/210,866,000, respectively.

(d) Board of Directors fees

The total fees paid to the Board of Directors amounted to approximately S/280,000 and S/275,000 for the three-month periods ended March 31, 2020 and 2019, respectively.

20. Financial instruments classification

Following are presented the carrying amounts of financial assets and liabilities in the statements of financial position, classifie

	As of March 31, 2020				
	Financial assets and liabilities designated at fair value				
	Held for trading or hedging S/(000)	**Loans and accounts receivable** S/(000)	**Available-for-sale investments** S/(000)	**Held-to-maturity investments** S/(000)	**Financial liabilities at amortized cost** S/(000)
Financial assets					
Cash and due from banks	-	10,138,137	-	-	-
Inter-bank funds	-	150,005	-	-	-
Investments at fair value through profit or loss – trading	45,550	-	-	-	-
Available-for-sale investments	-	-	3,730,915	-	-
Held-to-maturity investments	-	-	-	2,260,757	-
Loan portfolio, net	-	34,757,112	-	-	-
Other assets, net, Note 6(a)	420,592	652,094	-	-	-
	466,142	45,697,348	3,730,915	2,260,757	-
Financial liabilities					
Deposits and obligations	-	-	-	-	33,249,063
Inter-bank funds	-	-	-	-	111,504
Deposits from financial entities	-	-	-	-	1,839,818
Payables from repurchase agreements	-	-	-	-	2,609,856
Debts and financial obligations	-	-	-	-	2,366,347
Securities, bonds and obligations outstanding	-	-	-	-	5,841,703
Provision and other liabilities, Note 6(a)	398,050	-	-	-	630,966
	398,050	-	-	-	46,649,257

21. Financial risk management

A full description of the Bank's financial risk management is presented in Note 24 "Financial risk management" of the 2019 Ar
portfolio and foreign exchange risk.

(a) Credit risk management for loans

The Bank classifies each client that is part of its loan portfolio into one of five risk categories, depending on the degree
(iv) doubtful - D and (v) loss – E; these categories are described on Note 24.1(c) of the 2019 Annual Financial Statement

The table below presents the summary of direct loans (without including accrued interest and interest to be accrued) c
delinquency characteristics and are related to clients classified as "Normal" and "with Potential problems"; (ii) Past-du
impaired loans, those past-due loans classified as "Substandard", "Doubtful" or "Loss". Also, the allowance for loan lo

	As of March 31, 2020				
Loan classification	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**Mortgage loans** S/(000)	**Small and micro-business loans** S/(000)	
Neither past due nor impaired -					
Normal	14,775,919	11,805,198	6,821,591	639,204	
With potential problems	93,030	200,422	95,838	9,158	
	14,868,949	12,005,620	6,917,429	648,362	3
Past due but not impaired -					
Normal	6,821	1,068	1,228	272	
With potential problems	7,357	5,358	3,809	3,058	
	14,178	6,426	5,037	3,330	
Impaired -					
Substandard	167,879	258,114	89,340	12,210	
Doubtful	69,076	395,364	106,871	15,782	
Loss	163,039	239,858	233,641	37,647	
	399,994	893,336	429,852	65,639	
Total loan portfolio gross	15,283,121	12,905,382	7,352,318	717,331	3
Less: Provision for loan losses	436,317(*)	944,450(*)	314,467	58,089(*)	
Total, net	14,846,804	11,960,932	7,037,851	659,242	3

(*) As of March 31, 2020 and 2019, the provision for indirect loans of S/82,304,000 and S/83,485,000 that are presented in the c

As of March 31, 2020 and 2019, the refinanced outstanding loans amount to S/258,769,000 and S/213,747,000 respectively.
respectively, are classified as past due but not impaired and S/75,978,000 y S/44,625,000, respectively, as impaired.

In accordance with Multiple Official Letter No.10250-2017-SBS issued in March 2017 and other related rules issued by the SBS
occurred in Peru during the first half of 2017, without the modification resulting in a "refinanced loan". The balance of the reso
March 31, 2020 and December 31, 2019, the balance of the reprogrammed credits and not considered as "refinanced credits"

(b) Foreign exchange risk

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of March 31, 2020, the weighted market exchange rate published by the SBS for transactions in US dollars was S/3
31, 2020, the exchange rate for accounting asset and liability amounts in foreign currency set by the SBS was S/3.437

The table below presents the detail of the Bank's currency position as of March 31, 2020 and December 31, 2019:

	March 31, 2020		
	US dollars S/(000)	**Soles** S/(000)	**Other currenc** S/(000)
Assets			
Cash and due from banks	8,826,400	875,304	436,43
Inter-bank funds	-	150,005	
Investments at fair value through profit or loss - trading	42,601	2,949	
Available-for-sale investments, net	994,309	2,736,606	
Held-to-maturity investments	-	2,260,757	
Loan portfolio, net	9,209,880	25,547,232	
Other assets, net	284,753	786,688	1,24
	19,357,943	32,359,541	437,67
Liabilities			
Deposits and obligations	11,481,393	21,424,704	342,96
Inter-bank funds	-	111,504	
Deposits from financial entities	162,886	1,676,932	
Payables from repurchase agreements	-	2,609,856	
Debts and financial obligations	1,140,893	1,225,454	
Securities, bonds and obligations outstanding	4,935,114	906,589	
Other liabilities	360,479	667,302	1,23
	18,080,765	28,622,341	344,20
Forward position, net	(2,578,677)	2,670,904	(92,22
Currency swaps position, net	1,448,304	(1,448,579)	27
Options position, net	(19,856)	19,856	
Net monetary position	126,949	4,979,381	1,52

As of March 31, 2020, the Bank granted indirect loans (contingent operations) in foreign currency for approximately US
31, 2019).

22. Fair value

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

The following table presents an analysis of the financial instruments that are measured at their fair value including the
the interim condensed statements of financial position in accordance with the criteria established by the SBS. See mor

	As of March 31, 2020			
	Level 1 S/(000)	**Level 2** S/(000)	**Level 3** S/(000)	**Total** S/(000
Financial assets -				
Securities	45,550	-	-	45,5
Available-for-sale investments				
Debt instruments	2,475,490	1,232,341	-	3,707,8
Shares -				
Other	74	-	1,703	1,7
Derivatives receivable	-	420,592	-	420,5
	2,521,114	1,652,933	1,703	4,175,7
Accrued interest				21,3
Total financial assets				4,197,0
Financial liabilities -				
Derivatives payable	-	398,050	-	398,0
Total financial liabilities	-	398,050	-	398,0

All assets and liabilities for which the fair value is measured or disclosed in the interim condensed financial statements
lowest level input that is significant to the fair value measurement 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 direct

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobs

During the three-month periods ended March 31, 2020 and 2019, there were no transfers of financial instruments from

(b) Financial instruments not measured at fair value

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial instrum
level of the fair value hierarchy:

	As of March 31, 2020			
	Level 1 S/(000)	**Level 2** S/(000)	**Level 3** S/(000)	**Fair value** S/(000)
Assets				
Cash and due from banks	-	10,138,137	-	10,138,137
Inter-bank funds	-	150,005	-	150,005
Held-to-maturity investments	1,840,538	534,810	-	2,375,348
Loan portfolio, net	-	34,757,112	-	34,757,112
Other assets, net	-	652,094	-	652,094
Total	1,840,538	46,232,158	-	48,072,696
Liabilities				
Deposits and obligations	-	33,249,063	-	33,249,063
Inter-bank funds	-	111,504	-	111,504
Deposits from financial entities	-	1,839,818	-	1,839,818
Payables from repurchase agreements	-	2,627,530	-	2,627,530
Debts and financial obligations	-	2,365,028	-	2,365,028
Securities, bonds and obligations outstanding	3,858,855	1,790,176	-	5,649,031
Provisions and other liabilities	-	630,966	-	630,966
Total	3,858,855	42,614,085	-	46,472,940

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the

(i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that a
approximate their fair values. This assumption is also applied to demand deposits, savings accounts without sp

(ii) Financial instruments at fixed rate – The fair value of the financial assets and financial liabilities at fixed rate ar
recognition to the current market rates related to similar financial instruments. In the case of listed debt, the fair
available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the
according to SBS Multiple Official Letter N°1575-2014, corresponds to its book value.

23. Subsequent events

(a) As mentioned in Note 2.2, as of March 31, 2020, the SBS issued new regulations with exceptional measures applicable during the national state of emergency due to Covid-19 outbreak. As of the date of this report, the Peruvian Government, the Central Reserve Bank of Peru and the SBS have issued additional measures applicable to the Bank's operations as follow:

(i) "Reactiva Peru" program -
"Reactiva Peru" program was created by Legislative Decree No.1455-2020 to grant loans to companies, through Peruvian financial entities, guaranteed by the Peruvian Government; with the purposes of maintain the continuity in the payment chain. The program is intended for micro, small, medium and large companies and is effective until June 30, 2020.

In conection with such program, on April 22, 2020, the SBS issued the Resolution No.11999-2020. In such resolution, the SBS provides specifications for the accounting of said operations, and also mentions that the recording of the interests is through an accrual basis. Also, on April 27, 2020, the SBS issued the Resolution No.1314-2020. It establishes that the provision for credit risk for loans that are covered by the guarantee of "Reactiva Perú" program, will be 0 percent.

As of May 31, 2020, the Bank maintained credits from "Reactiva Peru" program for an amount of S/3,047,044,000 being S/2,551,428,000 of this amount covered by the Peruvian Government.

(ii) Fondo de apoyo empresarial a la MYPE – "FAE MYPE" -
FAE MYPE (by its acronym in Spanish) was created through Emergency Decree No.029-2020, and it is a state fund created to guarantee working capital loans, restructuring debt and refinancing of micro and small companies(MYPEs).

On April 27, 2020 and May 19, 2020, the SBS through Resolutions No.1315-2020-SBS and Multiple Official Letter No.13206-2020-SBS, respectively, establishes that provision for credit risk for loans that are covered by the guarantee of FAE MYPE will be 0 percent. The portion of the loan that does not have the coverage provided by the Fund, corresponds the provision of the original type of credit according to the classification corresponding to the debtor of the loan.

As of May 31, 2020, the Bank no maintained credits from the FAE MYPE.

(iii) Loan portfolio reporting operations represented in securities -
On April 3, 2020, the BCRP issued the Circular No.0014-2020-BCRP. In this Circular, the BCRP establishes characteristics and procedures of credit portfolio repo operations guaranteed by Peruvian Goberment. Under such repo operations, the Bank is entitled to sell to the BCRP a loan portfolio that is supported by securities guaranteed by Peruvian Goberment. As of the date of sale, the Bank receive local currency (amount of sale) and, in the same act, is obliged to repurchase such portfolio later (amount of repurchase). The BCRP will disburse 80 percent of the funds in the current account of the Bank maintained in the

BCRP and the remaining part in a restricted account also maintained by the Bank in the BCRP.

In conection with credit portfolio repo operations, the SBS issued Multiple Official Letter No.11518-2020 and No.12791-2020, on April 7, 2020 and May 8, 2020, respectively. Through these Multiple Official Letters the SBS provides the accounting treatment for said operations, as well as some requirements of presentation to the SBS. According to such Multiple Official Letters, the loan portfolio is not derecognized, and provisions will continue to be made for the portfolio subject to the reporting operation.

As of May 31, 2020, the Bank maintains this type of reporting operations for an amount of S/2,220,818,000.

(iv) Other resolutions that modified Multiple Official Letter SBS No.10997-2020-SBS, No.11150-2020-SBS and No.11170-2020-SBS, see Note 2.2(a) -

- Multiple Official Letter N°13195-2020-SBS, issued on May 19, 2020: which indicates to the financial entities to register, in a preventive and responsible way, the necessary voluntary provisions that allow them to face the risk increases in the loans portfolios, at the moment in which they materialize.

  As of May 31, 2020, the Bank has recorded voluntary provisions associated with the national state of emergency for an amount of S/475,468,000.

- Multiple Official Letter N°13805-2020-SBS, issued on May 29, 2020: This Multiple Official Letter modified the following regulations: Multiple Official Letters SBS No.10997-2020-SBS, No.11150-2020-SBS and No.11170-2020-SBS (see Note 2.2.(a)); and additionally modified the Multiple Official Letters No.12679-2020 and No.13195-2020, issued on May 5, 2020 and May 19, 2020, respectively. The main modifications were as follows: (i) financial entities can unilaterally reschedule loans until June 30, 2020, to the extent that certain criteria included in said Multiple Official Letter are met; (ii) The rescheduling period of the loans is extended from 6 to 12 months, with respect to the original term; (iii) For contractual modifications made as of the date, and only for the purposes of the national state of emergency, the credit of a debtor shall be considered to be a maximum of 30 calendar days overdue at the time of the modification, to meet the requirement of being up to date on payments, and (iv) The suspension of the computation of the days overdue, applicable to those loans that presented more than 15 calendar days overdue as of February 29, 2020, will be maintained for the duration of the national state of emergency, as well as the accounting situation of such loans. Additionally, in the case of loans that as of February 29, 2020 have had more than 15 and up to 60 days of overdue, said suspension will continue until the end of the month following that in which the declaration of national state of emergency is lifted.

As of May 31, 2020, the Bank have registered rescheduled loans for an amount of S/11,681,042,000.

(b) The General Shareholders' Meeting of Interbank held on April 3, 2020, approved the distribution of the net profit for the year 2019, amounting to S/1,209,092,000, as follows:

(i) S/120,909,000 to increase the legal reserve.
(ii) S/302,273,000 for distribution of dividends.
(iii) S/785,910,000 for capitalization of earnings.

Translation of independent auditor's report and financial statements originally issued in Spanish - See Note 25

Banco Internacional del Perú S.A.A. - Interbank

Financial statements as of December 31, 2019 and 2018, together with the independent auditor's report.

Translation of independent auditor's report and financial statements originally issued in Spanish - See Note 25

Banco Internacional del Perú S.A.A. - Interbank

Financial Statements as of December 31, 2019 and 2018, together with the independent auditor's report

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Translation of independent auditor's report originally issued in Spanish – Note 25

Independent Auditor's Report

To the Shareholders of Banco Internacional del Perú S.A.A. - Interbank

We have audited the accompanying financial statements of Banco Internacional del Perú S.A.A. - Interbank (a Peruvian financial corporation, subsidiary of Intercorp Financial Services Inc. which in turn is subsidiary of Intercorp Perú Ltd.) which comprise the statements of financial position as of December 31, 2019 and 2018, as well as the income statements, statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and a summary of significant accounting policies and other explanatory Notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP (Superintendence of Banking, Insurance and Private Pension Funds Administrators, "SBS", by its Spanish acronym) for Peruvian financial entities, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Our audits were conducted in accordance with International Standards on Auditing as adopted for use in Peru by the Boards of Peruvian Associations of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves applying procedures to obtain audit evidence about the amounts and the information disclosed in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

Inscrita en la partida 11396556 del Registro de Personas Jurídicas de Lima y Callao
Miembro de Ernst & Young Global

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Translation of independent auditor's report originally issued in Spanish – Note 25

Independent Auditor's Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Internacional del Perú S.A.A. - Interbank, as of December 31, 2019 and 2018, and of its financial performance and its cash flows for each of the years ended December 31, 2019, 2018 and 2017, in accordance with accounting standards prescribed by the SBS for Peruvian financial entities.

Lima, Peru,
February 21, 2020

Countersigned by:

Paredes, Burga & Asoc.

Víctor Tanaka
C.P.C.C. Register No.25613

Firma miembro de Ernst & Young Global Limited

Translation of financial statements originally issued in Spanish - See Note 25

Banco Internacional del Perú S.A.A. - Interbank

Statements of financial position

As of December 31, 2019, and 2018

	Note	2019 S/(000)	2018 S/(000)
Assets			
Cash and due from banks	3(a)		
Cash and clearing		1,871,874	1,860,186
Deposits in Central Reserve Bank of Peru		5,864,723	3,644,853
Deposits in local and foreign banks		769,569	924,316
Restricted funds		1,270,341	1,285,547
		9,776,507	7,714,902
Inter-bank funds	3(e)	85,006	495,037
Investments at fair value through profit or loss		4,788	38,894
Available-for-sale investments	4(a)	3,362,741	3,886,580
Held-to-maturity investments	4(h)	2,191,854	1,864,891
Loan portfolio, net	5	34,739,232	31,268,464
Investments in subsidiaries and associates	6	96,121	132,148
Property, furniture and equipment, net	7	408,218	420,454
Other assets, net	8(a)	1,474,298	1,194,750
Deferred Income Tax, net	12	164,348	111,490
Total assets		52,303,113	47,127,610
Contingent risks and commitments	15	32,803,148	23,885,231

The accompanying Notes are an integral part of these financial statements.

Translation of financial statements originally issued in Spanish - See Note 25

Banco Internacional del Perú S.A.A. - Interbank

Income statements

For the years ended December 31, 2019, 2018 and 2017

	Note	2019 S/(000)	2018 S/(000)	2017 S/(000)
Interest income	16	4,094,799	3,589,757	3,369,366
Interest expenses	16	(1,231,025)	(1,040,730)	(1,010,325)
Gross financial margin		2,863,774	2,549,027	2,359,041
Provision for loan losses, net of recoveries	5 (e)	(911,323)	(803,501)	(817,608)
Net financial margin		1,952,451	1,745,526	1,541,433
Income from financial services	17	1,032,802	993,072	960,069
Expenses from financial services	17	(332,831)	(345,961)	(331,453)
Financial margin, net of income and expenses from financial services		2,652,422	2,392,637	2,170,049
Gain on financial transactions	18	529,221	417,526	358,009
Administrative expenses	19	(1,405,893)	(1,302,850)	(1,224,795)
Depreciation	7(a)	(72,454)	(67,193)	(64,426)
Amortization	8(e)	(91,166)	(73,898)	(64,854)
Net operating income		1,612,130	1,366,222	1,173,983
Provision for contingencies and others		(6,324)	(4,718)	(16,250)
Operating income		1,605,806	1,361,504	1,157,733
Other income, net	20	10,899	2,660	40,469
Income before Income Tax		1,616,705	1,364,164	1,198,202
Income Tax	12(b)	(395,189)	(324,101)	(296,202)
Net income		1,221,516	1,040,063	902,000
Basic and diluted earnings per share (in soles)	21	0.312	0.265	0.230
Weighted average number of shares outstanding (in thousands)	21	3,919,066	3,919,066	3,919,066

The accompanying Notes are an integral part of these financial statements.

Translation of financial statements originally issued in Spanish - See Note 25

Banco Internacional del Perú S.A.A. - Interbank

Statements of comprehensive income

For the years ended December 31, 2019, 2018 and 2017

	Note	2019 S/(000)	2018 S/(000)	2017 S/(000)
Net income		1,221,516	1,040,063	902,000
Other comprehensive income:				
Net loss (gain) on available-for-sale investments	13(e)	(10,189)	(138,837)	88,968
Net movement of cash flow hedges	13(e)	(44,244)	35,034	(3,971)
Participation in subsidiaries and associates	13(e)	(698)	(476)	65
Income Tax	12(a) and 13(e)	37,450	19,922	(20,472)
Other comprehensive income for the year, net of Income Tax		(17,681)	(84,357)	64,590
Total comprehensive income for the year, net of Income Tax		1,203,835	955,706	966,590

The accompanying Notes are an integral part of these financial statements.

Banco Internacional del Perú S.A.A. - Interbank

Statements of changes in shareholders' equity

For the years ended December 31, 2019, 2018 and 2017

	Number of shares			
	Issued (in thousands)	**Treasury stock** (in thousands)	**Capital stock** S/(000)	**Treasury stock** S/(000)
Balance as of January 1, 2017	2,670,725	18,387	2,670,725	(33,910)
Changes in shareholders' equity for 2017				
Net income	-	-	-	-
Other comprehensive income, Note 13(e)	-	-	-	-
Total comprehensive income	-	-	-	-
Transfer, Note 13(c)	-	-	-	-
Capitalization of earnings, Note 13(a)	393,784	-	393,784	-
Dividends declared and paid, Note 13(a)	-	-	-	-
Balance as of December 31, 2017	3,064,509	18,387	3,064,509	(33,910)
Changes in shareholder's equity for 2018				
Net income	-	-	-	-
Other comprehensive income, Note 13(e)	-	-	-	-
Total comprehensive income	-	-	-	-
Transfer, Note 13(c)	-	-	-	-
Capitalization of earnings, Note 13(a)	405,900	-	405,900	-
Dividends declared and paid, Note 13(a)	-	-	-	-
Balance as of December 31, 2018	3,470,409	18,387	3,470,409	(33,910)
Changes in shareholder's equity for 2019				
Net income	-	-	-	-
Other comprehensive income, Note 13(e)	-	-	-	-
Total comprehensive income	-	-	-	-
Transfer, Note 13(c)	-	-	-	-
Capitalization of earnings, Note 13(a)	467,044	-	467,044	-
Dividends declared and paid, Note 13(a)	-	-	-	-
Others	-	-	-	-
Balance as of December 31, 2019	3,937,453	18,387	3,937,453	(33,910)

The accompanying Notes are an integral part of these financial statements.

Translation of financial statements originally issued in Spanish - See Note 25

Banco Internacional del Perú S.A.A. - Interbank

Statements of cash flows

For the years ended December 31, 2019, 2018 and 2017

	Note	**2019** S/(000)	**2018** S/(000)	**2017** S/(000)
Cash flow from operating activities				
Net income		1,221,516	1,040,063	902,000
Adjustments to reconcile the net income with cash provided by operating activities - Plus (minus)				
Provision for loan losses, net of recoveries	5(e)	911,323	803,501	817,608
Depreciation and amortization	7(a) and 8(e)	163,620	141,091	129,280
Provisions for contingencies and others		6,324	4,718	16,250
Deferred Income Tax	12(b)	(10,209)	(32,255)	(2,420)
Income from sale and valuation of investments, net	18(a)	(170,581)	(151,083)	(88,009)
Participation from investments in subsidiaries and associates	18(a)	(34,303)	(42,494)	(33,994)
Income from sale of subsidiary	6(c) and 18(a)	(52,580)	-	-
Loss from sale of assets received as payment and seized through legal actions		413	1,509	1,329
Provisions for assets received as payment and seized through legal actions	20	4,163	10,345	1,168
Net changes in asset and liabilities				
Net increase in loan portfolio		(4,405,828)	(5,290,552)	(2,374,057)
Net decrease (net increase) in investments		394,292	313,454	(1,325,731)
Net increase in deposits and obligations		3,914,747	33,120	3,172,684
Net increase in deposits from financial entities		371,756	695,660	496,989
Decrease in accrued income		(18,555)	(40,296)	(13,441)
(Net increase) net decrease in interest payable		(7,932)	14,191	1,589
Decrease in restricted funds		15,206	691,178	1,289,436
(Net increase) net decrease of other assets		(221,705)	(340,451)	130,738
(Net decrease) net increase in provisions and other liabilities		(15,480)	(320,683)	236,117
Net cash provided by (used in) operating activities		2,066,187	(2,468,984)	3,357,536

Statements of cash flows (continued)

	Note	2019 S/(000)	2018 S/(000)	2017 S/(000)
Cash flows from investing activities				
Purchase of property, furniture and equipment	7(a)	(60,439)	(58,631)	(77,827)
Purchase of intangibles assets	8(e)	(134,817)	(115,163)	(151,015)
Sale of subsidiary	6(c)	100,470	-	-
Sale of assets received as payment and seized through legal actions, and property, furniture and equipment		221	395	583
Net cash used in investing activities		(94,565)	(173,399)	(228,259)
Cash flows from financing activities				
Collections of repurchase agreements obtained		7,586,481	10,731,470	5,700,338
Payments of repurchase agreements		(7,746,653)	(10,858,092)	(6,566,482)
Collections of debts and financial obligations obtained		546,811	975,703	10,322,215
Payments of debts and financial obligations obtained		(739,045)	(1,243,168)	(10,411,946)
Issuance of securities, bonds and obligations outstanding		2,120,431	1,148,844	110,550
Payments of securities, bonds and obligations outstanding		(1,748,303)	(166,593)	(26,860)
Net decrease (net increase) in receivable inter-bank funds		410,031	(91,511)	(398,524)
Net increase (net decrease) of inter-bank funds obtained		216,606	(27,982)	(300,938)
Collection of dividends, net of decrease in investments in subsidiaries and associates		21,742	44,342	30,905
Payment of dividends	13(a)	(467,044)	(405,900)	(393,784)
Net cash provided by (used in) financing activities		201,057	107,113	(1,934,526)
Net increase (net decrease) in cash before the effect of changes in the exchange rate		2,172,679	(2,535,270)	1,194,751
Effect of changes in exchange rate of cash and cash equivalents		(94,095)	304,661	(231,831)
Net increase (net decrease) in cash		2,078,584	(2,230,609)	962,920
Balance of cash at the beginning of year	2(t)	6,424,429	8,655,038	7,692,118
Balance of cash at the end of year	2(t)	8,503,013	6,424,429	8,655,038

The accompanying Notes are an integral part of these financial statements.

Banco Internacional del Perú S.A.A. - Interbank

Notes to the financial statements

As of December 31, 2019 and 2018

1. Business activity

Banco Internacional del Perú S.A.A.- Interbank (henceforth "the Bank") is a Subsidiary of Intercorp Financial Services Inc. (henceforth “IFS”), a holding corporation incorporated in the Republic of Panama in the year 2006, that owns 99.30 percent of the Bank’s capital stock as of December 31, 2019 and 2018. In turn, IFS is a Subsidiary of Intercorp Perú Ltd.

The Bank is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth “SBS”, by its Spanish acronym) to perform multiple banking activities in accordance with Peruvian legislation. The Bank’s operations are governed by the “Ley General del Sistema Financiero y de Seguros y Orgánica de la SBS”, Act No. 26702 and amendments (General Act of the Financial and Insurance System and Organic of the SBS), which establishes the requirements, rights, obligations, guarantees, restrictions and other operating conditions to which legal entities operating in the financial and insurance system are subject.

The Bank’s legal domicile is Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru. As of December 31, 2019, the Bank operated 255 offices and a branch established in the Republic of Panama (269 offices and a branch established in the Republic of Panama as of December 31, 2018).

The Board’s session held on April 23, 2019, agreed on the voluntary closing of the branch incorporated in the Republic of Panama. As of the date of this report, there is not an exact date for the completion of the closing process.

The financial statements as of December 31, 2018 were approved by the General Shareholders’ Meeting held on March 27, 2019. The financial statements as of December 31, 2019 accompanying statements were approved by the Management on February 21, 2020, and will be submitted for approval by Board of Directors and the Shareholders’ Meeting which will be held within the deadline established by law. In Management’s opinion, the accompanying financial statements will be approved by the Board of Directors and the General Shareholders’ Meeting without modifications.

2. Accounting principles and practices

In the preparation and presentation of the accompanying financial statements, Management has observed compliance with SBS rules in force in Peru as of December 31, 2019 and 2018. The following are the main accounting principles used in the preparation of these financial statements.

(a) Basis for presentation, use of estimates and accounting changes

(i) Basis for presentation and use of estimates

The accompanying financial statements have been prepared in soles from the Bank's accounting records, which are maintained in nominal monetary terms at each transaction's date, in accordance with SBS regulations in effect in Peru as of December 31, 2019 and 2018, and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards – IFRS, approved in Peru through resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, henceforth "CNC", by its Spanish acronym) in force in Peru as of December 31, 2019 and 2018 see paragraph (v.1) below.

The preparation of the accompanying financial statements requires Management to perform estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the Notes to the financial statements. Estimates are continually evaluated and are based on historical experience and other factors. The actual results may differ from those estimates.

The most significant estimates related to the accompanying financial statements correspond to the provision for loan losses, the valuation of derivative financial instruments, valuation and impairment of investments, the useful life and recoverable value of property, furniture and equipment and intangible assets, and the calculation of deferred Income Tax. The accounting criteria for each of these estimates are described below.

The accompanying financial statements do not include the effects of the consolidation of the Bank with its Subsidiaries detailed in Note 6, because their non-consolidation, individually or in aggregate, does not significantly affect the Bank's financial position, operating results and cash flows. The Subsidiaries are accounted using the equity method (see Note 2(h)) after adjustments to standardize their balances according to SBS rules. Their consolidation would not have changed neither the Bank's reported net income nor equity as of December 31, 2019, 2018 and 2017.

Likewise, the financial statements of the Panama Branch have been standardized to the SBS accounting standards.

(ii) Changes in accounting policies
Applicable from year 2018
On October 1, 2018, the SBS issued SBS Resolution No.72610-2018 which entered into force as of October 1, 2018, and amended the Regulation on classification and valuation of investments approved by the SBS Resolution No. 7033-2012 and its amendments.

The main amendment contained in this Resolution is the introduction of a standard methodology for the identification of impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments; see Note 2(g).

As a result of the application of this methodology, it has not been necessary to recognize any additional records due to the analysis of the impairment of investments.

(b) Currency -
Functional and presentation currency -
The Bank considers the sol as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the Bank, given that its main operations and/or transactions, such as: loans granted, financing obtained, interest income and expenses, as well as its main purchases, are established and settled in soles.

Transactions and balances in foreign currency -
Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing exchange rate of the corresponding month using the exchange rate set by the SBS; see Note 24.2(b)(ii). Gains or losses resulting from the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the income statements of the period as “Gain on exchange difference and exchange operations” within the caption “Gain on financial transactions”; see Note 18.

The accounting records of the Bank’s branch established abroad are maintained in US dollars and, for consolidation purposes, have been translated into soles at the exchange rate prevailing at the date of each statements of financial position, recording the effects of such translation in the income statements of each period.

(c) Financial instruments -
Financial instruments are classified as assets, liabilities or equity according to the substance of the respective contractual arrangements that originated them. Interests, dividends, gains and losses generated from a financial instrument classified as asset or liability are recorded as income or expense, respectively. Financial instruments are offset when the Bank has a legally enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported in the statements of financial position include cash and due from banks, inter-bank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity investments, loan portfolio, net, assets reported in the caption “Other assets, net”, except for those identified as non-financial instruments, and liabilities in general, except for those identified as non-financial instruments presented in the caption “Provisions and other liabilities”; see Note 8(a). Likewise, all indirect loans and derivative products are considered to be financial instruments.

The specific accounting policies for recognition and measurement of each of these items are disclosed in the respective accounting policies included in this Note.

(d) Recognition of income and expenses -
Interest income and expenses are recorded in the income statements of the period in which they are incurred, based on the effective term of the underlying transactions and the interest rates freely agreed upon with customers; except for interest accrued on past due loans, refinanced, restructured or in legal collection, as well as loans classified as doubtful or loss, whose interests are recognized as collected. When Management determines that the debtor’s financial condition has improved and the loan is reclassified as current and/or in the category of normal, potential problems or substandard, such interests are recognized again on an accrual basis.

Interest income include interest accrued on fixed income investments, classified as available-for-sale and held-to-maturity investments, as well as income from discounts and premiums on such financial instruments. Dividends are recognized as income when declared.

Commissions from financial services related to the maintenance of loans granted are recognized as income when accrued.

Commissions and expenses for loans structuration, credit facility, assessment and credit evaluation of direct and indirect loans are recorded as income on an accrual basis over the agreement period.

Other income and expenses are recognized as earned or incurred in the period in which they accrue.

(e) Loan portfolio and provision for loan losses -
Direct loans are recorded when the funds are disbursed in favor of the customers. In the case of credit cards, these are recorded as loans for the amount used and/or cash withdrawals made. Indirect loans (contingent loans) are recorded when documents supporting such facilities are issued.

In the case of financial leases, the Bank recognizes the present value of the lease payments as credit granted. The difference between the total amount of installments receivable and their present value is recorded as unrealized interest and is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodical rate of return. The Bank does not grant operating leases.

The provision for loan losses was determined following the guidelines established by SBS Resolution No. 11356-2008 “Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions” and SBS Resolution No. 6941-2008 “Regulation for the Managing of the Risk from Retail Debtors with High Leverage Levels”. In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that Management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among others, the following factors: the debtor’s payment experience, the payment history of the specific loan, the Bank’s dealings history with the debtor’s management, the debtor’s operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor’s financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the loans are backed by highly liquid preferred guarantees – LWHLPG (cash deposits and rights over credit letters); by readily preferred guarantees – LWRPG (public debt instruments issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others); or by preferred guarantees – LWPG (primary pledge on financial instruments, real and movable property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, the computing of the provision must consider the credit classification of the guarantor or guaranteeing party for credits with subsidiary responsibility by a financial or insurance entity (loans subject to credit counterparty - CAC).

The provisions for customers classified as doubtful or loss for more than 36 and 24 months, respectively, are computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions.

The provision for indirect loans is determined on the basis of the “Exposure equivalent to credit risk”, according to the credit conversion factor.

The pro-cyclical provision is calculated for loans classified as normal, based on the percentages established by the SBS. As of December 31, 2019 and 2018, the pro-cyclical component of the provision is suspended by the SBS; however, the Bank maintains a pro-cyclical provision amounting to S/136,840,000 and S/137,436,000; respectively, that to date has not been reassigned to any specific provision; see Note 5(d).

The provision for over-indebtedness of the retail loan portfolio requires that financial entities must establish a risk management system that reduces debt over-indebtedness risk before and after the granting of the loan; carry out permanent monitoring of the portfolio in order to identify the over-indebted debtors, which includes a periodic evaluation of control mechanisms used, as well as the corrective action or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer debtors, and on the basis of said amount, compute the provision according to the debtor’s classification. In application of this regulation, the Bank maintains provisions for approximately S/19,659,000 and S/16,510,000 as of December 31, 2019 and 2018, respectively.

The provision for loan losses for direct loans is presented as an asset deduction, while the provision for indirect loans is presented as a liability; see Note 5(e).

Acquisition of loan portfolio -
In accordance with the requirements established by the SBS, the accounting record of the acquisition of the loan portfolio is made at its gross value, which considers the historical cost and the provision for loan losses accumulated at that date. Likewise, the gain originated by the acquisition will be recognized as a deferred income that will be accrued in the income statements as customers pay the outstanding balances; while the resulting loss, if any, is recorded in the income statements at the acquisition date.

During the year 2019, the Bank acquired a loan portfolio from Sumitomo Mitsui Banking Corporation at its nominal value for an amount of S/164,950,000.

During 2018, the Bank acquired a loan portfolio from Bancolombia Panamá S.A., Bancolombia Puerto Rico Internacional Inc. and Itaú Corpbanca NY Branch, generating a premium interest that amounted to approximately S/16,317,000, which is presented in the caption “Other assets, net” net of its accumulated amortization of S/10,160,000 as of December 31, 2019 (S/15,452,000 as of December 31, 2018); see Note 8(a).

(f) Derivative financial instruments -
SBS Resolution No. 1737-2006 “Regulation for Trading and Accounting of Financial Derivative Instruments for Financial Entities” and its amendments, establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

Trading derivatives -
Derivative financial instruments are initially recognized in the statements of financial position at cost and are subsequently carried at fair value, recognizing an asset or liability in the statements of financial position and the correspondent gain or loss in the income statements. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at their notional amount in the committed currency; see Note 8(c).

The fair values are determined based on market exchange rates and interest rates.

Hedging derivatives -
A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80 and 125 percent.

As of December 31, 2019 and 2018, the Bank solely held cash flow hedge instruments; see Note 8(c). For this type of hedging instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption “Unrealized results” as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the income statements. Amounts accumulated in equity for hedging cash flows are transferred to the income statements in the periods when the hedged item is recorded in the income statements or when an expected transaction occurs.

On the other hand, if the hedge instrument expires, is sold, settled or exerted, or at the moment that the hedge instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospectively manner and the balances recorded in the equity are transferred to the income statements during the hedged item’s term.

Embedded (implicit) derivatives -
Certain derivatives incorporated in other financial instruments (principal or host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to the risks of the host contract and when the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and are recognized at fair value in the income statements, unless the Bank chooses to designate the hybrid contract (host and embedded derivatives) at its fair value through profit or loss.

As of December 31, 2019 and 2018, the Bank does not hold financial instruments for which embedded derivatives must be separated.

(g) Investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity investments -
Investments are valuated following SBS Resolutions SBS No. 7033-2012, SBS No. 2610-2018 and amendments.

The criteria for the classification and valuation of said investments are as follows:

- Classification
  (i) Investments at fair value through profit or loss
  This category has two sub-categories:

  - Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.
  - Investments at fair value through profit or loss, since their inception, which are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term. As of December 31, 2019 and 2018, the Bank does not hold any instruments classified under this sub-category.

  (ii) Available-for-sale investments
  Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered as at fair value through profit or loss or held-to-maturity.

  (iii) Held-to-maturity investments
  The financial instruments that are classified in this category must comply with the following requirements:

  - Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
  - They must have risk ratings as required by the SBS.

  Likewise, in order to classify their investments in this category, financial entities must assess whether they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

- Initial recognition date -
  Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within the term established by regulations and the usual practice on the market at which the operation takes place.

- Initial recognition and measurement -

  (i) Investments at fair value through profit or loss - Their initial accounting is carried out at fair value, recording the transaction costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the income statements.

  (ii) Available-for-sale Investments - The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the income statements of the period.

  In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the resulting variation of the amortized cost is used for the recognition of the gains and losses due to the variation of the fair value.

  (iii) Held-to-maturity investments - Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

  Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

  The difference between the revenues received from the sale of these investments and their book value is recognized in the income statements.

- Impairment assessment -
  SBS Resolution No. 7033-2012 and amendments, as well as SBS Resolution No. 2610-2018, establish a standard methodology for the identification of the impairment on available-for-sale and held-to-maturity investments. This methodology is applied quarterly to all debt-representing and equity instruments classified into the following categories:

  (i) Debt instruments:
  At the end of each quarter, the following occurrences must be assessed for the entire debt-representing portfolio:

  1) Weakening in the financial situation or financial ratios of the issuer and of its economic group.
  2) Discount in any of the credit ratings of the instrument or of the issuer, in at least two (2) notches, from the moment the instrument was acquired; where a notch corresponds to the minimum difference between two risk ratings within the same rating scale.
  3) Interruption of transactions or of an active market for the financial asset, due to the issuer's financial difficulties.
  4) The observable data indicates that since the initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with the group's individual financial assets.
  5) Decrease in value due to regulatory changes (taxing, regulatory or other governmental).
  6) Significant decrease in the fair value below its amortized cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its amortized cost as of that date.
  7) Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased at least 20 percent compared to the amortized cost of the previous twelve (12) months, and the fair value at the closing date of each month during the previous period of twelve (12) months has always remained below the amortized cost corresponding to the closing date of each month.

  The fair value to be used for assessing criteria 6 and 7 is the one considered for the valuation of available-for-sale debt instruments, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification of the debt instrument. However, if the decrease in the fair value of the debt instrument is the result of an increase in the risk-free interest rate, this decrease should not be considered as a sign of impairment.

In the event that at least two (2) of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two (2) of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence of impairment:

a) Non-compliance of contractual clauses, such as interruption in the payment of interest or principal.
b) Renegotiation of the instrument's contractual conditions due to legal factors or financial problems related to the issuer.
c) Evidence that the issuer is in the process of forced restructuring or bankruptcy.
d) When the risk rating of an instrument that was classified as investment grade is reduced, down to a rating that is below investment grade.

(ii) Equity Instruments:
At the end of each quarter, the following occurrences must be assessed for the entire portfolio of equity instruments:

1) When the risk rating of a debt instrument of the issuer that was classified as an investment grade is reduced, towards a classification that is below the investment grade.
2) There have been significant changes in the technological, market, economic or legal environment within which the issuer operates, which may have adverse effects on the recovery of the investment.
3) Weakness in the financial situation or financial ratios of the issuer and its economic group.
4) Interruption of transactions or an active market for the financial asset, due to financial difficulties of the issuer.
5) The observable data indicates that since the initial recognition of a group of financial assets similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.
6) Decrease in value due to regulatory changes (tax, regulatory or other governmental).

In the event that at least two (2) of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two (2) of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence impairment:

a) Significant decrease in fair value below its acquisition cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its cost. As cost value or acquisition cost, the initial cost will always be taken as a reference, regardless of whether a deterioration in value has been previously recognized for the equity instrument analyzed.
b) Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20 percent compared to the fair value of the previous twelve (12) months, and the fair value at the closing date of each month during the previous twelve (12) months has always remained below the acquisition cost.
c) Breach of the statutory provisions by the issuer, related to the payment of dividends.
d) Evidence that the issuer is in the process of forced restructuring or bankruptcy.

The fair value to be used for assessing the situations indicated in paragraphs a) and b), is the fair value considered for the purposes of the valuation of the available-for-sale equity instruments, in accordance with the guidelines established in the aforementioned Resolution. The aforementioned numerals a) and b) are not applicable to equity instruments classified in the category available-for-sale and valued at cost due to the absence of a reliable fair value.

On the other hand, if the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument, and must be recorded in the income statements of the period in which the SBS requires such provision.

- Recognition of exchange differences -
  Any gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the income statements, while those related to the difference between the amortized cost and the fair value are recorded in the statements of shareholders' equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of shareholders' equity.

- Changes in classification category -
  In the case of changes in the classification category from available-for-sale investments to held-to-maturity investments, the fair value of the financial asset on the date of transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss.

  During the year 2019, the Bank did not perform any reclassifications; however, during 2018 the Bank reclassified a group of available-for-sale investments into held-to-maturity investments for an amount of S/152,134,000; see Note 4(h).

- Derecognition of financial assets and liabilities -
  Financial assets
  A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

  Financial liabilities
  A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, the difference between the carrying amount of the original and the new financial liability is recognized in the income statements.

(h) Investments in Subsidiaries and associates -
This category includes only securities representing the capital acquired with the purpose of holding equity participation, control and/or significant influence in other entities or institutions.

These investments are initially accounted at fair value, including the transaction costs that are directly attributable to their acquisition. Subsequently to their original registration, these investments are measured through the equity method. In the case of investments quoted on security exchanges, when their market value shows a decreasing tendency for reasons considered non-temporary, the Bank records a provision; nonetheless, the SBS can require additional provisions. According to the equity method, dividends declared by the Subsidiaries and paid in cash are recorded by decreasing the value of the investment.

(i) Property, furniture and equipment -
Property, furniture and equipment are recorded at acquisition cost, plus the voluntary revaluations performed in previous years, authorized by the SBS, less accumulated depreciation. Considering that said revaluation was carried out only once, there is no intention that the revalued assets are reported at their fair value; therefore, the revalued value is considered as cost of acquisition.

Depreciation is calculated on a straight-line basis, considering the following depreciation rates for each type of asset:

	Depreciation rate (%)
Buildings and facilities	3 – 10
Furniture and equipment	10 – 20
Vehicles	20

The depreciation of leasehold improvements is performed within the respective contracts' terms.

In-transit equipment and work-in-progress amounts are accounted for at cost, which includes facilities, furniture and equipment in transit or under construction. This includes the acquisition or construction cost together with other costs directly attributable to the asset. These assets are not depreciated until the relevant assets are received or finished and placed into service.

Maintenance and repair costs are recorded as expenses. Renewals and improvements are capitalized only when these disbursements enhance the asset's condition. The cost and accumulated depreciation of assets sold or disposed are eliminated from the corresponding accounts and the related gain or loss is recorded in the income statements.

(j) Assets received as payment and seized through legal actions -
Assets received as payment and seized through legal actions include assets acquired with the specific purpose of being granted as leasing loans, are initially recorded at their acquisition cost; assets that are not granted in financial leases are recorded at cost or market value, whichever the lowest.

Assets received as payment, seized through legal action and recovered (provided from terminated leasing contracts) are initially recorded at the value assigned to them through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, whichever the lowest, recognizing simultaneously, a provision equivalent to 20 percent of the assigned value. For this purpose, it is permitted to maintain the provision for loan losses that was originally provided for the related loan.

Subsequently, additional provisions are to be recorded using the following criteria:

- Non-real estate assets: A monthly provision equivalent to one twelfth of the book value of the asset will be recognized starting from the first month of seizure or recovery, until reaching one hundred percent of the value of the seized or recovered asset.

- Real estate assets: A monthly provision over the net book value will be provided starting from the twelfth month. Additionally, the SBS Resolution No. 1535-2005 allows the granting of an extension of six months, in which case uniform monthly provisions must be provided for at the end of each month over the net book value obtained in the eighteenth month. In both cases, the provisions are to achieve one hundred percent of the net book value in a period of three and a half years, counted from the date on which it began to be the monthly provisions.

  An annual update of the market value of seized assets, determined by an independent appraiser, implies, if necessary, the constitution of an impairment provision.

As of December 31, 2019 and 2018, the balance of assets received as payment and seized through legal actions, net of provisions, amount to approximately S/15,967,000 and S/872,000, respectively, and are presented in the caption “Other assets, net - Others” of the statements of financial position.

(k) Intangible assets with finite useful lives -
The intangible assets with finite useful lives that are included in the “Other assets, net” caption of the statements of financial position are related to the acquisition of computer software used by the Bank in its operations and other minor intangible assets. Amortization of assets with finite useful life is calculated following the straight-line method over a 5–year period; see Note 8(e).

(l) Securities, bonds and obligations outstanding -
The liabilities from the issuance of outstanding securities, bonds and obligations are accounted for at their nominal value, recognizing accrued interest in the income statements. The discounts granted or incomes generated for its placement are deferred and presented net of its issue value and are amortized over the life of the securities, bonds and obligations outstanding by applying the effective interest method.

(m) Income Tax -
Current Income Tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Therefore, the Bank has recorded deferred income taxes, considering the guidelines of IAS 12 “Income Tax”. The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years when temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank expects to recover or eliminate the carrying amount of its assets and liabilities at the statements of financial position dates.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At the date of each statements of financial position, Management evaluates the non-recognized deferred assets and the carrying amount of the recognized deferred tax assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing a deferred asset to the extent that it is not likely that future tax benefits will be sufficient to allow the use of part or all of the deferred assets previously recognized.

In accordance with IAS 12, the Bank determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(n) Impairment of long-lived assets -
When there are events or economic changes which indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, Management reviews those asset values in order to verify that there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, an impairment loss is recognized in the income statements. The recoverable value is the higher between the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset on a free market, while the value in use is the present value of the estimated future cash flows from the continuous use of an asset and its disposal at the end of its depreciation period. In Management's opinion, there is no evidence of impairment of said assets as of December 31, 2019 and 2018.

(o) Fiduciary operations -
Assets and revenues from fiduciary operations in which there is a commitment to return such assets to a customer and in which the Bank participates as a fiduciary, have been excluded from these financial statements because the Bank is not owner of such assets and cash flow and does not assume the risk and rewards that arise from their ownership; thus, they have been recorded, for fiduciary control purposes, as off-balance sheet accounts.

(p) Provisions -
Provisions are recognized only when the Bank has a present obligation (legal or implicit) as result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the date of the statements of financial position. When the effect of the time value of money is significant, the amount recorded as a provision is the present value of future payments required to settle the obligation.

(q) Contingencies -
Contingent liabilities are not recorded in the financial statements. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of economic benefits is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is probable.

(r) Earnings per share -
Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the statements of financial position dates, deducting treasury's stock. Shares that are issued due to the capitalization of retained earnings are deemed to be stock-splits; therefore, such shares have been considered as if they had always been outstanding; Note 21.

As of December 31, 2019 and 2018, the Bank has no financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(s) Repurchase agreements -
Through SBS Resolution No. 5790-2014, in force since September 3, 2014, the SBS approved the "Regulation for Repo Transactions Applicable to Financial Entities". This Resolution allows the performance of sales operations with repurchase agreements, simultaneous operations of sale and purchase of securities and operations of temporary transfer of securities; also, it establishes the accounting criteria applicable to these transactions.

The operations of currency repos performed by the Central Reserve Bank of Peru (henceforth "BCRP", by its Spanish acronym) are considered in accordance with the Circular Letter No. 002-2015-BCRP.

As of December 31, 2019 and 2018, the Bank holds currency and security repo transactions, according to the definition of the BCRP, where the Bank acts as selling party. Accordingly, the funds in foreign currency and the securities delivered as guarantees are included in the captions "Cash and due from banks – Restricted funds" and "Available-for-sale investments", respectively, while the corresponding liabilities are presented in the "Payables from repurchase agreements" caption of the statements of financial position, reflecting the economic substance of the transaction as a loan received by the Bank.

On the other hand, as of December 31, 2019, the Bank holds repurchase agreements, according to Resolution SBS No. 5790-2014, where the Bank acts as buyer. Consequently, the cash outflow for the loan granted is presented as "Accounts receivable for repurchase agreements" in the caption "Other assets, net" of the statements of financial position; securities provided as guarantee are recorded in the off-balance sheets for their control; see Note 8(b).

(t) Cash and cash equivalents -
Cash and cash equivalents presented in the statements of cash flows correspond to "Cash and due from banks" of the statements of financial position, which include deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits, funds deposited in central banks and overnight deposits, excluding the interest accrued as well as restricted funds.

(u) Financial statements as of December 31, 2018 and 2017 -
When necessary, comparative figures have been reclassified to conform to the current year presentation.

In that sense, the Bank reclassified deposits of a financial entity as of December 31, 2018, included in the caption "Deposits and obligations" into the caption "Deposits from financial entities", with the purpose of reflecting said balances comparable to the presentation of the year 2019:

Year 2018	**Before reclassification** S/(000)	**Reclassification** S/(000)	**After reclassification** S/(000)
Liabilities			
Deposits and obligations	31,046,331	(881,026)	30,165,305
Deposits from financial entities	277,156	881,026	1,158,182
Total liabilities	41,820,799	-	41,820,799

On the other hand, the Bank, in order to reflect more reliably the nature of the commissions and services related to credit cards issued to its customers; decided to make reclassifications that are detailed below to make them comparable with the presentation of the year 2019:

Year 2018	**Before reclassification** S/(000)	**Reclassification** S/(000)	**After reclassification** S/(000)
Expenses for financial services	(327,035)	(18,926)	(345,961)
Administrative expenses	(1,321,776)	18,926	(1,302,850)

Year 2017	**Before reclassification** S/(000)	**Reclassification** S/(000)	**After reclassification** S/(000)
Expenses for financial services	(316,328)	(15,125)	(331,453)
Administrative expenses	(1,239,920)	15,125	(1,224,795)

The impact of this modification has only been at the level of presentation of the income statements and has not modified neither the net income nor the earnings per share reported in previous years.

In Management's opinion, except for the explanation above, other reclassifications performed in the Bank's financial statements are not significant considering the financial statements as a whole as of such dates.

(v) New pronouncements -

(v.1) IFRS issued and effective in Peru as of December 31, 2019:
During 2019, the CNC issued the following resolutions, which formalized the following standards:

- Resolution No. 001-2019 -EF/30 issued on January 11, 2019, which formalized the amendments to the References to the Conceptual Framework of IFRS; amendments to IFRS 3 "Business Combinations", IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".
- Resolution No. 002-2019-EF/30 issued on May 24, 2019, which approved the Business General Accounting Plan.
- Resolution No. 003-2019-EF/30 issued on September 21, 2019, which formalized the complete set of IFRS, version 2019.

The application of these standards begins the following day of the issuance of each resolution or after, as stipulated in each specific standard.

In this regard, IFRS 16 "Leases" entered into effect in the year 2019, superseding IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"; which has important effects on the recognition of operating leases where the Bank is the lessee. However, the SBS issued the Multiple Official Letter No. 467-2019-SBS dated January 7, 2019, indicating the non-application of IFRS 16 for entities under its supervision. In that sense, as of December 31, 2019, the Bank has nor included the effects of this standard neither disclosed any effect if this standard was adopted by the SBS in the future.

Likewise, in 2018, IFRS 9 "Financial Instruments" came into force, replacing IAS 39 "Financial Instruments: Recognition and Measurement", and may have material effects in the Bank's financial statements; however, the SBS has not modified or adapted its Accounting Manual for Financial Systems Companies for this standard. In this sense, as of December 31, 2019 and 2018, the Bank has not reflected or disclosed any effect if this standard was adopted by the SBS in the future.

(v.2) IFRS issued internationally but not in force as of December 31, 2019:

- Amendments to the Conceptual Framework for Financial Information, effective for annual periods starting on January 1, 2020.

- IFRS 17 “Insurance Contracts”, effective for annual periods beginning on or after January 1, 2022, requiring the inclusion of comparative figures. Its early application is allowed, provided that the entity also applies IFRS 9 and IFRS 15 at the same date of the first application of IFRS 17.

- Amendments to IFRS 3 “Business Combinations”, in relation to the definition of “business”, in order to help entities determine whether an acquired set of activities and assets is a business or not.

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Definition of “material”. The new definition states that: “The information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users make over the financial statements.

Given that the standards detailed in (v.1) and (v.2) solely apply in a supplementary manner to the accounting regulation established by the SBS, they will not have any significant effect on the preparation of the accompanying financial statements, unless the SBS adopts them in the future through the modification of its Accounting Manual for Financial Entities or the issuance of specific rules thereon. The Bank has not estimated the effect on its financial statements if such rules were adopted by the SBS.

3. Cash and due from banks

(d) The balances maintained by the Bank are shown below:

	2019 S/(000)	**2018** S/(000)
Cash and clearing (b)	1,871,874	1,860,186
Deposits in the Central Reserve Bank of Peru (b)	5,861,570	3,639,927
Deposits in local and foreign banks (c)	769,569	924,316
Accrued interest	3,153	4,926
Total cash and cash equivalents	8,506,166	6,429,355
Restricted funds (d)	1,270,341	1,285,547
Total	9,776,507	7,714,902

(e) Available funds include the mandatory reserve that the Bank must maintain for its obligations with the public and are within the limits established by prevailing legislation. The balances maintained by the Bank are shown below:

	2019 S/(000)	2018 S/(000)
Legal reserve		
Deposits in the Central Reserve Bank of Peru (BCRP)	4,998,770	3,370,087
Cash in vault	1,757,917	1,738,690
Subtotal related to legal reserve	6,756,687	5,108,777
Non-mandatory reserve		
Overnight deposits in the BCRP	862,800	269,840
Cash and clearing	113,957	121,496
Subtotal related to non-mandatory reserve	976,757	391,336
Total	7,733,444	5,500,113

The legal reserve corresponds to the funds deposited in the vaults of the Bank and the Central Reserve Bank of Peru (henceforth “BCRP”, by its Spanish acronym), and remains within the limits required by current regulation.

The reserve funds that represent the minimum legal reserve do not earn interest; however, the excess of the legal reserve deposited in the BCRP earns interest at a nominal rate established by the BCRP. As of December 31, 2019, the monthly excess in foreign currency accrued interests in US dollars at an annual average rate of 1.25 percent (accrued interests in US dollars at an annual average rate of 1.95 percent as of December 31, 2018).

(f) Deposits in local and foreign Banks correspond mainly to balances in soles and US dollars, are unrestricted and earn interest at market rates.

(g) The Bank maintains restricted funds related to:

	2019 S/(000)	2018 S/(000)
Repurchase agreements with the BCRP (*)	1,208,506	1,189,454
Derivative financial instruments, Note 8(c)	57,816	92,456
Other	4,019	3,637
Total	1,270,341	1,285,547

(*) As of December 31, 2019, correspond to deposits in the BCRP, which accrue interest at effective rates between 1.71 and 2.55 percent; which guarantee loans from this entity for S/1,217,919,000, these loans have maturities between March and July 2020, and bore interest at effective rates between 3.00 and 4.15 percent (accrued interest at effective rates between 1.25 and 2.40 percent and guaranteed loans for S/1,156,825,000 which had maturities between February and June 2019, and bore interest at effective rates between 3.06 and 4.21 percent, as of December 31, 2018).

(e) Inter-bank funds -

As of December 31, 2019, inter-bank funds had maturity in the first days of January 2020, accrued interest at an annual rate of 2.26 percent in local currency (maturity in the first days of January 2019, and annual rate of 2.75 percent in local currency as of December 31, 2018) and did not have specific guarantees.

As of December 31, 2019, the liabilities inter-bank funds had maturity in the first days of January 2020, accrued interest at an annual rate of 2.25 percent in local currency and 1.75 percent in foreign currency and did not have specific guarantees.

4. Available-for-sale and held-to-maturity investments

(a) The detail of available-for-sale investments are as follows:

	2019				
		Unrealized gross amount			
	Amortized cost S/(000)	**Gains** S/(000)	**Losses** S/(000)	**Estimated fair value** S/(000)	**Amortized cost** S/(000)
Negotiable Deposit Certificates issued by the BCRP (b)	1,481,962	1,533	(1)	1,483,494	1,381,0
Sovereing Bonds of the Republic of Peru	1,075,746	29,863	(369)	1,105,240	596,89
Corporate and financial bonds (c)	585,727	6,168	(144)	591,751	920,69
Global Bonds of the Republic of Colombia	114,431	551	-	114,982	230,89
Deposit certificates - Bancolombia Panama S.A.	33,140	94	-	33,234	
Global Bonds of the Republic of Peru	-	-	-	-	309,19
Global Bonds of the United States of America	-	-	-	-	83,88
Global Bonds of the United Mexican States	-	-	-	-	64,9
Global Bonds of the Republic of Chile	-	-	-	-	36,98
Total	3,291,006	38,209	(514)	3,328,701	3,624,48
Listed shares					
Intercorp Financial Services Inc. (IFS) (d)	-	-	-	-	171,38
Other	74	73	-	147	7
Non-listed shares	957	685	-	1,642	97
	1,031	758	-	1,789	172,43

	2019				
		Unrealized gross amount			
	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	Estimated fair value S/(000)	Amortized cost S/(000)
	3,292,037	38,967	(514)	3,330,490	3,796,9
Add					
Accrued interest				32,251	
Total				3,362,741	

(b) As of December 31, 2018, the Bank had loans with the BCRP for approximately S/250,906,000, including interest, which were guaranteed with Negotiable Certificates of Deposit issued by the BCRP for approximately S/256,634,000. Such loans matured in January and February 2019 and accrued interest at effective rates between 3.22 and 3.43 percent.

(c) This item is made up as follows:

	2019 S/(000)	**2018** S/(000)
Peruvian issuers -		
Banco BBVA Perú S.A.	122,861	68,504
Corporación Financiera de Desarrollo S.A.	78,622	135,707
Banco de Crédito del Perú S.A.	42,039	148,366
Corporación Lindley S.A.	28,936	-
Cerro del Águila S.A.	26,324	20,221
Compañía Minera Milpo S.A.A.	22,486	29,832
Fondo MiVivienda S.A.	19,989	18,218
Orazul Energy Egenor S. en C. por A.	14,260	29,753
Redesur y Tesur – Patrimonio titulizado	13,707	13,830
Intercorp Financial Services Inc.	8,453	-
Telefónica del Peru S.A.A.	3,612	12,275
Alicorp S.A.A.	-	9,910
Other	11,607	29,441
Foreign issuers -		
Continental Senior Trustees Ltd.	125,195	115,452
Bancolombia S.A.	40,939	-
Banco Latinoamericano de Comercio Exterior	16,000	7,056
BBVA Bancomer S.A.	10,578	14,923
Banco Santander Chile	6,143	-
Corporación Andina de Fomento - CAF	-	98,569
Corpbanca NY S.A.	-	67,494
Morgan Stanley	-	41,353
Wells Fargo & Company	-	36,695
Itaú Corpbanca	-	1,688
Total	591,751	899,287

(d) As of December 31, 2018, it includes 1,986,000 shares of IFS at their market values, which amounted to US$42.00 per share and represents 1.76 percent of IFS capital stock at said date.

In July 2019, the Bank sold through an Initial Public Offering ("Offering"), led by IFS, the entirety of common shares held by IFS at their market value, for approximately US$91,367,000 (equivalent to approximately S/300,688,000) generating a profit for approximately S/129,302,000, which was recorded in the caption "Income from sale and valuation of investments, net" of the income statements; see Note 18.

In January 2018, the Bank sold through the Lima Stock Exchange 3,009,490 shares at their market values for approximately US$121,133,000 (equivalent to approximately S/389,565,000), generating a profit for approximately S/114,410,000, which was recorded in the caption "Income from sale and valuation of investments, net" of the income statements; see Note 18.

(e) As of December 31, 2019 and 2018, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates that reflect their credit rating.

(f) As a result of the assessment of impairment on available-for-sale investments, the Bank did not recognize any loss during the years 2019, 2018 and 2017.

Management has determined that the unrealized losses as of December 31, 2019 and 2018, are of temporary nature. The Bank has the intention and the ability to hold each of these investments for a period of time sufficient to allow a recovery in the fair value or until the maturity date.

(g) As of December 31, 2019 and 2018, the maturities and the annual market rates of the available-for-sale inv follows:

	Maturity		
	2019	2018	
			Min %
Negotiable Deposit Certificates issued by the BCRP	Jan-20 / Jun-21	Jan-19 / Apr-20	2.15
Sovereign Bonds of the Republic of Peru	Aug-24 / Aug-40	Aug-20 / Jan-35	2.50
Corporate and financial bonds	Jan-20 / Apr-30	Jan-19 / Apr-30	7.28
Global Bonds of the Republic of Colombia	Jul-21 / Mar-23	Mar-19 / Feb-24	-
Deposit certificates - Bancolombia Panama S.A.	Sep-20	-	-
Global Bonds of the Republic of Peru	-	Jul-25 / Aug-27	-
Global Bonds of the United States of America	-	Dec-20 / Oct-23	-
Global Bonds of the United Mexican States	-	Oct-23	-
Global Bonds of the Republic of Chile	-	Feb-28	-

(h) As of December 31, 2019 and 2018, held-to-maturity investments are entirely comprised of Peruvian Sovereign Bonds amounting to S/2,191,854,000 and S/1,864,891,000, respectively, including accrued interests to S/46,211,000 and S/40,125,000, respectively.

During the year 2019, the Government of the Republic of Peru made a public offering to buyback certain sovereign bonds in order to renew its debt and finance the fiscal deficit. Although SBS Resolution No. 7033-2012 establishes that any sale or transfer of held-to-maturity investments binds financial institutions to reclassify all instruments of this category into available-for-sale investments. On December 5, 2018, the SBS issued the Multiple Official Letter No. 4300-2018-SBS authorizing financial entities to take part in said offering, regardless the classification category assigned to said instruments, having into consideration the purpose of the buyback performed by the Republic of Peru. In that sense, the Bank took part in the public offering and sold the Government of the Republic of Peru sovereign bonds, classified as held-to-maturity investments, for approximately S/340,518,000, generating a gain of S/9,236,000, which was recorded in the caption “Income for sale and valuation of investments, net” of the income statements; see Note 18. Likewise, with the purpose of keeping its strategy of assets management, the Bank simultaneously acquired sovereign bonds of the Republic of Peru for approximately S/340,432,000 and classified them as held-to-maturity investments.

During the year 2018, the Bank reclassified Sovereign Bonds of the Republic of Peru classified as available-for-sale investments into held-to-maturity investments with a book value of S/152,134,000 and an accumulated unrealized loss in net equity amounting to approximately S/1,160,000. From the year 2015 to 2018, the Bank performed similar reclassifications, which accumulated an unrealized loss in equity for S/25,850,000. According to accounting requirements by the SBS, said net unrealized loss must be transferred to income statements during the remaining term of the instruments. In that sense, the Bank has recorded in the income statements, as of December 31, 2019, 2018 and 2017, a net loss of approximately S/5,617,000, S/2,860,000 and S/2,626,000, respectively. The balance of the accumulated unrealized loss in equity, as of December 31, 2019, is S/10,699,000 (S/16,316,000 as of December 31, 2018).

As of December 31, 2019 and 2018, the Bank maintains loans with the BCRP for approximately S/719,099,000 and S/689,459,000, respectively, including interest, which are guaranteed with Sovereign Bonds of the Republic of Peru classified as restricted for approximately S/762,347,000 and S/738,635,000, respectively; these loans have maturities between April 2020 and July 2020 and January 2019 and July 2020, respectively, and accrued interest at effective rates between 3.03 and 4.72 percent and 3.39 and 4.72 percent, respectively.

As of December 31, 2019, these investments have maturities between September 2023 and August 2037, have accrued interest at effective annual rates between 4.29 and 6.26 percent; and their estimated fair value amounts to approximately S/2,328,303,000 (as of December 31, 2018, the maturity fluctuated between August 2020 and August 2037, which accrued interest at an annual effective rate between 4.05 and 6.33 percent, and their estimated fair value amounted to approximately S/1,856,325,000).

(i) The table below presents the balance of available-for-sale and held-to-maturity investments as of December 31, 2019 and 2018, classified by contractual maturity (without considering accrued interest):

	2019		2018	
	Available-for-sale investments S/(000)	**Held-to-maturity investments** S/(000)	**Available-for-sale investments** S/(000)	**Held-to-maturity investments** S/(000)
Up to 3 months	614,387	-	763,539	-
More than 3 months to 1 year	1,002,799	-	892,350	-
More than 1 to 5 years	1,057,970	1,147,700	1,104,438	646,152
More than 5 years	653,545	997,943	807,659	1,178,614
Shares (without maturity)	1,789	-	283,174	-
Total	3,330,490	2,145,643	3,851,160	1,824,766

5. Loan portfolio, net

(a) The table below presents the components of this caption:

	2019 S/(000)	2018 S/(000)
Direct credits		
Loans	14,828,820	14,083,433
Mortgage loans for housing	6,935,219	6,145,064
Credit card	5,873,856	4,878,330
Loans for foreign trade	2,590,371	2,189,946
Cash loans	1,879,496	1,446,840
Financial leasing	1,533,395	1,682,629
Discounted documents	686,164	494,953
Factoring operations	374,192	309,558
Vehicle loans	180,627	173,183
Overdrafts and advances in current account	84,163	46,577
Refinanced credits	251,180	210,384
Past due loans and judicial collection	948,422	857,115
	36,165,905	32,518,012
Plus (minus)		
Accrued income from current loans (f)	280,287	282,687
Accrued interest and interest charged in advance	(32,954)	(32,467)
Provision for doubtful collection credits (e)	(1,674,006)	(1,499,768)
Total direct credits	34,739,232	31,268,464
Indirect credits (c), Note 15(a)	4,223,478	4,177,938

In July 2019, the Bank acquired at a nominal value a commercial loan from Sumitomo Mitsui Banking Corporation for an amount of S/164,950,000. Also, it was recorded a provision for doubtful account amounting to S/1,903,000, pursuant to the SBS requirements.

During 2018, the Bank acquired a portfolio of commercial loans from Bancolombia Panama S.A., Bancolombia Puerto Rico International Inc. and Itaú Corpbanca NY Branch for an amount of S/306,168,000, S/90,531,000 and S/198,000,000, respectively; at that date, the gross value of the loan portfolio and the cumulative provision for loan losses amounted to S/585,024,000 and S/6,642,000, respectively.

As of December 31, 2019, 51 percent of the balance of the direct and indirect commercial loan portfolio was concentrated in approximately 86 clients (81 clients as of December 31, 2018). Loans were mainly granted to entities and individuals domiciled in Peru or to entities whose shareholders invest mainly in Peru.

(b) The table below presents the loan portfolio by type of loan:

	2019 S/(000)	**2018** S/(000)
Commercial loans	15,373,323	14,480,429
Customer loans	12,821,567	10,891,278
Mortgage loans	7,220,889	6,421,922
Small and micro-business loans	750,126	724,383
Total	36,165,905	32,518,012

(c) As of December 31, 2019 and 2018, the credit risk classification of the Bank's loan portfolio according to SBS standards

Risk category	Direct Loans		Ind
	S/(000)	%	S/(000)
Normal	33,754,570	93.3	3,976,832
With potential problem	556,049	1.5	147,889
Substandard	530,142	1.5	56,259
Doubtful	577,304	1.6	6,625
Loss	747,840	2.1	35,873
	36,165,905	100.0	4,223,478

Risk category	Direct Loans		Ind
	S/(000)	%	S/(000)
Normal	30,298,718	93.2	3,824,397
With potential problem	701,633	2.2	211,825
Substandard	343,974	1.0	87,799
Doubtful	501,838	1.5	35,873
Loss	671,849	2.1	18,044
	32,518,012	100.0	4,177,938

(d) As of December 31, 2019 and 2018, financial entities in Peru must constitute provisions for loan losses considering the risk classification mentioned above and using the percentages indicated by SBS Resolution No. 11356-2008 and No. 6941-2008, as detailed below:

(i) Loans classified into the "Normal" category

Loan types	Fixed-rate %	Pro-cyclical component (*) %
Commercial loans -		
Corporate	0.70	0.40
Large-business	0.70	0.45
Medium-business	1.00	0.30
Small and micro-business loans -		
Small-business	1.00	0.50
Micro-business	1.00	0.50
Mortgage -	0.70	0.40
Consumer loans		
Revolving consumer loans	1.00	1.50
Non-revolving consumer loans	1.00	1.00

(*) In case the loan has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component shall be, 0 percent, 0.25 percent or 0.30 percent, depending on the loan type.

Through Circular Letter No. B-2224-2014, dated on November 27, 2014, the SBS informed to the financial entities of the deactivation of the pro-cyclical component rates for the provision for direct and indirect loans of debtors classified as "Normal".

(ii) For debtors classified as "with potential problems", "Substandard", "Doubtful" or "Loss" depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), as of December 31, 2019 and 2018, the following percentages are applied:

Risk category	LWG %	LWPG %	LWRPG %	LWHLPG %
With potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty the provision requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor's credit risk classification, applying the percentages indicated above

(h) The changes in the provision for loan losses (direct and indirect) were as follows:

	2019		
	Commercial S/(000)	**Mortgage** S/(000)	**Consumer** S/(000)
Balance at the beginning of the year	472,820	283,947	771,169
Provision recognized as year expense, net of recovery of written-off balances	195,904	37,784	796,175
Provision recoveries	(151,648)	(14,594)	(2,128)
Recovery of written-offs	968	-	130,184
Written-off portfolio and sales	(29,801)	(5,427)	(785,861)
Exchange difference, net	(3,093)	(1,480)	(727)
Balance at the end of the year	485,150	300,230	908,812

	2018		
	Commercial S/(000)	**Mortgage** S/(000)	**Consumer** S/(000)
Balance at the beginning of the year	347,514	248,139	759,318
Provision recognized as year expense, net of recovery of written-off balances	283,860	40,932	612,867
Provision recoveries	(138,764)	(5,915)	(31,400)
Recovery of written-offs	1,163	-	140,049
Provision from the portfolio acquired to Bancolombia and Itaú CorpBanca, Note 5(a)	6,642	-	-
Written-off portfolio and sales	(34,425)	(2,689)	(710,982)
Exchange difference, net	6,830	3,480	1,317
Balance at the end of the year	472,820	283,947	771,169

	2017		
	Commercial S/(000)	**Mortgage** S/(000)	**Consumer** S/(000)
Balance at the beginning of the year	326,011	197,834	750,839
Provision recognized as year expense, net of recovery of written-off balances	170,697	58,884	752,121
Provision recoveries	(124,036)	(38,287)	(30,095)
Recovery of written-offs	187	-	123,226
Provision from the portfolio acquired to Bancolombia and Itaú CorpBanca, Note 5(a)	-	32,770	-
Written-off portfolio and sales	(19,817)	(955)	(835,406)
Exchange difference, net	(5,528)	(2,107)	(1,367)
Balance at the end of the year	347,514	248,139	759,318

(*) The balance of the provision for loan losses includes the provision for indirect loans and for credit risk associated with over-in S/89,341,000 and S/84,092,000 as of December 31, 2019, 2018 and 2017 respectively, which is presented in the caption "Prov financial position; see Note 8(a).

In Management's opinion, the provision for loan losses recorded as of December 31, 2019, 2018 and 2017 is constituted as of those dates.

(f) Interest rates on loans are freely determined, based on the rates prevailing on the Peruvian market.

(g) Interests, commissions and expenses over loans or installments that are refinanced, past due, under legal collection, or classified in the "Doubtful" or "Loss" categories, are recorded as "Suspended interest income" and are recognized in the income statements when effectively collected. The amounts not recognized as income for this concept amounted to S/858,748,000, S/592,731,000 and S/479,261,000 as of December 31, 2019, 2018 and 2017, respectively.

(h) The table below presents the direct loan portfolio as of December 31, 2019 and 2018, classified by maturity dates:

	2019 S/(000)	**2018** S/(000)
Outstanding -		
Up to 1 month	3,378,053	3,028,717
More than 1 to 3 months	4,569,467	3,918,404
More than 3 months to 1 year	7,355,010	6,651,296
More than 1 to 5 years	14,902,276	13,526,605
More than 5 years	5,012,677	4,535,875
	35,217,483	31,660,897
Past due -		
Up to 4 months	215,790	184,587
More than 4 months	390,698	297,147
Loans in legal collection	341,934	375,381
	36,165,905	32,518,012

6. Investments in Subsidiaries and associates

(a) This caption is made up as follows:

	Ownership percentage		Book value	
	2019 %	**2018** %	**2019** S/(000)	**2018** S/(000)
Investments in subsidiaries				
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	100.00	100.00	12,186	11,336
Compañía de Servicios Conexos Expressnet S.A.C.	100.00	100.00	11,496	9,832
Interfondos S.A. Sociedad Administradora de Fondos Mutuos (c)	-	100.00	-	47,111
Contacto Servicios Integrales de Crédito y Cobranzas S.A. (d)	-	100.00	-	378
Inversiones Huancavelica S.A. (d)	-	100.00	-	100
Sub Total			23,682	68,757
Investments in associates				
Procesos MC Perú S.A.	50.00	50.00	53,774	44,473
Compañía Peruana de Medios de Pago S.A.C. - Visanet	16.47	16.11	8,401	6,994
La Fiduciaria S.A.	35.00	35.00	6,297	5,718
Other	-	-	3,967	6,206
Sub Total			72,439	63,391
Total			96,121	132,148

(b) As of December 31, 2019, 2018 and 2017, as a result of applying the equity accounting method on its investments in subsidiaries and associates, the Bank recorded gains for approximately S/34,303,000, S/42,494,000 and S/33,994,000 respectively, which are included in the caption "Gain on financial transactions" in the income statements; see Note 18. In the years 2019, 2018 and 2017, the Bank received dividends from its subsidiaries and associates for approximately S/33,637,000, S/46,117,000 and S/26,871,000, respectively, decreasing the value of investment according to the accounting method indicated in Note 2(h).

(c) Interfondos S.A. Sociedad Administradora de Fondos (henceforth "the Administrator Company") was established in July 1994 with the purpose of undertaking the administration of mutual funds and investment funds authorized to operate by the Superintendencia del Mercado de Valores (Superintendence of the Securities Market, “SMV”, by its Spanish acronym). As of December 31, 2018, Interfondos managed mutual and investment funds whose equity values amounted to approximately S/4,529 million.

On December 18, 2018, the Bank’s Board of Directors approved the sale of one hundred percent of the shares representing the capital stock of the Administrator Company, in favor of Inteligo Perú Holding S.A.C., a subsidiary of Inteligo Group Corp. The transaction was performed on January 8, 2019, through an agreement between the Bank and Inteligo Perú Holding S.A.C. to sale the one hundred percent of Interfondos S.A. which consists of 34,430,595 shares that make up its capital stock. The purchase value of the shares of Interfondos amounted to US$30,000,000 (equivalent to approximately S/100,470,000) generating a profit for approximately S/52,580,000, which was recorded as "Income from sale of subsidiary" in the caption “Gain on financial transactions” of the income statements; see Note 18.

The General Shareholders' Meeting held on December 28, 2018, agreed to distribution of dividends from year 2018 for S/14,200,000, establishing the payment date on April 1, 2019.

(d) The General Shareholders’ Meeting held on March 27, 2019, approved the proposed merger by absorption between the Bank and Contacto Servicios Integrales de Créditos y Cobranzas S.A. and Inversiones Huancavelica S.A. In that sense, through SBS Resolution No. 4074-2019 dated on September 4, 2019, the SBS authorized to the Bank to perform this merger with an effective date on September 4, 2019; the assets absorbed amounted to approximately S/305,000 and corresponded mainly to cash deposits in the Bank.

(e) A summary of the main data of the financial statements of the Bank's major subsidiaries and associates as of Decemb

	Activity	Assets 2019 S/(000)	Assets 201 S/(00
Subsidiaries -			
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	Fiduciary services	12,536	11,8
Compañía de Servicios Conexos, Expressnet S.A.C.	Credit card management	50,773	62,7
Interfondos S.A. Sociedad Administradora de Fondos Mutuos	Funds management	-	76,
Associates -			
Procesos MC Perú S.A.	Credit card management	249,842	249,
Compañía Peruana de Medios de Pago S.A.C. – Visanet	Credit card management	230,408	548,0
La Fiduciaria S.A.	Fiduciary services	24,976	23,0

7. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 31,

Description	Land S/(000)	Buildings and facilities S/(000)	Furniture and equipment S/(000)
Cost			
Balance as of January 1	76,273	510,789	574,106
Additions	-	5,965	18,797
Incorporation of Corporación Inmobiliaria de La Unión 600 (d)	-	-	-
Transfers	-	10,754	12,354
Disposals and write – offs	-	-	(14,304)
Balance as of December 31	76,273	527,508	590,953
Accumulated depreciation			
Balance as of January 1	-	383,959	425,403
Depreciation for the year	-	13,690	48,623
Incorporation of Corporación Inmobiliaria de La Unión 600 (d)	-	-	-
Disposals and write – offs	-	-	(14,083)
Balance as of December 31	-	397,649	459,943
Net book value	76,273	129,859	131,010

(b) Financial entities in Peru are prohibited from pledging their fixed assets.

(c) Management periodically reviews the depreciation method applied, in order to assure that it is consistent with the eco of December 31, 2019 and 2018.

(d) The General Shareholders' Meeting held on March 27, 2017, approved the proposed merger by absorption between th the SBS authorized the Bank to this merger with an effective date on October 31, 2017; the assets amounted to approxi

(e) With SBS authorization, the Bank recorded voluntary revaluations between the years 2000 and 2003 over certain fixe which generated a deferred Income Tax liability; see Note 12(a). As of December 31, 2019 and 2018, the value of the re respectively.

8. Other assets, net and provisions and other liabilities

(a) This caption is made up as follows:

	2019 S/(000)	2018 S/(000)
Other assets, net		
Financial Instruments		
Accounts receivable from sales operations with repurchase agreements (b)	510,001	-
Accounts receivable from derivative financial instruments (c)	225,530	165,446
Accounts receivable, net	129,762	174,785
Operations in process (f)	44,346	47,125
Accounts receivable from sale of investments (d)	41,338	317,135
Commissions receivable for credit cards	13,207	13,237
	964,184	717,728
Non-financial instruments		
Intangible assets, net (e)	409,638	365,987
Deferred charges	56,513	54,099
Premium by loan portfolio, net (g)	10,160	15,452
Public works tax deduction	7,178	22,608
Rights paid to related entity (h)	6,628	8,856
Rentals paid in advance	3,065	4,747
Value Added Tax credit - IGV	-	3,079
Others	16,932	2,194
	510,114	477,022
Total	1,474,298	1,194,750

	2019 S/(000)	2018 S/(000)
Provisions and other liabilities		
Financial instruments		
Other accounts payable	287,854	314,068
Accounts payable from derivative financial instruments (c)	215,671	148,654
Operations in process (f)	132,962	116,390
Participations and remunerations payable	121,148	111,531
Provisions for contingent loans and for credit risk associated with over-indebtedness, Note 5(e)	83,485	89,341
Accounts payable from purchase of investments (b)	73,610	221,675
Dividends payable	221	192
	914,951	1,001,851
Non-financial instruments		
Provisions for other contingencies (i)	38,880	38,181
Taxes payable	26,103	46,318
Deferred income	22,826	22,729
Premiums to the deposit insurance fund	11,692	10,607
Others	2,666	8,693
	102,167	126,528
Total	**1,017,118**	**1,128,379**

(b) As of December 31, 2019, the Bank agreed on repurchase agreements with two financial entities for approximately S/5 2020. These transactions are guaranteed with Certificates of Deposit issued by the BCRP, provided by said entities for

(c) The risk of derivative contracts arises from the possibility that the counterparty does not comply with the agreed terms

The following table presents, as of December 31, 2019 and 2018, the fair value of derivative financial instruments recor derivative's underlying asset and is the base over which changes in the value of derivatives are measured.

		2019			
	Note	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	M
Derivatives for negotiation -					
Forward exchange contracts		96,243	45,276	9,289,914	Between January 2021
Interest rate swaps		81,902	75,070	4,238,142	Between Novemb December 202
Currency swaps		34,477	36,429	1,727,922	Between January 2026
Cross currency swaps (*)		-	46,708	195,056	January 2023
Options		32	126	22,154	Between January
		212,654	203,609	15,473,188	
Derivatives designated as hedges -					
Cash flow:					
Cross currency swaps (CCS)	11(g)	12,876	8,227	1,461,474	January 2023
Interest rate swap (IRS)	10(d)	-	1,670	132,560	November 2020
Interest rate swap (IRS)	10(e)	-	1,085	82,850	December 2020
Interest rate swap (IRS)	10(f)	-	1,080	82,850	December 2020
Cross currency swaps (CCS)	11(f)	-	-	-	
		12,876	12,062	1,759,734	
		225,530	215,671	17,232,922	

(*) Originates from the revocation of an accounting hedge as of December 31, 2015. In accordance with the SBS guidelines, the in shareholders' equity which amounted to S/16,949,000 at the revocation date, was transferred to the caption "Retained ear

(i) As of December 31, 2019 and 2018, the Banks holds forwards exchange contracts and currency and interest rate swaps, whi US$27,411,000 (equivalent to S/92,456,000), respectively; see Note 3(d). On the other hand, at those dates, certain custo US$16,150,000 (equivalent to S/54,474,000), respectively; see Note 9(a).

(d) As of December 31, 2019 and 2018, correspond to accounts receivable and payable from sales and acquisitions of inv which have been settled during the first days of the following month. The balance mainly corresponds to the acquisitio Republic of Peru.

(e) The movement in intangible assets and accumulated amortization for the years ended December 31, 2019, 2018 and 2

Description	Software S/(000)	In-transit software S/(000)	2019 S/(000)
Cost			
Balance as of January 1	642,183	131,448	773,631
Additions	33,797	101,020	134,817
Transfers	104,439	(104,439)	-
Retirements	-	-	-
Balance as of December 31	780,419	128,029	908,448
Accumulated amortization			
Balance as of January 1	407,644	-	407,644
Amortization for the year	91,166	-	91,166
Retirements	-	-	-
Balance as of December 31	498,810	-	498,810
Net book value	281,609	128,029	409,638

Management assesses periodically the amortization method applied with the purpose of ensuring that it is consistent v
Management's opinion, there is no evidence of impairment of the intangibles maintained by the Bank as of December

(f) Transactions in process are related to deposits received, loans disbursed and collected, funds transferred and other si
month; which are transferred to the corresponding accounts in the following month. These transactions do not affect th

(g) Corresponds to the highest value paid for the purchase of loan portfolio from Bancolombia Panama S.A., Bancolombia
Branch, which amounted to S/16,317,000 and is presented net of the amortization. As of December 31, 2019 and 2018, t
approximately S/5,255,000 and S/865,000, respectively, which is included in the caption "Interest income" net of inter

(h) In December 2003, the Bank entered into a 15 years concession agreement with Supermercados Peruanos S.A., a rela
the stores of Supermercados Peruanos S.A. Under this agreement, the Bank paid an amount in foreign currency equiva
(henceforth "IGV", by its Spanish acronym), which has been amortized from October 2004 to October 2019 (15 years). A
a cash guarantee given to Supermercados Peruanos S.A. for an amount of US$2,000,000 (equivalent to approximatel
balance corresponded to the guarantee plus the balance pending accrue which as of said date amounted to S/2,110,0

During the year 2019, the annual expense recorded by the Bank amounted to approximately S/2,110,000 (S/2,284,000
respectively) and is included in the caption "Administrative expenses" in the income statements.

(i) As of December 31, 2019 and 2018, include provisions for sundry legal contingencies originated from ongoing lawsuits
operations. The Bank establishes provisions for such lawsuits when, in the opinion of Management and its internal lega
Bank and the amount can be reliably estimated.

9. Deposits and obligations, and deposits from financial entities

(a) The following table presents the detail of "Deposits and obligations":

	2019 S/(000)	2018 S/(000)
Savings deposits	11,351,153	10,672,839
Time deposits (e)	10,512,090	9,165,244
Current accounts	9,533,097	7,835,670
Compensation for time of service	1,933,052	1,763,826
Public restricted obligations (*)	744,434	721,667
Other obligations	6,226	6,059
Total	34,080,052	30,165,305

(*) As of December 31, 2019 includes mainly S/342,818,000 and S/42,351,000 of guarantee deposits delivered of clients in support of direct and indirect loans granted by the Bank and guarantee deposits from client for derivative contracts, respectively (includes S/421,208,000 and S/54,474,000, respectively, as of December 31, 2018).

(b) The policy of the Bank is to remunerate the current and savings accounts according to a growing scale of interest rates, depending on the term and average balance maintained in said accounts. Additionally, as part of this policy, it was established that balances less than an amount determined by each type of account do not generate any interest.

Interest rates applied to deposits and obligations are determined by the Bank based on interest rates prevailing on the Peruvian market.

(c) As of December 31, 2019 and 2018, approximately S/10,725,904,000 and S/9,734,215,000 of deposits and obligations are covered by the Deposit Insurance Fund, respectively. Likewise, at those dates the coverage of the Deposit Insurance Fund by each client is up to S/100,661 and S/100,864, respectively.

(d) The following table presents the detail of "Deposits from financial entities"

	2019 S/(000)	2018 S/(000)
Current accounts	1,153,813	1,034,128
Time deposits (e)	357,038	84,645
Savings deposits	19,087	39,409
Total	1,529,938	1,158,182

(e) The table below presents the balance of time deposits from public and financial entities classified by maturity as of December 31, 2019 and 2018:

	2019 S/(000)	**2018** S/(000)
Due within 1 month	4,071,560	3,618,520
More than 1 month to 3 months	1,888,662	1,742,219
More than 3 months to 1 year	4,041,787	3,220,794
More than 1 year to 5 years	732,520	553,576
More than 5 years	134,599	114,780
Total	10,869,128	9,249,889

10. Debts and financial obligations

(a) This caption is made up as follows:

	2019 S/(000)	**2018** S/(000)
By type -		
Promotional credit lines (b)	1,422,068	1,386,603
Obligations with foreign entities (c)	298,260	472,220
	1,720,328	1,858,823
Interest and commissions payable	4,904	12,735
	1,725,232	1,871,558
By term -		
Short term	412,125	295,792
Long term (g)	1,313,107	1,575,766
Total	1,725,232	1,871,558

(b) The promotional credit lines represent loans in soles and US dollars received from Corporación Financiera de Desarrollo (COFIDE) and Fondo MiVivienda (FMV) with the purpose of promoting development in Peru. These liabilities are guaranteed with loan portfolio up to the amount of the used line and includes specific agreements on how the funds should be use, the financial conditions that must be maintained and other administrative matter. In the opinion of Management, the Bank is complying with these requirements.

As of December 31, 2019, COFIDE loans accrued interest at annual effective interest rates in local currency between 7.55 and 10.00 percent and maturities on January 2027 and November 2031, and in foreign currency, between 6.70 and 8.56 percent and maturities between April 2028 and October 2034 (in local currency between 7.55 and 10.00 percent annual effective interest rates and maturities between January 2027 and November 2031, and in foreign currency between 6.67 and 8.84 percent and maturities between April 2028 and December 2029, as of December 31, 2018).

The FMV loans accrued annual effective interest rates in local currency between 5.00 and 8.30 percent and maturities between January 2020 and December 2039, and in foreign currency, of 7.75 percent and maturities between January 2020 and November 2028 (in local currency 5.00 and 8.30 percent and maturities between January 2019 and December 2038, and in foreign currency, of 7.75 percent and maturities between January 2019 and November 2028, as of December 31, 2018).

(c) As of December 31, 2019 and 2018, includes the following:

Entity	Country	Currency	F
Corporación Andina de Fomento - CAF (d)	Multilateral	US$	
Wells Fargo Bank & Co. (e)	United Kingdom	US$	
Citibank N.A. (f)	United States of America	US$	
Sumitomo Bank – EE.UU. (g)	United States of America	US$	

As of December 31, 2019, transactions with foreign entities bear an effective interest rates between 2.85 and 3.68 perc during 2018).

Some of the loan agreements include standard clauses regarding the compliance of financial ratios, the use of funds a and 2018, the Bank mainly maintains the following debt clauses:

(i) Submit audited financial statements on an annual basis as well as quarterly unaudited financial statements (in
(ii) The clauses establish to maintain a certain global capital ratio.
(iii) The clauses establish to maintain a certain coverage margin of non-performing loan portfolio.
(iv) The clauses establish to maintain a certain default ratio.

In the opinion of Management and its internal legal advisors, these clauses have been met as of December 31, 2019 ar

(d) Corresponds to a loan received in October 2018 for US$40,000,000 which bears interest at a 6-month Libor rate plus rate swap contract, which was designated as a cash flow hedge; see Note 8(c); Through this operation the loan was ex percent.

(e) Corresponds to a loan received in November 2018 for US$25,000,000 which bears interest at a 3-month Libor rate plus 0.90 percent. In December 2018, the Bank signed an interest rate swap contract, which was designated as a cash flow hedge; see Note 8(c); through this operation, the loan was economically converted at a fixed rate of 3.93 percent.

(f) Corresponds to a loan received in November 2018 for US$25,000,000 which bears interest at a 3-month Libor rate plus 0.90 percent. In December 2018, the Bank signed an interest rate swap contract, which was designated as a cash flow hedge; see Note 8(c); through this operation, the loan was economically converted to a fixed rate of 3.93 percent.

(g) Corresponds to a loan received in October 2018 for US$50,000,000 which bears interest at a 3-month Libor rate plus 0.30 percent.

(h) As of December 31, 2019 and 2018, the payment schedule of these long-term obligations is the following:

Year	**2019** S/(000)	**2018** S/(000)
2020	-	423,600
2021	108,772	118,609
2022	106,077	115,252
2023 onwards	1,098,258	918,305
Total	1,313,107	1,575,766

11. Securities, bonds and obligations outstanding

(a) This caption is made up as follows:

Local Issuances	Annual nominal Interest rate	Interest payment	Maturity
Negotiable Deposit Certificates - 1st-program			
2st issuance (A series)	4.28%	Annual	2020
Subordinated bonds - 1st program (b)			
2nd issuance (B series) (c)	9.50%	Semiannually	2023
3rd issuance (A series)	3.5% + VAC	Semiannually	2023
5th issuance (A series)	8.50%	Semiannually	2019
6th issuance (A series)	8.16%	Semiannually	2019
8th issuance (A series)	6.91%	Semiannually	2022
Subordinated bonds - 2nd program (b)			
2nd issuance (A series)	5.81%	Semiannually	2023
3rd issuance (A series)	7.50%	Semiannually	2023
Corporate bonds - 2nd program			
5th issuance (A series)	3.41% + VAC	Semiannually	2029
Total local issuances			
International issuances			
Subordinated bonds (d)	6.625%	Semiannually	2029
Junior Subordinated notes (e)	8.50%	Semiannually	2070
Senior bonds -1st and 2nd issuances (f)	5.75%	Semiannually	2020
Corporate bonds (g)	3.375%	Semiannually	2023
Corporate bonds (h)	5.00%	Semiannually	2026
Corporate bonds (i)	3.25%	Semiannually	2026
Total international issuances			
Total local and International issuances			
Interest payable			
Total			

(b) Subordinated bonds do not have specific guarantees and, according to SBS regulation, qualify as second tier equity ("Tier 2") in the determination of the regulatory capital.

(c) In July 2019, the Bank early redeemed the entirety of these subordinated bonds.

(d) Starting in March 2024, the interest rate becomes a variable interest 3-month Libor rate plus 576 basis points payable quarterly. Starting on that date, the Bank can redeem 100 percent of the notes without penalties. In accordance with SBS regulation, this issuance qualifies as second tier equity ("Tier 2") in the determination of effective equity.

As of December 31, 2019, Management does not intend to redeem these bonds before their maturity date.

(e) Since April 2020, the interest rate becomes a floating rate equal to the 3-month Libor plus 674 basis points payable on a semi-annual basis, provided that the floating rate for any interest period will not be less than 10.5 percent per annum. Starting on that date, the Bank can redeem 100 percent of the notes, without penalties. Interest payments are non-cumulative if an interest payment is not performed in full or cancelled as set forth, due to the Bank's right to cancel interest payments, a mandatory prohibition established by the SBS, or if the SBS determines that the Bank is in non-compliance with applicable minimum regulatory capital requirements. In such cases, the Bank will not declare, pay or distribute any dividend for the period in which interest payments are not made. The principal payment will take place at the maturity date or when the Bank redeems the bonds.

This issuance qualifies as Tier 1 equity, nevertheless, the SBS establishes a 17.65 percent limit, which is computed over the capital, reserves and retained earnings with capitalization agreement to be considered as Tier 1 for the regulatory capital; any excess qualifies as Tier 2 equity.

The Board's session held on January 28, 2020, agreed on the redemption of the entirety of these instruments. According to the aforementioned, the entirety of these bonds will be redeemed in April, 2020.

(f) Starting in April 2016, the Bank can redeem the bonds, at any coupon payment date, paying as a penalty an interest rate equal to the United States of America Treasury Bonds plus 50 basis points.

The nominal annual interest rate of these instruments was 5.75 percent. In this regard, Management identified that the interest rates had decreased significantly compared to the interest rates that these bonds accrued; thus, during the first quarter of 2018, the Bank identified an opportunity to generate financial savings and decided to perform a partial swap of these bonds; see paragraph (g), and, for the remaining balance, the Bank performed a buyback offering in cash of the entirety of these bonds in September 2019; see paragraph (i).
In June 2017, Interbank signed cross currency swaps contracts for US$20,000,000 (equivalent to approximately S/67,660,000), which were designated as cash flow hedges until December 31, 2018;

see Note 8(c). Through these operations, part of the amount issued of said bonds was economically converted into soles at a rate of 4.61 percent. However, as result of the buyback performed by the Bank in July 2019 and the subsequent redemption of these bonds, the Bank revoked the accounting hedge. Consequently, the balance of the unrealized loss, net of Income Tax accumulated in the caption “Derivatives designated as cash flow hedge” of the statements of changes in equity as of the revocation date, amounting to S/1,105,000, was transferred to income statements as part of the caption “Gain (loss) from trading derivatives, net” in the caption “Gain on financial transactions”.

(g) In January 2018, the Bank issued corporate bonds called “3.375 Senior Unsecured Notes” for US$200,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America.

Likewise, as part of this program, the Bank performed an exchange offer addressed to the holders of the corporate bonds denominated “5.750% Senior Notes due 2020” issued by the Panama Branch (see Note (f) above). The Corporate bonds exchanged amounted to US$263,322,000, which generated an exchange premium of approximately US$21,573,000 that is presented in the caption “Securities, bonds and obligations outstanding” for an amount of US$284,895,000.

In this sense, considering the issuance of bonds in January 2018 and the exchange of bonds performed, the total balance of the bonds “3.375 Senior Unsecured Notes” amounted to US$484,895,000.

The Bank concluded that the exchange did not generate a substantial change in the terms and conditions of the financial liability; therefore, it did not recognize a new financial liability. The transaction costs associated with these exchanged bonds will continue to be amortized based on the schedule of the new bond.

As of December 31, 2019, the Bank holds fourteen cross-currency swaps for a total of US$441,000,000 (equivalent to approximately S/1,461,474,000), which were designated as cash flow hedges (eleven cross-currency swaps for US$400,000,000 equivalent to approximately S/1,349,200,000 as of December 31, 2018); see Note 8(c). Through these operations, part of the issued amount by these bonds was economically converted into Soles at a fixed rate of 4.88 percent.

As of December 31, 2019, Management does not intend to redeem these bonds before their maturity date.

(h) On September 24, 2019, the Bank placed corporate bonds called “5.00% Senior Notes due 2026” for S/312,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was October 1, 2019.

(i) On September 25, 2019, the Bank placed corporate bonds called “3.250% Senior Notes due 2026” for US$400,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was October 4, 2019.

Likewise, as part of this program, on September 19, 2019, the Bank communicated a Cash Purchase Offer for all the bonds addressed to the holders of corporate bonds denominated “5.750% Senior Notes due 2020” issued by the Panama Branch (see letter (f) above). However, on October 2, 2019, approximately 37.52% of the holders had accepted the Cash Purchase Offer.

In this sense, for the remaining bondholders that did not accept the buyback offering, the Bank communicated them its decision to exercise the early redemption option of said instruments; the redemption date was November 4, 2019.

In this regard, the Bank incurred in expenses for the partial buyback of the bonds and for the early redemption option amounting to US$12,755,000 (equivalent to approximately S/42,270,000), which were recorded as “Interest on securities, bonds and other obligations outstanding” in the caption “Interest expenses” in the income statements.

(j) International issuances are listed at the Luxembourg Stock Exchange. Furthermore, the local and international issuances maintain certain financial and operational covenants. As of December 31, 2019 and 2018, the Bank mainly maintains the following clause:

(i) Submit audited financial statements on an annual basis as well as quarterly unaudited financial statements (in Spanish and English).

In the opinion of Management and its internal legal advisers, this clause has been met by the Bank as of December 31, 2019 and 2018.

(k) The table below presents the payment schedule of these obligations as of December 31, 2019 and 2018:

Año	**2019** S/(000)	**2018** S/(000)
2019	-	136,473
2020	224,596	1,309,248
2022	137,900	137,900
2023 onwards	5,453,130	3,816,564
Total	5,815,626	5,400,185

12. Income tax deferred asset, net

(a) The table below presents the detail and movement of this caption:

	Balance as of January 1, 2017 S/(000)	(Debit) credit to income S/(000)	(Debit) credit to equity S/(000)	Bala Dece S/
Deferred asset				
Loan portfolio generic provision and other provisions	176,832	8,084	-	
Unrealized loss from fluctuation on available-for-sale investments	1,611	(697)	417	
Unrealized gains (losses) from the valuation of derivatives for hedging purposes	(544)	-	1,172	
Other	-	-	-	
Total deferred asset	177,899	7,387	1,589	
Deferred liability				
Amortization of intangibles	(40,545)	(11,373)	-	
Unrealized gains from fluctuations on available-for-sale investment	(35,951)	-	(22,061)	
Voluntary revaluation of fixed asset 7(e)	(10,205)	399	-	
Other	(13,833)	6,007	-	
Total deferred liability	(100,534)	(4,967)	(22,061)	(
Total deferred asset, net	77,365	2,420	(20,472)	

(b) The table below presents the amounts reported in the income statements for the years ended:

	2019 S/(000)	2018 S/(000)	2017 S/(000)
Current - Expenses	405,398	356,356	298,622
Deferred - Expenses (Income)	(10,209)	(32,255)	(2,420)
Total	395,189	324,101	296,202

(c) The table below presents the reconciliation of the effective Income Tax rate with the statutory Income Tax rate for the

	2019		2018	
	S/(000)	%	S/(000)	
Income before Income Tax	1,616,705	100.00	1,364,164	10
Theoretical tax (29.5% in 2019, 2018 and 2017)	476,928	29.50	402,428	2
Effect of non-taxable income				
Income exempt from taxation	(105,643)	(6.53)	(100,713)	(
Effect of non-deductible expenses				
Non-deductible expenses	23,904	1.47	22,386	
Income Tax recorded	395,189	24.44	324,101	2

(d) In Management's opinion, the deferred Income Tax asset will be recovered from the taxable income that will be gener including the portion that is recorded in shareholders' equity.

13. Shareholders' equity

(a) Capital stock -

As of December 31, 2019 and 2018, the Bank's capital stock is represented by approximately 3,937,453,000 and 3,470,409,000 common shares, which are fully subscribed and paid-in, each with a nominal value of one Sol.

The General Shareholders' Meeting held on March 27, 2019, agreed to capitalize the earnings generated in 2018, net of legal reserve and distribution of dividends, for approximately S/467,040,000. Dividends distributed amounted to approximately S/467,044,000.

The General Shareholders' Meeting held on March 27, 2018, agreed to capitalize the earnings generated in 2017, net of legal reserve and distribution of dividends, for approximately S/405,900,000. Dividends distributed amounted to approximately S/405,900,000.

The General Shareholders' Meeting held on March 27, 2017, agreed to capitalize the earnings generated in 2016, net of legal reserve and distribution of dividends, for approximately S/393,784,000. Dividends distributed amounted to approximately S/393,784,000.

Under current regulations, there are no restrictions governing dividend distributions abroad or the repatriation of foreign capital.

(b) Treasury stock -

As of December 31, 2019 and 2018 this item corresponds to 18,387,000 Bank shares with an acquisition cost of approximately S/33,910,000.

(c) Legal and special reserves -

Pursuant to current legislation, the Bank is required to establish a legal reserve for an amount equivalent to at least 35 percent of its paid-in capital. This legal reserve is funded through an annual appropriation of at least 10 percent of net income and can only be used to absorb losses or be capitalized. In both cases, the Bank is required to replenish it.

The Shareholders' Meetings held on March 27, 2019, 2018 and 2017, agreed to the appropriation of legal reserves for the profits of the fiscal years 2018, 2017 and 2016 for approximately S/103,788,000, S/90,200,000 and S/87,507,000, respectively.

The General Shareholders' Meeting held on March 29, 2004, approved the creation of a special reserve amounting to S/10,822,000, through the transfer of income generated in 2003. The Bank is not allowed to distribute or use this special reserve without prior authorization by the SBS.

(d) Unrealized results from financial instruments

The unrealized results include the unrealized gains (losses) from the valuation of available-for-sale investments and fr
the subsidiaries and associates equity resulting for using the equity method of accounting. Changes in the unrealized

Balance as of January 1, 2017	
Unrealized gain from available-for-sale investments, net of unrealized loss	
Transfer of realized gain from available-for-sale investments to the income statements, net of realized loss, Note 18(b)	
Accrual realized loss from held-to-maturity investments to the income statements, net of realized gain, Note 4(h)	
Unrealized loss on cash flow hedging derivatives	
Transfer to results of realized loss from cash flow hedge derivatives	
Net unrealized gain in equity of subsidiaries and associates	
Balance as of December 31, 2017	
Unrealized gain from available-for-sale investments, net of unrealized loss	
Transfer of realized gain from available-for-sale investments to the income statements, net of realized loss, Note 18(b)	
Accrual realized loss from held-to-maturity investments to the income statements, net of realized gain, Note 4(h)	
Unrealized gain on cash flow hedging derivatives	
Transfer to results of unrealized loss from cash flow hedge derivatives	
Net unrealized loss in equity of subsidiaries and associates	
Balance as of December 31, 2018	
Unrealized gain from available-for-sale investments, net of unrealized loss	
Transfer of realized gain from available-for-sale investments to the income statements, net of realized loss, Note 18(b)	
Accrual realized loss from held-to-maturity investments to the income statements, net of realized gain, Note 4(h)	
Unrealized loss on cash flow hedging derivatives	
Transfer to results of unrealized loss from cash flow hedge derivatives	
Transfer to results of the unrealized loss by the hedge accounting revocation, Note 11(f)	
Net unrealized loss in equity of subsidiaries and associates	
Balance as of December 31, 2019	

(e) Components of other comprehensive income

The statements of comprehensive income include other comprehensive income from available-for-sale investments, derivative financial instruments used as cash flow hedges and investments in associates and subsidiaries. Its respective movement is detailed below:

	2019 S/(000)	**2018** S/(000)	**2017** S/(000)
Available-for-sale investments:			
Unrealized gain from available-for-sale investments	159,637	31,089	125,073
Transfer of realized gain from available-for-sale investments, net of realized loss	(151,045)	(142,529)	(60,375)
Transfer of realized loss from held-to maturity investments to the income statements	5,617	2,860	2,626
Sub total	14,209	(108,580)	67,324
Income tax	(24,398)	(30,257)	21,644
	(10,189)	(138,837)	88,968
Cash flow hedges:			
Net profit (loss) of cash flow hedges	(55,284)	10,702	(2,940)
Transfer of realized loss from cash flow hedges to the income statements	22,987	13,997	141
Transfer of unrealized loss to the income statements by the hedge accounting revocation, Note 11(f)	1,105	-	-
Sub total	(31,192)	24,699	(2,799)
Income tax	(13,052)	10,335	(1,172)
	(44,244)	35,034	(3,971)
Investments in associates and subsidiaries:			
Net (loss) gain from investments in associates and subsidiaries	(698)	(476)	65
Sub total	(698)	(476)	65
Income tax	-	-	-
	(698)	(476)	65

(f) Shareholders' equity for legal purposes (Regulatory capital) -
According to Legislative Decree No. 1028, regulatory capital must be equivalent to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10, and the weighted assets and contingent credits by credit risk.

As of December 31, 2019 and 2018, pursuant to Legislative Decree No. 1028 and amendments, the Bank keeps the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary):

	2019 S/(000)	**2018** S/(000)
Total risk weighted assets and credits	50,673,786	44,390,985
Total regulatory capital	7,679,278	7,007,381
Basic regulatory capital (Tier 1)	5,721,707	5,042,037
Supplementary regulatory capital (Tier 2)	1,957,571	1,965,344
Global regulatory capital ratio	15.15%	15.79%

As of December 31, 2019 and 2018, the Bank has complied with the SBS Resolutions No. 2115-2009, No. 6328-2009 and No. 14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and their amendments. These resolutions established, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

In July 2011, the SBS issued Resolution No. 8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk in the banking book and other risks. As of December 31, 2019 and 2018, the additional requirement of regulatory capital estimated by the Bank amounts to approximately S/803,717,000 and S/735,483,000, respectively.

In Management's opinion, the Bank has complied with the requirements set forth in the aforementioned Resolution.

14. Tax situation

(a) The Bank is subject to the Peruvian tax legislation. As of December 31, 2019, 2018 and 2017, the statutory Income Tax rate was 29.5 percent, on taxable income.

Also, through Legislative Decree No. 1261, the rate applicable to dividends and any other form of distribution of Peruvian source income was modified and established at 5 percent, said rate is applicable starting on January 1, 2017. Retained earnings or other items likely to generate taxable dividends referred in Article 24-A of the Income Tax Act, obtained between January 1, 2015 and December 31, 2016, which are part of the distribution of dividends or any other form of distribution of profits, will be subject to the rate of 6.8 percent, except for the assumption established in subsection g) of Article 24-A, to which the rate of 4.1 percent will be applied.

Lastly, pursuant to the Ninth Complementary and Final Provision of Act No. 30296, retained earnings or other items likely to generate taxable dividends referred in Article 24-A of the Income Tax Act, obtained until December 31, 2014, which are part of the distribution of dividends or any other form of distribution of profits, are subject to the rate of 4.1 percent.

(b) Since 2011, with the amendment introduced by Act No. 29645 on the Income Tax Act, interest and other income generated by foreign loans granted to the Peruvian National Public Sector must also be included as an item exempted from the Income Tax.

Likewise, there are considered income from Peruvian sources those obtained from the indirect disposal of shares or ownership interests of the capital stock of legal entities domiciled in Peru. For such purposes, an indirect disposal shall be considered to occur upon the sale of shares or ownership interests of the capital stock of a legal entity not domiciled in the country that, in turn, is the owner – whether directly or through one or more other legal entities – of shares or ownership interests of the capital stock of one or more legal entities domiciled in the country, provided certain conditions established by law are met. This situation also occurs in those cases where the issuer is jointly and severally liable.

Currently, the Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the 12 months prior to the disposal, 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. Additionally, as a concurrent condition, it is established that a case of indirect transfer of shares also occurs when, in any period of 12 months, the disposal of shares or ownership interests representing 10 percent or more of the capital stock of a non–domiciled legal entity is performed.

According to Legislative Decree No. 1262, which amends Act No. 30341, Act that Promotes the Liquidity and Integration of the Securities Market, until December 31, 2019, were exempted the income from the sale of the following securities: a) Common and investment shares; b) American Depositary Receipts (ADR) and Global Depositary Receipts (GDR); c) Exchange Trade Fund units (ETF) having as underlying items shares and/or debt securities; d) Debt securities; e) Participation certificates in mutual funds of securities investment; and f) Participation certificates in Real Estate Investment Funds (FIRBI) and participation certificates in Real Estate Securitization Trusts (FIBRA). Subsequently, through Emergency Decree No. 005-2019, said exemptions were extended until December 31, 2022.

In order to apply the exemption in the case of income arising from the disposal of shares, investment shares, ADR and GDR, and bonds convertible into shares, the following must be complied with:

1. The disposal must be made through a centralized negotiation mechanism located in the country and supervised by the SMV.

2. in a period of 12 months, the taxpayer and its related parties do not transfer, through one or several simultaneous or successive operations, the ownership of 10 percent or more of the entirety of stocks issued by the company. In the case of ADRs and GDRs, this requirement is determined considering the underlying shares.

   If this requirement is not met, the taxable base is determined considering all the transfers that had been exempted during the 12 months prior to the sale.

   The relationship is rated pursuant to paragraph b) of Article 32-A of said Act.

3. Have a stock market listing.

For the other securities included, it is required that the sale is settled through centralized negotiation mechanism supervised by the SMV and that it be seen with a stock market listing. In the case of negotiable invoices, only the disposal is required to be carried out through centralized negotiation mechanism supervised by the SMV.

Finally, it is established as cause of loss of the exemption that the issuer delisting the values of the Securities Registry of the Stock Exchange, in whole or in part, in one act or progressively, within the following 12 months after the sale is made. Exceptions will be laid down in the Regulation.

(c) With regard to the IGV, said tax is not levied on the interest accrued on securities issued by public or private offering by legal entities incorporated or established in Peru; as well as the interest accrued on securities not placed by public offering, when such securities have been acquired through any of the centralized trading mechanisms referred to in the Stock Exchange Act.

(d) For the purpose of determining the Income Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in non-cooperating or low or zero tax countries or territories, or with entities or permanent establishments whose income, revenues or gains from said contracts are subject to a preferential tax regime, must be supported by documented information on the valuation methods applied and criteria used in the determination of such prices. In the opinion of Management and its internal legal advisors, the application of these tax standards will not have any material consequences on the Bank's financial statements as of December 31, 2019 and 2018.

Through Legislative Decree No. 1312, published on December 31, 2016, the formal obligations for entities included within the scope of application of Transfer Pricing are modified, thus incorporating three new informative affidavits: (i) Local Report; (ii) Master Report; and (iii) Country Report. The first validity is as of 2017 for the operations that occurred during 2016 and the last two as of 2018 for the operations that have occurred since the fiscal year 2017.

Through Legislative Decree No. 1381, published on August 24, 2018 the Income Tax Act incorporates the concept of "non-cooperating" countries or territories, as well as preferential tax regimes to which are imposed the defensive measures already existing for countries and territories with low or null taxation.

In this respect thereon, it is worth mentioning that the Bank maintains a Branch office in Panama, a country that is regarded as "non-cooperating" as defined by Legislative Decree No.1381. Notwithstanding the aforementioned, as detailed in Note 1, as of the date of this report, the branch is under process of voluntary closing and liquidation.

(e) In July 2018, through Act No. 30823 Congress delegated into the Executive Branch the power 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 remunerations 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 the Tax Authority ("SUNAT", by its Spanish acronym) of an informative Sworn Statement, 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 the Tax Authority.

(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); as well as to provide the Tax Administration with the legal tools for its effective implementation (Legislative Decree No. 1422).

As part of this amendment, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive 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 acts, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on 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 Bank have approved the aforementioned acts, 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 audit procedures in which acts, 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 (Legislative Decree No. 1424):

- Income obtained from the indirect transfer of shares or capital 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 greater than 40,000 Tax Units.

- Permanent establishments of sole proprietorships, 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 period of twelve months.

- The system 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, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. Beginning in 2021, the limit for the deduction of financial expenses shall be equivalent to 30 percent of the entity's EBITDA.

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

(f) SUNAT is legally entitled to review and, if necessary, adjust the Income Tax computed by the Bank during a term of four years following the year in which a tax return was filed. The Bank's Income Tax and VAT for the year 2014 to 2018 are pending review by SUNAT. Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Bank; any increased tax or surcharge that could arise from possible tax reviews would be applied to the results of the period in which such tax increase or surcharge may be determined.

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, the Bank received a number of Tax Determination and Tax Penalty notices corresponding mainly to the income tax determination for fiscal years 2000-2006. 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 of resolving by the Tax Court.

Regarding the tax litigations followed by the Bank related to the annual declaration of Income Tax for the years 2000 to 2006, the most relevant matter subject to discrepancy with the Tax Authority corresponds to whether the "interests in suspense" are subject to Income Tax or not. In this sense, the Bank considers that the interests in suspense do not constitute accrued income, in accordance with the SBS and the IFRS, which is also supported by a ruling of the Permanent Chamber of Constitutional and Social Law of the Supreme Court issued in August 2009, and a recent pronouncement issued in June 2019.

Notwithstanding the foregoing, in February 2018, the Third Transitory Chamber of Constitutional and Social Law of the Supreme Court, issued a ruling regarding a third bank that impacts the original estimation regarding the degree of contingency. Subsequently, in June 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court, in a case followed by another financial entity but identical to that of the Bank's, ruled in favor of the tax treatment over the interest in suspense followed by said entity. From the tax and legal analysis performed, Management and its external legal advisors consider that it exists sufficient technical support for the prevalence of the Bank's position. Thus, it has not been recorded any provision for this contingency as of December 31, 2019 and 2018.

The tax debt requested for this concept and other minors by the Tax Authority as of December 31, 2019, amounts to approximately S/303 million, out of which S/34 million correspond to taxes and the difference to fines and interest arrears (S/393 million and S/50 million respectively, as of December 31, 2018).

On February 3, 2017, the Tax Authority concluded the audit process corresponding to the 2010 Income Tax**.** The Bank paid the debt under protest and filed a complaint. Later, on November 6, 2018, the Tax Authority closed again the audit corresponding to the 2010 Income Tax, which was opened due to nullity. The Bank filed a complaint and afterwards a tax appeal. Currently, the appeal is pending resolution by the Tax Court.

On February 14, 2018, the Tax Authority through letter No. 180011585680-01-SUNAT notified the Bank of the beginning of the process of a partial audit corresponding to Income Tax from the fiscal year 2014. Later, on September 7, 2018, the Tax Authority closed the partial audit process corresponding to the 2014 Income Tax; as a result, no additional payments of such tax were determined.

On January 14, 2019, the Bank was notified of the resolutions of Tax Determination and Fines corresponding to the audit of the Income Tax for the fiscal year 2013. The tax debt requested by SUNAT amounts to approximately S/50 million. The main concept observed was the deduction of loan write-offs without proof by the SBS.

As of December 31, 2019, the tax debt requested for this concept and other minor contingencies amounts to approximately S/39 million, out of which S/11 million correspond to taxes and the difference, to penalties and moratorium interest.

To date, Management has submitted the respective complaints to the resolutions indicated above. In the opinion of Management and its legal advisors, any eventual additional tax would not be significant for the financial statements as of December 31, 2019 and 2018.

On April 26, 2019, the Tax Authority notified the Bank 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 and no resolutions by the Tax Authority have been issued.

On September 11, 2019, the Tax Authority notified the Bank about the commencement of the definitive audit process on the Income Tax corresponding to the year 2014. To date, said audit is under process and no resolutions by the Tax Authority have been issued.

On December 12, 2019, the Tax Authority notified the Bank about the commencement of the definitive audit process on the Income Tax corresponding to the year 2015. To date, said audit is under process and no resolutions by the Tax Authority have been issued.

Lastly, to date, the Bank is under audit process by the Tax Authority for the year 2012. In the opinion of Management and its legal advisors, any additional settlement of taxes may not be significant for the financial statements as of December 31, 2019 and 2018.

15. Contingent risks and commitments

(a) This caption is made up as follows:

	2019 S/(000)	**2018** S/(000)
Contingent operations (b)		
Indirect loans, Note 5(a)		
Bank letters of guarantee and stand-by letters of credit	3,863,457	3,767,154
Import and export letters of credit	220,336	277,823
Due from bank acceptances	139,685	132,961
	4,223,478	4,177,938
Financial derivative instruments operations, Note 8(c)	17,232,922	10,258,081
Responsibilities for credit lines (c)	9,673,520	7,916,890
Responsibilities for credit lines – commercial and others (c)	1,287,973	1,255,713
Other contingent operations	385,255	276,609
Total contingent operations	32,803,148	23,885,231

(b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statements of financial position.

The credit risk on contingent transactions is related to the probability that one of the parties to the respective agreement does not fulfill the terms laid out in said agreement. The corresponding contracts consider the amounts that the Bank would assume for credit losses on contingent transactions.

The Bank applies the same credit policies for granting and evaluating the provisions required for direct loans (see Note 5) when performing contingent operations, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities or other assets.

Taking into account that many of the indirect loans are expected to expire without disburse of funds from the Bank, the total of contingent operations amounts do not necessarily represent future cash requirements.

(c) Responsibilities of credit lines include consumer, micro-business, small-business and corporate credit lines that are cancelable when the customer receives notice to that effect.

(d) The Bank provides services of custody, trustee, corporate administration, investment management and consulting to third parties, in which transactions are executed by the Bank on behalf of its customers but they do not bear any responsibility for the Bank regarding those decisions. Said assets are not included in these financial statements.

16. Interest income and expenses

This caption is made up as follows:

	2019 S/(000)	**2018** S/(000)	**2017** S/(000)
Interest income			
Interest and commissions on loan portfolios	3,788,038	3,328,255	3,165,414
Income from interests over investments	196,451	210,387	175,124
Interest on due from banks and inter-bank funds	107,491	47,203	25,848
Other income	2,819	3,912	2,980
Total Interest income	4,094,799	3,589,757	3,369,366
Interest expenses			
Interest and commissions on deposits and obligations	663,663	529,140	484,879
Interest on securities, bonds and other obligations outstanding	395,715	338,214	298,243
Interest and commissions for debts and financial obligations	160,949	160,980	216,217
Other expenses	10,698	12,396	10,986
Total interest expense	1,231,025	1,040,730	1,010,325

17. Income and expenses from financial services

This caption is made up as follows:

	2019 S/(000)	2018 S/(000)	2017 S/(000)
Income from financial services			
Commissions on credit cards	404,527	376,219	346,985
Commissions for savings accounts, transfers and others	198,018	195,005	197,666
Income from insurance	190,717	177,900	187,433
Commissions on contingent operations	56,324	61,945	60,512
Transactions at ATMs	48,405	51,428	46,687
Income from financial advisory services	47,911	53,119	43,227
Fee for collections services	41,336	37,310	32,945
Rates	8,004	11,978	17,246
Other	37,560	28,168	27,368
Total	1,032,802	993,072	960,069
Expenses from financial services			
Credit Cards	119,606	103,646	81,458
Insurances	99,660	143,372	161,668
Premiums paid to the Deposit Insurance Fund	45,200	40,697	37,304
Fees paid to foreign banks	26,479	21,879	18,280
Other	41,886	36,367	32,743
Total	332,831	345,961	331,453

18. Gain on financial transactions

(a) This caption is made up as follows:

	2019 S/(000)	2018 S/(000)	2017 S/(000)
Gain on exchange difference and exchange operations	196,263	219,423	216,435
Income from sale and valuation of investments, net (b)	170,581	151,083	88,009
Gain (loss) from trading derivatives, net	64,614	(8,841)	2,891
Income from sale of subsidiary, Note 6(c)	52,580	-	-
Equity share from investments in subsidiaries and associates, Note 6(b)	34,303	42,494	33,994
Gain on sale loans (c)	11,311	13,615	16,956
Other	(431)	(248)	(276)
Total	529,221	417,526	358,009

(b) As of December 31, 2019, 2018 and 2017, include realized gains on available-for-sale investments, net of realized losses, which amount to S/151,045,000, S/142,529,000 and S/60,375,000, respectively.

(c) During the years 2019, 2018 and 2017, the bank sold written-off loans, which amounted to S/587,895,000, S/466,264,000 and S/714,379,000, respectively. These sales were paid in cash and performed with unrelated third parties.

19. Administrative expenses

(a) This caption is made up as follows:

	2019 S/(000)	2018 S/(000)	2017 S/(000)
Services received from third parties (b)	723,048	659,644	611,347
Personnel and Board of Directors expenses (c)	656,822	619,082	590,569
Taxes and contributions	26,023	24,124	22,879
Total	1,405,893	1,302,850	1,224,795

(b) The services received from third parties include mostly transport services for valuables, repairing and maintenance services, office leases, advertising and public relations, telecommunications, professional fees, among others.

(c) The table below presents the composition of personnel and Board of Directors expenses:

	2019 S/(000)	**2018** S/(000)	**2017** S/(000)
Salaries	454,199	431,006	418,644
Workers' profit sharing	89,613	80,151	68,351
Social security	43,752	41,123	39,518
Severance indemnity expenses ("CTS", by its Spanish acronym)	34,347	32,563	31,639
Vacations, health care and others	26,657	25,708	21,315
Separation of personnel	8,254	8,531	11,102
Total	656,822	619,082	590,569

The average number of employees of the years 2019, 2018 and 2017 was, 6,825, 6,807 and 6,910, respectively.

20. Other income, net

This caption is made up as follows:

	2019 S/(000)	**2018** S/(000)	**2017** S/(000)
Services rendered to third parties	12,204	11,638	14,249
Leases and others	4,537	5,114	5,105
Provisions of assets received as payment and seized through legal actions	(4,163)	(10,345)	(1,168)
Donations	(5,352)	(5,068)	(6,696)
Insurance recovery	-	940	1,122
Other income	3,673	381	27,857
Total other income, net	10,899	2,660	40,469

21. Basic and diluted earnings per share

(a) Following is the calculation of the weighted average number of shares (net of treasury stock) and the basic and diluted earnings per share:

	Shares outstanding, net of treasury stock (in thousands)	**Shares considered in calculation** (in thousands)	**Days in year**	**Weighted average number of shares** (in thousands)
Year 2017				
Balance as of January 1, 2017	2,652,338	2,652,338	365	2,652,338
Capitalization of retained earnings performed in 2017, Note 13(a)	393,784	393,784	365	393,784
Capitalization of retained earnings performed in 2018, Note 13(a)	-	405,900	365	405,900
Capitalization of retained earnings performed in 2019, Note 13(a)	-	467,044	365	467,044
Balance as of December 31, 2017	3,046,122	3,919,066		3,919,066
Net income as of December 31, 2017				902,000
Basic and diluted earnings per share				0.230
Year 2018				
Balance as of January 1, 2018	3,046,122	3,046,122	365	3,046,122
Capitalization of retained earnings performed in 2018, Note 13(a)	405,900	405,900	365	405,900
Capitalization of retained earnings performed in 2019, Note 13(a)	-	467,044	365	467,044
Balance as of December 31, 2018	3,452,022	3,919,066		3,919,066
Net income as of December 31, 2018				1,040,063
Basic and diluted earnings per share				0.265
Year 2019				
Balance as of January 1, 2019	3,452,022	3,452,022	365	3,452,022
Capitalization of retained earnings performed in 2019, Note 13(a)	467,044	467,044	365	467,044
Balance as of December 31, 2019	3,919,066	3,919,066		3,919,066
Net income as of December 31, 2019				1,221,516
Basic and diluted earnings per share				0.312

22. Transactions with related parties

(a) The table below presents the main balances of the accounts the Bank keeps with shareholders, subsidiaries and relat

	2019		
	Shareholders (*) S/(000)	Subsidiaries S/(000)	Related par S/(000)
Assets			
Cash and due from banks	-	-	4,27
Loan portfolio, net (b)	17	-	1,114,32
Available-for-sale investments	8,522	-	
Other assets	-	78	74,96
Liabilities			
Deposits and obligations	395,247	32,230	782,41
Securities, bonds and other obligations outstanding	19,276	-	4,08
Other liabilities	-	-	19
Income (expense)			
Interest income	3,535	-	70,17
Interest expenses	(4,038)	(616)	(18,0
Other, net	13,151	13,414	55,01
Off-balance sheet accounts			
Contingent loans	-	8,050	136,32
Derivatives held for trading	-	-	63,59

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Inter mainly to Intercorp Financial Services Inc.

Under Peruvian legislation, all the loans to related parties must be granted on terms not more favorable than terms tha the Bank has fulfilled with all requirements set forth in prevailing regulation governing transactions carried out by relat

(b) As of December 31, 2019 and 2018, the detail of loans to shareholders and related entities is the following:

	2019	
	Direct loans S/(000)	**Contingent loans** S/(000)
Supermercados Peruanos S.A.	319,256	680
Inretail Pharma S.A.	140,137	6,628
Universidad Tecnológica del Perú S.A.C.	135,057	-
GTP Inversionistas S.A.C	100,243	-
Homecenters Peruanos S.A.	84,282	-
Colegios Peruanos S.A.	65,808	1,829
Financiera OH S.A.	55,025	578
San Miguel Industrias Pet S.A.	33,071	21,135
Centros de Salud Peruanos S.A.C.	37,602	-
San Miguel Industrias Ecuador Sanmindec S.A.	32,910	-
Cineplex S.A.	27,306	5,398
Bembos S.A.C.	25,023	5,961
Procesos de Medios de Pago S.A.	4,427	20,215
PF Interproperties Perú	-	21,567
Intralot de Perú S.A.	65	20,011
Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.	-	18,388
Corporación Peruana de Restaurantes S.A.	10,137	928
EP Franquicias S.A.C.	9,844	458
EP de Restaurantes S.A.C.	9,215	150
Alert del Perú S.A.	7,835	561
Tiendas Peruanas S.A.	8,133	-
Internacional de Titulos Sociedad Titulizadora S.A.	-	8,050
Alameda Colonial S.A.	-	5,716
Nessus Hoteles Perú S.A.	2,915	-
Inteligo Bank Ltd.	-	333
Intercorp Peru Ltd.	17	-
Nessus Hoteles Peru Selva S.A.	1	-
Otros	6,036	5,789
	1,114,345	144,375

(c) Loans to personnel -
The Bank grants loans to its employees and officers under terms that are similar to those offered to third parties for the mainly relate to mortgage loans and are presented in the caption “Loan portfolio, net” of the statements of financial po rates; however, all other terms of the loans are substantially the same as those prevailing in the market. As of Decem S/205,584,000, respectively.

(d) Board of Directors fees –
The total fees paid to the Board of Directors amounted to approximately S/1,680,000, S/1,545,000 and S/1,467,000 for “Administrative expenses” of the income statements.

23. Financial instruments classification

The carrying amounts of financial assets and liabilities of each captions in the statements of financial position classified by ca

	2019				
	Financial assets and liabilities designated at fair value				
	Held for trading or hedging S/(000)	**Loans and receivables** S/(000)	**Available-for-sale investments** S/(000)	**Held-to-maturity investments** S/(000)	**Financial liabilities at amortized cost** S/(000)
Financial assets					
Cash and due from banks	-	9,776,507	-	-	-
Inter-bank funds	-	85,006	-	-	-
Investments at fair value through profit or loss-trading	4,788	-	-	-	-
Available-for-sale investments	-	-	3,362,741	-	-
Held-to-maturity investments	-	-	-	2,191,854	-
Loan portfolio, net	-	34,739,232	-	-	-
Other assets, net, Note 8(a)	225,530	738,654	-	-	-
	230,318	45,339,399	3,362,741	2,191,854	-
Financial Liabilities					
Deposits and obligations	-	-	-	-	34,080,052
Inter-bank funds	-	-	-	-	169,138
Deposits from financial entities	-	-	-	-	1,529,938
Payables from repurchase agreements	-	-	-	-	1,937,018
Debts and financial obligations	-	-	-	-	1,725,232
Securities, bonds and obligations outstanding	-	-	-	-	5,815,626
Provision and other liabilities, Note 8(a)	215,671	-	-	-	699,280
	215,671	-	-	-	45,956,284

24. Financial risk management

It comprises the management of the main risks that the Bank is exposed to due to the nature of its operations: credit risk, market risk, liquidity risk and operational risk.

- Credit risk: Probability of loss due to inability or unwillingness to pay of the debtors, counterparts or third parties bound to comply with their contractual obligations.
- Market risk: Probability of losses in positions on and off-balance sheets resulting from variations in market conditions, including the following type of risks: exchange rate, interest rate type, price, among other.
- Liquidity risk: Probability of loss due to noncompliance with the requirements of financing and fund application that arise from imbalances of cash flows and after the equity position.
- Operational risk: Probability of losses due to inadequate processes, personnel and information technologies failures, or external events.

In order to manage said risks, the Bank has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

(a) Structure and organization of risk management -
The Bank has a managerial and governance structure that allows it to adequately articulate the management and control of the risks it is exposed to.

(i) Board of Directors
The Bank's Board of Directors is responsible of establishing an appropriate and integral risk management and enabling an internal environment that facilitates its control. The Board is permanently informed about the exposure degree of the diverse risks managed by the Bank.

The Board has created several specialized committees to which it has delegated specific tasks in order to enhance risk management and internal control.

(ii) Comprehensive Risk Management Committee
The Comprehensive Risk Management Committee ("GIR", by its Spanish acronym) is a corporate body created by Board's agreement. It is responsible of approving the policies and organization for the comprehensive risk management as well as the amendments to said policies. This GIR Committee defines the level of tolerance and the exposure degree to risk that the Bank is willing to assume when conducting its business and also decides the necessary actions aimed to implement the required corrective measures in case of deviations from the levels of tolerance to risk. The GIR Committee is comprised by two members of the Board, the Chief Executive Officer and the Vice-Presidents. The GIR Committee reports monthly to the Board the main issues it has discussed and the agreements adopted in their respective meetings.

(iii) Audit Committee

The Audit Committee is a corporate body created by Board's agreement. Its main purpose is to surveil the appropriateness of the processes of accounting and financial reporting, as well as to evaluate the activities performed by the auditors, both internal and external. The Committee is comprised by three members of the Board and can also have the participation of the Chief Executive Officer, the Manager of the Internal Audit Division, the Vice-president of Corporate and Legal Affairs and other Bank's executives, as required. The Committee gathers at least six times a year in ordinary sessions and submits a copy of its Minutes to the Board, thus informing the most relevant issues discussed.

(iv) Assets and Liabilities Committee

The Assets and Liabilities Committee (henceforth "ALCO") is a corporate body created by Board's agreement. Its main purpose is to manage the structure of the Bank's financial position, in function of its profitability and risk targets. The ALCO is also responsible for the proposition of new products or operations that contain components of market risk. Likewise, it is the communication channel with the units that generate market risks. The ALCO meets monthly and is comprised by the Chief Executive Officer, the Vice-Presidents of the divisions of Capital Markets, Finance, Risks, Commercial, Retail Business, Distribution Channels, Operations, and the Manager of the Position Desk, and has as permanent guests the Manager of Market Risk and the Manager of Planning and Control Management.

(v) Chief Executive Officer

The Chief Executive Officer has the responsibility of implementing an adequate comprehensive risk management. He also directs and coordinates the efforts of the different commercial and supporting Vice-Presidencies, aiming to establish an adequate balance between risk and profitability. The Vice-Presidency of Risks is a first line body that reports directly to the Chief Executive Officer, and it is in charge of proposing the policies, procedures and methodologies for a competent comprehensive risk management, and of promoting the alignment of the actions aimed to manage the Bank's risks with the levels of risk appetite and risk tolerance, as well as the development of appropriate controls. The Vice-Presidency of Risks is comprised by the following divisions: Corporate Risks Screening, Business Risks Screening, Risks and Recoveries Tracking, Operational Risk, Retail Banking Risks, Small-Businesses Banking Risks, Market Risk, Collections and the Department of Credit Risk Management Models.

(vi) Internal Audit

The Internal Audit Division reports functionally to the Board. It provides with independent services and objectives of assurance and consultancy. It also supports the Bank into meeting its objectives through the application of a systemic and disciplined approach in order to assess and enhance the efficiency of its governance processes, risk management and control.

(b) Risk measurement and reporting systems -

The Bank uses different models and rating tools at the client or product level in order to manage risks. These tools measure and value the risk with a prospective vision, thus allowing the making of better risks decisions in the different stages or life cycle of each loan.

Said tools are permanently monitored and periodically validated in order to assure that the levels of prediction and performance are being maintained, and to make the corrective actions or adjustments to the models, when needed.

Risk control is performed on a budgetary basis. Annually, the Bank establishes the commercial strategy by banking service or by product, as well as the maximum risk level to be taken, with the purpose of obtaining a desired profitability and a target level of capital or solvency.

The risk management indicators are permanently reviewed and assessed, with the purpose of identifying possible deviations in the risk profile with respect to the stipulated risk appetite and thus applying timely corrective actions. This information is monthly submitted to the GIR, and periodically to the Board.

(c) Risk mitigation and risk coverage -

The credit risk is the main risk to be managed by the Bank and in order to mitigate its exposure to it and provide with adequate risk coverage, it has established a series of measures, among which the following stand out:

- Policies, procedures, methodologies, models and parameters aimed to allow to identify, measure, control and report credit risk.
- Reviewing and assessment of credit risk through specialized units of risk screening which are independent from the Bank's Commercial Division and which assess all the credit risks prior to the loan approvals or prior to the acquisitions of specific investments.
- Timely monitoring and tracking of credit risk and its maintaining within a defined tolerance level.
- Compliance with regulatory limits and establishment of internal limits for the exposure concentrations to debtors and counterparties, such as those related to sector concentration (for loans), by issuer, credit rating and liquidity.

- Procedures for the management of guarantees backing the loans granted, so that said guarantees can effectively mitigate the assumed risk.

Likewise, as part of the comprehensive risk management, in certain circumstances the Bank uses derivative financial instruments to mitigate the risk exposure, which arises from the variations in interest rates and exchange rates.

(d) Risk concentration -
Through its policies and procedures, the Bank establishes the patterns and mechanisms needed to prevent an excessive risk concentration as well as to allow a diversified portfolio. In case any concentration risk is identified, the Bank works with specialized units whose aim is to control and manage said risks. For instance, the Bank performs a monthly monitoring of industry concentration for its Commercial Banking clients, as established in the Manual of Tracking Policies on Commercial Banking, and whose limits are monitored and controlled by the Division of Risk and Recoveries Tracking, considering the relevant regulation and the legal limits stipulated by the SBS.

24.1 Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

(a) The Bank opts for a risk policy that ensures a sustained and profitable growth in all its products. In doing so, it applies assessment procedures for the adequate decision-making, tools and methodologies that allow the identification, measurement, mitigation and control of the different risk in the most efficient manner and in accordance to SBS regulations. Likewise, the Bank develops management models that allow an adequate measurement, quantification and monitoring of the loans granted by each business unit, and also encouraging the continuous improvement of its policies, tools, methodologies and processes.

The Bank's exposure to credit risk is managed through the permanent assessment of the debtors' and potential debtors' ability to comply with the interests and principal payments of their obligations and through the change in the loan limits when appropriate. The exposure to credit risk is also partly managed through personal and corporate guarantees, but there is a significant portion of the loans upon which said guarantees cannot be obtained.

The Bank performs indirect transactions, such as letters of guarantee, endorsement letters and letters of credit, that represent a credit risk if the customer breaches the conditions of the agreed credit.

The Bank applies the same policies used to granting and assessment of the indirect loans (see Note 15(b)) and includes obtaining of guarantees whenever it deems necessary.

(i) Management of guarantees -

(i.1) Policies and procedures for guarantees management and valuation

The Bank's policy for credit risk mitigation comes from its business conceptualization, which is thoroughly centered in relationship banking. Within this framework, guarantees requirement can be a necessary but not sufficient instrument for risk concession.

The Bank has policies and guidelines established for the management of guarantees received as collaterals of loans granted, which allows them to mitigate the assumed credit risk. Assets that guarantee loan operations bear a certain value prior to the loans approving and the procedures for their updating are described in the Manual of Appraisal for Guarantees, which contains what is established by the SBS Resolution No.11356-2008 "Regulation on Debtors Assessment and Classification and Provision Requirements" and its amendments.

In order to manage guarantees, the Bank operates specialized divisions on the constitution, management and release of guarantees.

(i.2) Types of guarantee

Guarantees that back loan operations are constituted by different goods and property, securities and financial instruments, and their preferential statuses depend on the following conditions:

- Easy convertibility into cash, which can be used to pay the guaranteed obligation.
- Proper legal documentation, duly registered at the corresponding public records.
- Do not present previous obligations that could reduce their value.
- Their value is updated.

(b) Maximum exposure to credit risk -

As of December 31, 2019 and 2018, Management estimates that the maximum credit risk to which the Bank is exposed is represented by the book value of the financial assets which show a potential credit risk and consist mostly of deposits in banks, active inter-bank funds, available-for-sale investments, held-to-maturity investments, the loan portfolio (direct and indirect), without considering the fair value of the guarantees and collaterals, derivatives financial instruments transactions and other monetary assets. The exposure for any borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures (contingent account) and daily delivery risk limits for trading items such as forward foreign exchange contracts. Actual exposure against limits is daily monitored.

In that sense, as of December 31, 2019 and 2018:

- 94.9 percent and 95.3 percent, respectively, of the loan portfolio are classified into the two upper levels defined by the SBS.
- 94.8 percent and 95.3 percent respectively, of the loans are deemed non-past-due and non-impaired.
- 97.8 percent and 92.6 percent, respectively, of available-for-sale investments and held-to-maturity investments are rated investment grade (BBB- or higher) or are debt instruments issued by the BCRP or the Peruvian Government.
- 79.1 percent and 71.4 percent, respectively, of the available funds represent the amounts deposited in the vaults of the BCRP, being the balance in local and international financial entities of first level.
- In addition, as of December 31, 2019 and 2018, the Bank holds loans (direct and indirect) granted to entities related to the infrastructure sector that, since last year, have been exposed to local and international events, for an amount of approximately S/790,771,000 (S/168,576,000 in direct loans and S/622,195,000 in indirect loans) and S/861,544,000 (S/50,434,000 in direct loans and S/811,110,000 in indirect loans), respectively. The performance of these instruments will depend on the future development of the aforementioned events, which are out of the Bank control. However, it is important to mention that direct loans have guarantees and coverage that significantly reduce credit risk.

Regarding the assessment of the loan portfolio, the Bank performs the classification of debtors into the risk categories established by the SBS and according to the classification criteria set for each loan type that is, for the debtors belonging to the Commercial, Small and Micro-Business, Consumer and Mortgage portfolios. The debtor classification into their corresponding categories is determined by following the criteria set by SBS Resolution No.11356-2008 “Regulation on the Assessment and Classification of Debtors and Provision Requirements” and amendments; see Note 2(e).

(c) Credit risk management for loan placements –
In order to perform credit risk management, the Vice-Presidency of Risks applies processes to each business segment which comprise three fundamental stages: risk screening, risk tracking and monitoring, and recovery of troubled portfolio. These processes have the purpose of maintaining a loan quality according to the appetite for risk defined by the Bank’s Senior Management.

The process of loan admission is fundamentally based on the good knowledge on the client and its economic activity, being determining the evaluation of its payment ability, credit history and solvency. This process leans on the applying of risk management methodologies and tools that allow to measure and value the risk quality of the loan to be granted, through models and automatic qualification systems for loan admission.

The portfolio tracking and monitoring process is performed through an integrated system of alerts aimed to early detect the credit risk, which allow the identification of clients exposed to potential risks that would affect their payment ability with a possible impact on their credit evolution and upon which there must be taken immediate preventive, corrective and tracking actions. In order to do so, the Bank applies systems, models and guidelines which allow the tracking of debtors regarding the evolution of the detected risks, decision-making and management of said risks to achieve their normalization or collection.

For each business segment, a permanent monitoring is performed on the portfolio’s main trends, in terms of the evolution of quality indicators, economic sector and geographic concentration, among others.

Lastly, the collection process of the troubled loan portfolio is performed through a set of coordinated actions which are applied for the adequate and timely recovery of loans. Their purpose is to minimize losses in loans exposed to high credit risk.

The table below presents three groups of direct loans: (i) Non-past-due and non-impaired loans, which comprise direct Potential problems"; (ii) Past-due but non impaired loans, which comprise past-due loans to clients classified as "Norm "Loss". It also presents the provision for loan losses for each loan type.

	2019				
Loan classification	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**Mortgage loans** S/(000)	**Small and micro-business loans** S/(000)	**Total** S/(000)
Neither past due nor impaired					
Normal	14,868,638	11,544,083	6,678,283	661,459	33,752,463
With potential problems	101,167	325,984	102,869	20,136	550,156
	14,969,805	11,870,067	6,781,152	681,595	34,302,619
Past due but not impaired					
Normal	2,070	36	-	1	2,107
With potential problems	5,609	9	275	-	5,893
	7,679	45	275	1	8,000
Impaired					
Substandard	170,357	254,134	94,455	11,196	530,142
Doubtful	67,327	385,682	110,082	14,213	577,304
Loss	158,155	311,639	234,925	43,121	747,840
	395,839	951,455	439,462	68,530	1,855,286
Total loan portfolio gross	15,373,323	12,821,567	7,220,889	750,126	36,165,905
Less: Provision for loan losses	421,452(*)	889,299(*)	300,230	63,025(*)	1,674,00
Total, net	14,951,871	11,932,268	6,920,659	687,101	34,491,899

(*) As of December 31, 2019 and 2018, the provision for indirect loans of S/83,485,000 and S/89,341,000 that are presented in th

As of December 31, 2019 and 2018, the refinanced outstanding loans amount to S/251,180,000 and S/210,384,000, res respectively, of which S/1,485,000 and S/912,000, respectively, are classified as past due but not impaired and S/71,45

In accordance with Multiple Official Letter No.10250-2017-SBS issued in March 2017 and other related rules issued by Costero Event") that occurred in Peru during the first half of 2017, without the modification resulting in a "refinanced loa not considered as "refinanced loans". As of December 31, 2019 and 2018, the balance of the reprogrammed credits an

Following is the detail of the gross amount of impaired loans by loan type, along with the estimated fair value o
provision for loan losses:

Impaired loans	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**M**
Impaired loans	395,839	951,455	
Fair value of collateral	536,585	42,564	
Provision for loan losses	178,981	602,658	

Impaired loans	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**M**
Impaired loans	224,855	801,244	
Fair value of collateral	347,409	57,978	
Provision for loan losses	147,900	507,691	

(d) Credit risk management in investments

The Bank controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case of investments abroad, the assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's country, which is assessed considering its main macroeconomic variables. The table below presents the risk classification of investments at fair value through profit or loss – trading, available-for-sale and held-to-maturity:

	2019		2018	
	S/(000)	%	S/(000)	%
Instruments issued and rated in Peru:				
AAA	13,707	0.2	23,740	0.4
AA- a AA+	3,612	0.1	19,498	0.3
A – a A+	60	0.0	-	-
BBB- a BBB+	-	-	412	-
	17,379	0.3	43,650	0.7
Instruments issued in Peru and rated abroad:				
A- a A+	3,250,884	58.5	2,429,938	42.0
BBB- a BBB+	464,128	8.3	821,567	14.2
BB- a BB+	41,313	0.7	69,640	1.2
	3,756,325	67.5	3,321,145	57.4
Instruments issued and rated abroad:				
AAA	-	-	86,350	1.5
AAA- a AA+	-	-	98,570	1.7
A- a A+	6,143	0.1	128,587	2.2
BBB- a BBB+	215,733	3.9	372,229	6.5
	221,876	4.0	685,736	11.9
Unrated				
Certificates of Deposit issued by BCRP	1,483,494	26.7	1,380,479	23.8
Shares -				
Intercorp Financial Services Inc.	-	-	281,382	4.86
Other	1,789	-	1,792	-
Total	5,480,863	98.6	5,714,184	98.7
Accrued interests	78,520	1.4	76,181	1.3
Total	5,559,383	100.0	5,790,365	100.0

(e) Financial instruments exposed to credit risk -

Concentration of financial instruments exposed to credit risk.

As of December 31, 2019 and 2018, the financial instruments exposed to credit risk were distributed according to the fo

	2019				
	Designated at fair value through profit or loss				
	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	
Consumer loans	-	12,017,609	-	-	
Financial services	188,650	11,041,209(***)	489,902	-	
Mortgage loans	-	6,929,795	-	-	
National Government	-	-	2,719,716(**)	2,145,643	
Manufacturing	1,818	3,900,254	28,936	-	
Commerce	781	3,146,247	-	-	
Business activity	-	2,473,309	-	-	
Agriculture	4,001	1,210,716	-	-	
Communications, storage and transportation	1,672	930,430	3,612	-	
Leaseholds and real estate activities	2,387	786,591	-	-	
Electricity, gas and water	21,180	685,080	59,450	-	
Mining	-	567,456	24,306	-	
Construction	1,059	435,269	4,568	-	
Education, health and other services	2,667	261,617	-	-	
Fishing	2,918	259,331	-	-	
Community services	-	222,629	-	-	
Public administration and defense	-	190,740	-	-	
Other	3,127	33,784	-	-	
Total	230,260	45,092,066	3,330,490	2,145,643	
Interests	58	247,333	32,251	46,211	
Total	230,318	45,339,399	3,362,741	2,191,854	

(*) Includes the shares of IFS.

(**) Corresponds to Sovereign Bonds and BCRP Certificates of Deposit and global bonds issued by the United States of America

(***) Includes available funds deposited in the vaults of the Bank, BCRP, banks abroad and the inter-bank funds.

As of December 31, 2019 and 2018, the financial instruments exposed to credit risk according to geographic area are th

	2019			
	Designated at fair value through profit or loss			
	Held for trading or hedging S/(000)	**Loans and receivables** S/(000)	**Available-for-sale investments** S/(000)	**Held-to-invest** S/(
Peru	53,053	43,873,699	3,106,825	2,14
United States of America	63,965	541,214	-	
Colombia	-	129	189,155	
Panama	-	166,866	16,147	
Belgium	-	120,112	-	
Cayman Islands	-	104,160	-	
Ecuador	-	90,443	-	
Germany	-	86,931	-	
Brazil	-	58,996	-	
United Kingdom	41,619	2,322	-	
Mexico	-	-	10,578	
Chile	-	-	6,143	
Supranational	-	-	-	
Others	71,623	47,194	1,642	
Total	230,260	45,092,066	3,330,490	2,14
Accrued Interest	58	247,333	32,251	
Total	230,318	45,339,399	3,362,741	2,1

(*) Includes shares of Intercorp Financial Services Inc.

24.2 Market risk -

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which the Bank is exposed to are: exchange rates, interest rates and prices. Said variations can affect the value of the Bank's financial assets and liabilities.

The Bank separates exposures to market risk into two blocks: Trading Book, which comprises positions in liquid investments, and Banking Book, which comprises banking assets and liabilities inherent to the intermediation business (mainly deposits and loans) whose exposure to market risk arises from the changes in portfolio structural positions.

(a) Trading Book -

In order to control and monitor the risks arising from the volatility of risk factors involved within each instrument, maximum exposure limits have been established on currency, investment type, Value-at-Risk (VaR), which are controlled on a daily basis. Likewise, reports to the GIR and ALCO committees are submitted regularly.

The main technique used to measure and control market risk is VaR, which is a statistical measurement that quantifies the maximum loss expected for the investment portfolio for a period of time and a determined significance level under normal market conditions. The Bank uses the Monte Carlo VaR model for a period of ten days, which has exponential volatility and a 99-confidence level. The VaR is calculated through each risk factor: interest rate, exchange rate and investment type (derivatives, fixed income and variable income).

VaR models are designed to measure the market risk within a normal market environment. Those models assume that all modifications in risk factors affecting the use of weighted historical data will follow a normal distribution. Said distribution is calculated through the use of weighted historical data in an exponential manner. Given that VaR is based mainly on historical data to provide information and does not clearly predict future changes and modifications in risk factors, the probability of big market movements may be underestimated. VaR can also be under or overestimated due to the hypotheses made on the risk factors and the relation among these factors with the specific instruments. In order to determine the reliability of VaR models, the actual results are regularly monitored to prove the validity of the assumptions and parameters used in the calculation of VaR.

The Bank includes within the VaR calculation the potential loss that may arise from the exposure to exchange risk. This risk is included in the calculation because the exchange position is the result of the spot position plus the position in derivative products. Likewise, the total VaR includes the diversification effect that arises as result of the interaction of diverse market risk factors to which the Bank is exposed.

The validity of the VaR calculation is proven through a back-testing proof, which uses historical data to ensure that the model adequately estimates the potential losses. Additionally, it is calculated the risk factors sensitivity, which shows the potential portfolio losses in the face of determined fluctuations in factors. Said fluctuations include: interest rate shocks, exchange rate shocks and price shocks.

It is worth mentioning that according to SBS Resolution No.6328-2009 "Regulation on Effective Equity Requirements for Market Risk", the following available-for-sale investments are also included as part of the trading portfolio in the calculation of VaR:

- Debt securities:
  - Sovereign risk exposures of the Republic of Peru on CDBCRP, Sovereign Bonds (excluding VAC Bonds) and Global Bonds.

- Equities:
  - Shares that are listed in the General Index of the Lima Stock Exchange.
  - Participations in open investment collective schemes whose fund is invested in at least 70 percent in equities.

The VaR results of the portfolio by asset type are presented in the table below:

	2019 S/(000)	**2018** S/(000)
Equity investments	-	5,381
Debt investments	11,380	11,040
Derivatives	2,136	30,291
Diversification effect	(1,577)	(36,373)
Consolidated VaR by asset type (*)	11,939	10,339

VaR results by risk type are the following:

	2019 S/(000)	**2018** S/(000)
Exchange risk	1,222	739
Interest rate risk	18,277	8,640
Equity risk	-	5,665
Diversification effect	(7,560)	(4,705)
Consolidated VaR by risk type (*)	11,939	10,339

(*) The total VaR is smaller than its components due to the benefits of risk diversification.

(b) Banking Book -

The Bank holds positions that are not actively traded which are part of its assets and liabilities. These positions include all loan placements and funds raised through the Bank's intermediation business, as well as certain investments that are not deemed as trading.

(i) Interest rate risk -

Interest rates fluctuate permanently on the market. These fluctuations affect the Bank in two ways: first, through the change in the valuation of assets and liabilities; and second, affecting the cash flows at repricing. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability repricing increases. This process consists of the assessment of the repricing periods. On the other side, cash flows are affected when the instruments reach maturity, given that they are invested or placed at the new market interest rates.

The interest rate risk tracking is reported to the GIR, as well as the ALCO. The GIR approves the various limits applicable to the management of financial instruments. The tracking process is performed by the Division of Market Risk.

Repricing gap -

An analysis of the repricing gaps is performed in order to determine the impact of the interest rates movements. Said analysis consists of assigning the balances of the operations that will change the interest rate into different time gaps. The impact of the variation in the valuation of assets and liabilities on each gap is calculated in function of this analysis.

The following table summarizes the Bank's exposure to interest rate risks. The Bank's financial instruments are presen
date, whichever occurs first:

	Up to 1 month S/(000)	**More than 1 month to 3 months** S/(000)	**More than 3 mo to 12 month** S/(000)
Assets			
Cash and due from banks	6,077,018	401,014	807,493
Inter-bank funds	85,006	-	
Available-for-sale investments	211,578	521,320	1,019,904
Held-to-maturity investments	-	46,211	
Loan portfolio, net (*)	4,683,933	4,349,139	7,153,052
Other assets, net (**)	510,267	-	
Total assets	11,567,802	5,317,684	8,980,449
Deposits and obligations	23,366,719	1,886,454	4,200,270
Inter-bank funds	169,138	-	
Deposits from financial entities	341,979	33,000	6,628
Payables from repurchase agreements	-	405,185	1,531,833
Debts and financial obligations	13,331	187,428	213,609
Securities, bonds and obligations outstanding (***)	330,192	171,610	686,713
Other liabilities	3,376	-	51
Equity	-	-	
Total liabilities and equity	24,224,735	2,683,677	6,639,570
Off-balance sheet items:			
Derivative assets	-	165,700	132,560
Derivative liabilities	-	-	298,260
Marginal gap	(12,656,933)	2,799,707	2,175,179
Accumulated gap	(12,656,933)	(9,857,226)	(7,682,047

(*) The balance presented in the column "Non-interest bearing" corresponds mainly to accrued income from loans, overdue loa

(**) Includes investments in subsidiaries and associates, property, furniture and equipment, net, other assets, net, and Income Tax

(***) The exchanged bonds are presented according to their original maturity date; see Note 11(g).

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, because thes
market risks.

	Up to 1 month S/(000)	More than 1 month to 3 months S/(000)	More than 3 mo to 12 month S/(000)
Assets			
Cash and due from banks	3,772,957	825,326	364,125
Inter-bank funds	495,037	-	
Available-for-sale investments	361,446	511,297	931,309
Held-to-maturity investments	-	40,125	
Loan portfolio, net (*)	4,009,709	3,531,934	6,359,134
Other assets, net (**)	-	-	
Total assets	8,639,149	4,908,682	7,654,568
Deposits and obligations	20,979,444	864,677	3,354,279
Deposits from financial entities	154,493	881,496	1,675
Payables from repurchase agreements	201,361	1,003,864	666,804
Debts and financial obligations	185,273	190,385	227,535
Securities, bonds and obligations outstanding (***)	177,602	20,559	84,684
Other liabilities	2,087	-	
Equity	-	-	
Total liabilities and equity	21,700,260	2,960,981	4,334,977
Off-balance sheet items:			
Derivative assets	-	168,650	134,920
Derivative liabilities	-	-	
Marginal gap	(13,061,111)	2,116,351	3,454,51
Accumulated gap	(13,061,111)	(10,944,760)	(7,490,249

(*) The balance presented in the column “Non-interest bearing” corresponds mainly to accrued income from loans, overdue loa

(**) Includes investments in subsidiaries and associates, property, furniture and equipment, net, other assets, net, and Income Tax

(***) The exchanged bonds are presented according to their original maturity date; see Note 11(e).

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, because thes
market risks.

Sensitivity to changes in interest rates -
Following is the sensitivity of both the income statements and the valuation of the Trading Book to diverse fluctuations
value.

In the case of the income statements, the calculation reflects the expected variation of the financial margin for a perio into account the current position of income and expenses and annualizes the effect of the interest rates variations. The value of assets minus liabilities for various time gaps. Likewise, it includes the effect of the derivative financial instrume

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a paral considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the s sensitivities are calculated prior to the Income Tax effect.

The interest rate exposure is overseen by the ALCO, as well as the GIR Committee, the latter being in charge of appro

The effects due to estimated changes in interest rates as of December 31, 2019 and 2018, are the following:

			2019
Currency	**Changes in basis points**	**Net income sensitivity**	
			S/(000)
US dollars	+/-25	+ / -	3,375
US dollars	+/-50	+ / -	6,750
US dollars	+/- 75	+ / -	10,125
US dollars	+/- 100	+ / -	13,500
Soles	+/- 50	- / +	17,010
Soles	+/-75	- / +	25,515
Soles	+/-100	- / +	34,020
Soles	+/-150	- / +	51,030

			2018
Currency	**Changes in basis points**	**Net income sensitivity**	
			S/(000)
US dollars	+/-25	+ / -	5,277
US dollars	+/-50	+ / -	10,554
US dollars	+/- 75	+ / -	15,831
US dollars	+/- 100	+ / -	21,108
Soles	+/- 50	- / +	18,780
Soles	+/-75	- / +	28,170
Soles	+/-100	- / +	37,560
Soles	+/-150	- / +	56,340

Sensitivity to price variations -
Following are the sensitivities for shares, in which case, prices depend in less extent on the interest rate.

Market price sensitivity	**Changes in market prices** %	**2019** S/(000)	**2018** S/(000)
Common shares	+/-10	179	28,317
Common shares	+/-25	447	70,793
Common shares	+/-30	537	84,952

(ii) Foreign exchange risk -
The exchange rate risk is related to the variation of the positions both on and off the statements of financial position that may be negatively affected by exchange rates movements. Management sets limits to the exposure levels by currency, and monitors them daily. Most assets and liabilities designated in foreign currency are held in US dollars.

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of December 31, 2019, the weighted market exchange rate published by the SBS for transactions in US dollars was S/3.311 respectively). As of December 31, 2019, the exchange rate for the accounting of asset and liability accounts in foreign currenc

The table below presents the detail of the Bank's currency position as of December 31, 2019 and 2018:

	2019		
	US Dollars S/(000)	**Soles** S/(000)	**Other currencies** S/(000)
Assets			
Cash and due from bank	8,136,290	1,214,712	425,505
Inter-bank funds	-	85,006	-
Investments at fair value through profit or loss - trading	1,757	3,031	-
Available-for-sale investments,net	746,830	2,615,911	-
Held-to-maturity investments	-	2,191,854	-
Loan portfolio, net	9,255,700	25,483,532	-
Other assets, net	129,961	832,875	1,348
	18,270,538	32,426,921	426,853
liabilities			
Deposits and obligations	11,173,939	22,546,088	360,025
Inter-bank funds	149,137	20,001	-
Deposits from financial entities	56,701	1,473,237	-
Payables for repurchase agreements	-	1,937,018	-
Debts and financial obligations	513,531	1,211,701	-
Securities, bonds and obligations outstanding	4,755,334	1,060,292	-
Other liabilities	214,829	698,703	1,419
	16,863,471	28,947,040	361,444
Forward position, net	(2,718,082)	2,776,866	(58,784)
Currency swaps position, net	1,405,094	(1,405,094)	-
Options position,net	(5,584)	5,584	-
Net monetary position	88,495	4,857,237	6,625

As of December 31, 2019, the Bank granted indirect loans (contingent operations) in foreign currency for approximately US$676,029,000, equivalent to S/2,240,361,000 (US$687,602,000, equivalent to S/2,319,383,000 as of December 31, 2018); see Note 15.

The Bank manages the exchange rate risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Bank's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the Sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensibilities for the case of the US dollar variations. Given its volume, the position in US dollars is the sole exposure that could cause the Bank a material loss. The negative variations represent potential losses, while the positive ones represent potential gains.

Sensitivity analysis	**Changes in currency rates** %	**2019** S/(000)	**2018** S/(000)
Revaluation			
US dollar	5	4,425	7,537
US dollar	10	8,850	15,075
Devaluation (*)			
US dollar	5	(4,425)	(7,537)
US dollar	10	(8,850)	(15,075)

(*) Management does not estimate a devaluation of the US dollar in relation to the sol in the following years.

24.3 Liquidity risk -

The liquidity risk consists of the Bank's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

The Bank takes short-term deposits and transforms them into longer-term loans. Therefore, their exposure to liquidity risk increases. The Bank keeps a set of deposits that historically are renewed or maintained, and which represent a stable funding source.

The Bank's liquidity is managed by the Vice-Presidency of Capital Market, which leads the ALCO – where positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is itself overseen by the GIR Committee – where the risk level that the Bank is willing to take is defined, and the corresponding indicators, limits and controls are reviewed.

The Bank has a set of indicators which are controlled and reported daily. Said indicators establish the minimum liquidity levels allowed for the short-term and reflex several risk aspects such as: concentration, stability, position by currency, main depositors, etc. The Market Risk Division is in charge of tracking said indicators.

Likewise, the Bank assesses the medium-term and long-term liquidity through a structural analysis of its funds' inflows and outflows on diverse maturity terms. This process allows it to know, for each currency, the diverse funding sources, how liquidity needs increase, and which terms are mismatched. Both for assets and liabilities, there are considered assumptions for the operations that do not have determined maturity dates. Said products include: revolving loans, savings and others similar. There are also included the estimated obligations arising from contingent liabilities. On the basis of this information, the necessary decisions to maintain the targeted liquidity levels are taken.

Following are the Bank's cash flows payable as of December 31, 2019 and 2018, according to the contractually agreed maturity. The Bank estimates the expected maturities of the obligations with the public that do not have determined maturities by using statistical models, in accordance with SBS Resolution No. 7036-2012. The amounts disclosed are the undiscounted cash flows and include their respective accrued interest.

	20		
	Up to 1 month S/(000)	**From 1 to 3 months** S/(000)	**From 3 to 12 months** S/(000)
Financial liabilities by type -			
Deposits and obligations	25,333,691	2,018,246	4,316,945
Inter-bank funds	169,138	-	-
Deposits from financial entities	1,490,391	33,000	6,628
Payables from repurchase agreements	-	416,700	1,566,909
Debts and financial obligations	16,713	37,621	453,955
Securities, bonds and obligations outstanding	31,477	191,347	842,912
Provisions and other liabilities	537,255	15,671	67,665
Total non-derivate liabilities	27,578,665	2,712,585	7,255,014
Derivatives -			
Contractual amounts receivable (inflow)	560,750	264,648	933,967
Contractual amounts payable (outflow)	(568,321)	(218,373)	(955,527)
Total	(7,571)	46,275	(21,560)

	20		
	Up to 1 month S/(000)	**From 1 to 3 months** S/(000)	**From 3 to 12 months** S/(000)
Financial liabilities by type -			
Deposits and obligations	23,646,861	1,864,345	3,454,705
Deposits from financial entities	275,042	474	1,721
Payables from repurchase agreements	201,573	1,024,912	706,993
Debts and financial obligations	186,835	35,001	173,299
Securities, bonds and obligations outstanding	34,249	36,082	289,175
Provisions and other liabilities	523,021	121,789	73,572
Total non-derivate liabilities	24,867,581	3,082,603	4,699,465
Derivatives -			
Contractual amounts receivable (inflow)	615,935	292,084	558,329
Contractual amounts payable (outflow)	(629,042)	(286,757)	(581,776)
Total	(13,107)	5,327	(23,447)

The table below shows the contractual maturity of the contingent loans granted by the Bank as of the date of the state

	2019			
	Up to 1 month S/(000)	**From 1 to 3 months** S/(000)	**From 3 to 12 months** S/(000)	**From 1 to 5 years** S/(000)
Contingent loans (indirect loans)	918,020	952,844	2,081,854	270,760

	2018			
	Up to 1 month S/(000)	**From 1 to 3 months** S/(000)	**From 3 to 12 months** S/(000)	**From 1 to 5 years** S/(000)
Contingent loans (indirect loans)	1,087,125	935,879	2,027,444	127,316

The Bank expects that not all of the contingent loans will be drawn before expiration of the commitments.

The following table shows the changes in liabilities from financing activities as stated by IAS 7:

				2019
	Balance as of January 1 S/(000)	**Distribution of dividends** S/(000)	**Cash flow** S/(000)	**Movement in foreign currenc** S/(000)
Inter-bank funds	-	-	216,606	(47,468)
Payables from repurchase agreements	2,097,190	-	(160,172)	-
Debts and financial obligations	1,871,558	-	(192,234)	47,626
Securities, bonds and obligations outstanding	5,400,185	-	372,128	49,527
Dividends payable	192	467,044	(467,044)	-
Total liabilities for financing activities	9,369,125	467,044	(230,716)	49,685

				2018
	Balance as of January 1 S/(000)	**Distribution of dividends** S/(000)	**Cash flow** S/(000)	**Movement in foreign currenc** S/(000)
Inter-bank funds	30,008	-	(27,982)	(2,026)
Payables from repurchase agreements	2,223,812	-	(126,622)	-
Debts and financial obligations	2,162,913	-	(267,465)	(22,307)
Securities, bonds and obligations outstanding	4,537,981	-	982,251	(135,821)
Dividends payable	187	405,900	(405,900)	-
Total liabilities for financing activities	8,954,901	405,900	154,282	(160,154)

24.4 Capital management -

As of December 31, 2019 and 2018, the Bank has complied with the mandates of Legislative Decree No. 1028 and SBS Resolutions No. 2115–2009, No. 6328-2009, No. 14354-2009 and their amendments, which contain the Regulations on Effective Equity Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and amendments. These regulations mainly establish the methodologies to be used by the financial entities to calculate the requirement of regulatory capital.

24.5 Fair value -

(a) Fair value is the amount at which an asset can be exchanged between duly informed buyer and seller, or the amount at which a liability can be settled between duly informed debtor and lender, under the terms of a free competition transaction.

Fair value is a market-based measurement, therefore a financial instrument traded in a real transaction in a liquid and active market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value should be measured using another valuation technique, seeking to maximize the use of relevant observable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by multiples.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments as it is shown below:

(i) Financial instruments recorded at fair value - The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.

(ii) Instruments whose fair value is similar to their book value - For the financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the book value is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable-rate financial instruments.

(iii) Financial instruments at fixed rate - The fair value of the financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and deposits and obligations, according to SBS Multiple Official Letter No.1575-2014, corresponds to the book value.

(b) Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 3
amounts are based on the balances presented in the statements of financial situation:

	2019			
	Level 1 S/(000)	**Level 2** S/(000)	**Level 3** S/(000)	**Total** S/(000
Financial assets				
Securities	4,788	-	-	4,7
Available-for-sale investments				
Debt instruments	1,827,827	1,500874	-	3,328,7
Shares				
Intercorp Financial Services Inc.	-	-	-	
Other	147	-	1,642	1,7
Derivatives receivable	-	225,530	-	225,5
	1,832,762	1,726,404	1,642	3,560,8
Accrued interest				32,2
Total financial assets				3,593,0
Financial liabilities				
Derivatives payable	-	215,671	-	215,6
Total financial liabilities	-	215,671	-	215,6

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized w
that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices on 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 direct

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobs

During 2019 and 2018, there were no transfers of financial instruments from Level 3 to Level 1 or to Level 2.

(c) Financial instruments not measured at fair value

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial instrum level of the fair value hierarchy:

	2019			
	Level 1 S/(000)	**Level 2** S/(000)	**Level 3** S/(000)	**Fair value** S/(000)
Assets				
Cash and due from banks	-	9,776,507	-	9,776,507
Inter-bank funds	-	85,006	-	85,006
Held-to-maturity investments	929,333	1,398,970	-	2,328,303
Loan portfolio, net	-	34,739,232	-	34,739,232
Other assets, net	-	738,654	-	738,654
Total	929,333	46,738,369	-	47,667,702
Liabilities				
Deposits and obligations	-	34,080,052	-	34,080,052
Inter-bank funds	-	169,138	-	169,138
Deposits from financial entities	-	1,529,938	-	1,529,938
Payables from repurchase agreements	-	1,940,472	-	1,940,472
Debts and financial obligations	-	1,725,202	-	1,725,202
Securities, bonds and obligations outstanding	4,070,645	1,620,576	-	5,691,221
Provisions and other liabilities	-	699,280	-	699,280
Total	4,070,645	41,764,658	-	45,835,303

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the

(i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that a approximate their fair values. This assumption is also applied to demand deposits, savings accounts without sp

(ii) Financial instruments at fixed rate – The fair value of the financial assets and financial liabilities at fixed rate ar recognition to the current market rates related to similar financial instruments. In the case of listed debt, the fair a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining Official Letter No. 1575-2014, corresponds to its book value.

25. Explanation added for translation into English

The accompanying financial statements are presented on the basis of the generally accepted accounting principles in Peru for financial entities. Certain accounting practices applied by the Bank, that conform to generally accepted accounting principles in Peru for financial entities, may differ in certain significant respects from generally accepted accounting principles in other countries. In the event of any discrepancy, the Spanish-language version prevails.

ANNEX A – PRINCIPAL DIFFERENCES BETWEEN PERUVIAN GAAP AND IFRS

Basis of presentation of the financial statements of the bank

The annual financial statements have been prepared from our accounting records, which are carried in nominal soles as of the date of the transactions, in accordance with accounting principles prescribed by the SBS for Peruvian financial entities (Peruvian GAAP), established in the SBS's "Accounting Manual for Financial Entities."

Peruvian GAAP principles differ in certain material respects from International Financial Reporting Standard (IFRS). We have not undertaken efforts to prepare a quantitative reconciliation of specific differences among Peruvian GAAP and IFRS. Had such an effort been undertaken other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which differences among Peruvian GAAP and IFRS could be significant to our results of operations and financial position and that exist as of December 31, 2019. This analysis does not include differences related to IFRS standards that have been issued but are not effective as of December 31, 2019. In addition, we cannot estimate the net effect that applying IFRS would have on our result of operations or financial position or any component thereof, in any of the presentations of financial information in the offering memorandum. However, the effect of such differences may be, individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders' equity, prepared on the basis of Peruvian GAAP would be materially different from the shareholders' equity reported under IFRS. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported.

Highlights of certain differences among Peruvian GAAP and IFRS

Content and format of the financial statements

Under Peruvian GAAP, the presentation and content of the accounts included in the financial statements are detailed in the "Accounting Manual for Financial Entities" issued by the SBS. Under IFRS, IAS 1 and IFRS 7, there are principles about the presentation of the financial statements for financial services.

Cash flow statements

Under Peruvian GAAP, cash flow statements are presented in accordance with the "Accounting Manual for Financial Entities" issued by the SBS and contain significant presentational differences in respect of cash flow statements prepared in accordance with IFRS (IAS 7).

The format of a cash flow statements prepared under IAS 7 essentially requires cash flows to be classified into three broad categories: operating activities, investing activities, and financing activities.

Investments in subsidiaries and associates

Under Peruvian GAAP, investments in subsidiaries and associates are recorded in accordance with criteria established by SBS Resolution No. 7033-2012, which became effective on January 1, 2013. This category includes only equity securities acquired with the purpose of (i) having equity participation and/or (ii) having control (jointly control as defined by IAS 31) and/or significant influence in other entities or institutions, as defined IAS 28. Their initial recognition is at fair value, including the transaction costs directly attributable to their acquisition; subsequently they are recorded using the equity participation method.

Under IFRS (IFRS 10 and IAS 28) all the subsidiaries and associates in which an entity has control or significant influence are accounted for using the equity method. For this purpose, under IFRS (i) control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, and (ii) significant influence is generally presumed if an investor has the power to participate in the financial and operating policy decisions of the entity, but without having control over those policies. The other investments not considered associates should usually be considered as equity instruments measured at fair value through other comprehensive income or at fair value through profit or loss, if they are marketable securities as per IFRS 9.

Property, plant and equipment

Under IFRS, a company has the alternative to account for certain fixed assets at amortized historical cost or revalue to fair value. Useful lives and methods of depreciation are reviewed periodically. Under Peruvian GAAP, historical cost is the only alternative, and thus fixed asset revaluations are not allowed.

Financial instruments

Classification and measurement:

Under Peruvian GAAP, the financial assets and liabilities are recorded in accordance with criteria established by SBS Resolution No. 7033-2012.

The measurement categories of financial assets are based on the intention and ability to keep them in their classification and are they are as follows:

- Fair value through profit or loss
- Available-for-sale
- Held-to-maturity
- Loans and receivables

Under IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on (i) a combination of the entity's business model for managing financial assets; and (ii) the financial assets contractual cash flow characteristics.

The measurement categories of financial assets are the following:

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income.
- Equity instruments at fair value through other comprehensive income.
- Financial assets at fair value through profit or loss.

The accounting for financial liabilities is similar to Peruvian GAAP, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss. Under IFRS 9, such movements are presented in other comprehensive income with no subsequent reclassification to the income statements Impairment the financial assets:

Under IFRS 9, a provision is required under an Expected Credit Loss (ECL) approach for all loans and other debt financial assets not held at fair value through profit or loss, together with financial guarantee contracts.

The allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months.

Both lifetime ECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the portfolio.

On March 13, 2020, March 16, 2020, March 20, 2020 and May 29, 2020, the SBS issued *Oficios Múltiples* No. 10997-2020-SBS, No. 11150-2020-SBS, No. 11170-2020-SBS and No. 13805-2020, respectively. Through these regulations, the SBS established the following exceptional measures applicable to the loan portfolio, in order to facilitate debt repayment from customers of financial entities within the Peruvian financial institutions affected by the COVID-19 pandemic:

- Entities of the financial system may modify or amend contractual conditions of loans without characterizing such modifications or amendments as refinancing insofar as the total term does not extend for more than six months of the original term. Also, debtors must have a maximum of 15 days overdue in their payments as of February 29, 2020.

- For retail loans with modification of contractual conditions, the interest associated may continue to be recognized on an accrual basis. However, if the debtor changes its situation to a past-due after setting new terms of credit, the financial institution must revert the accrued interest of such loan proportionally in a period of six months.

- For non-retail loans with modification of contractual conditions, the interest associated must be recognized on a cash basis. Uncollected accrued interest related with these loans must be revert as of the date of modification.

- For debtors with more than 15 days overdue as of February 29, 2020, the computation of overdue days shall be suspended as long as the national health emergency is maintained.

- If a debtor has overdue payments after contractual modifications, such loan will be considered as refinanced credit, following the general criteria of SBS Resolution No.11356-2008, as indicated in the audited financial statements.

In accordance with the *Oficio Múltiple* SBS No.11150-2020, the scope of the facilities mentioned above will be determined by each entity of Peruvian financial system, after analyzing the level of impact on its loan portfolio.

On the other hand, under IFRS 9, modifications that do not result in derecognition require to recalculate the gross carrying amount of the loans by discounting the revised expected cash flows at the loan's original effective interest rate. The resulting modification loss is recognized immediately in profit or loss on the occurrence of the modification.

IFRS does not prescribe the income statement line item in which such a modification loss should be reported. However, to the extent that the loss does not relate to credit risk it would not be appropriate to classify that loss within ECL impairment expense. Also, IFRS 7 requires disclosures about modifications of contractual cash flows on financial assets, including the loss recognized.

Equity instruments are not subject to impairment under IFRS 9.

Under Peruvian GAAP, the allowance for loan losses is determinate following guidelines established by SBS Resolutions No. 11356-2008 and No.6941-2008.

Under Peruvian GAAP, the impairment of debt and equity securities are recorded in accordance with criteria established by SBS Resolution No. 7033-2012.

The SBS Resolution establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. Said methodology comprises a two-filter analysis, as described below:

(i) First filter:

On a quarterly basis the following conditions on the entire portfolio of debt and equity investments must be assessed: (i) Significant decrease of fair value: In case the fair value at the date of the financial statements has decreased below 50 percent of the purchasing cost; and, (ii) Prolonged decrease of fair value: In case the monthly average fair value decreases consecutively during the last 12 months, and the cumulative fall of the fair value in said period is at least 20 percent.

The aforementioned assessment is performed in the original currency of the instrument in order to isolate the exchange rate difference.

(ii) Second filter:

For the instruments that passed the first filter, the following circumstances related to qualitative aspects of the issuer are assessed:

- Impairment of the financial position or financial ratios of the issuer or its economic group.
- Adverse conditions of the investment and the issuer. Adverse conditions include adverse changes in the economic environment, technological or market in which the issuer or investment operates.
- Downgrading of the risk classification as consequence of additional factors to the aforementioned.
- Interruption of the interest or principal payments due to financial difficulties of the issuer.
- Interruption of transactions or of an active market due to financial difficulties of the issuer.
- Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors related to the issuer.
- Evidence that the issuer will enter into a forced restructuring or bankruptcy process.
- Decrease in value due to legislation changes (taxes, regulatory or other governmental).

The entity does not have the intention and capability to hold the investment with losses up until the recovery of its value. In such case, it will be necessary to perform a forecast of the estimated time needed to recover the value and an assessment of the evidence that shows, on the basis of historical information and the financial position of the bank, whether there is the intention and capability to maintain the investment all through that period of time.

In accordance with the established in such Resolution, if at least two of the analyzed factors are affirmative, then impairment exists. Once a loss due to impairment is recognized, the following assessments are performed over the book value of the instruments, net of the impairment previously recognized.

Interest recognition—non-accrual loans

Under Peruvian GAAP, interest accrued on past due, refinanced, restructured loans, loans under legal collection and loans classified as doubtful or loss is discontinued and recognized as collected. Under IFRS (based on IFRS 15), recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due.

As a general practice, this occurs when loans are 90 days or more overdue. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses.

Seized assets

Under Peruvian GAAP, assets seized are initially recorded at the value assigned to them through a legal proceeding, the amount of any out of court settlement or at the unpaid value of the debt, whichever is lower. Simultaneously with the determination of the value, an allowance equivalent to 20% of the legal settlement or recoverable asset value should be recorded. For this purpose, we can use the allowance for loan losses that was originally provided for the related loan. Subsequent to the seizure date, we must record an allowance during a period of time established by the SBS, until the carrying value of assets is zero. Under IFRS, the assets seized are recorded at the lower of cost or estimated market value. Changes in market value are recorded in the income statement.

Leases

Under IFRS 16, lessees should account for all leases under a single recognition and measurement on-balance approach exemption for leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability measured at the present value of lease payments to be made over the lease term and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Under Peruvian GAAP, lessees classify leases as either operating or finance leases, the lessees accounting model is similar to the principles described in IAS 17.

Also, lessor accounting model under IFRS 16 is substantially similar to rules established under Peruvian GAAP (IAS 17).

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