Translation of independent auditor's report and separate financial statements originally issued in Spanish – Note 21

Intercorp Perú Ltd.

Separate financial statements as of December 31, 2017 and 2016, together with Independent Auditor's Report

Building a better working world

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Independent Auditor's Report

To the Shareholders of Intercorp Perú Ltd.

We have audited the accompanying separate financial statements of Intercorp Perú Ltd. (a holding company incorporated in The Bahamas) which comprise the separate statements of financial position as of December 31, 2017 and 2016, and the related separate income statements, the separate statements of other comprehensive income, the separate statements of changes in equity and the separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

Management of Intercorp Perú Ltd. is responsible for the preparation and fair presentation of these separate financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control that Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these separate 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 Board 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 separate financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers the internal control that is relevant to the Company in the preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 separate financial statements.

Translation of independent auditor's report originally issued in Spanish - Note 21

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying separate financial statements prepared for the purpose indicated in the paragraph below, present fairly, in all material respects, the financial position of Intercorp Perú Ltd. as of December 31, 2017 and 2016, as well as the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Use of the separate financial statements

The accompanying separate financial statements of Intercorp Perú Ltd. were prepared to comply with Peruvian requirements for the presentation of financial information to shareholders and regulatory entities, and they reflect the investment in its Subsidiaries at their equity values as of December 31, 2017 and 2016, and not on a consolidated basis. These separate financial statements must be read together with the consolidated financial statements of Intercorp Perú Ltd. and its Subsidiaries, which are presented separately and upon which we expressed an unqualified opinion on March 19, 2018.

Lima, Peru,
March 19, 2018

Countersigned by:

Paredes, Burga & Asoc.

Antonio Benites
C.P.C.C. Register No.12-1577

Intercorp Perú Ltd.

Separate statements of financial position

As of December 31, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Assets			
Current assets			
Cash and due from banks	17(a)	13,494	1,826
Accounts receivable from Subsidiaries, related entities and others	6	44,520	2,228
Total current assets		58,014	4,054
Available-for-sale investments	7	80,378	128,869
Investment property	8	137,468	135,660
Investments in Subsidiaries	9	8,534,306	7,433,752
Other assets		431	1,553
Total assets		8,810,597	7,703,888
Liabilities and equity			
Current liabilities			
Accounts payable to Subsidiaries	17(b)	48,713	126,221
Loans payable	10(a)	110,000	-
Interest, provisions and other accounts payable	10(b)	78,542	84,660
Notes issued	11	-	40,320
Total current liabilities		237,255	251,201
Corporate bonds	12	1,096,875	1,123,690
Total liabilities		1,334,130	1,374,891
Equity, net	13		
Capital stock		3,524,799	3,041,307
Reserves		2,626,014	2,336,014
Unrealized results		307,670	(44,648)
Retained earnings		1,017,984	996,324
Total equity, net		7,476,467	6,328,997
Total liabilities and equity, net		8,810,597	7,703,888

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

Intercorp Perú Ltd.

Separate income statements

For the years ended December 31, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Participation in income of Subsidiaries	9(c)	937,020	765,447
Income (expenses)			
Financial income	15	765	1,537
Financial expenses	15	(86,343)	(88,840)
General expenses		(17,320)	(14,940)
Gain on sale of available-for-sale investments	7(c)	30,715	-
Impairment loss on available-for-sale investments	7(b)	-	(293)
(Loss) gain on derivative financial instruments	5	(3,150)	16,080
Other expenses, net	16	(31,306)	(31,693)
Exchange difference, net		32,580	7,241
		(74,059)	(110,908)
Net profit for the year		862,961	654,539
Earnings per share (A and B classes) basic and diluted, in Soles, Note 4(l)	18	5.79	4.39
Weighted average number of outstanding shares (A and B classes) (in thousands)	18	149,019	149,019

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

Intercorp Perú Ltd.

Separate statements of other comprehensive income

For the years ended December 31, 2017 and 2016

	2017 S/(000)	2016 S/(000)
Net profit for the year	862,961	654,539
Other comprehensive income to be reclassified to the separate income statements in subsequent periods		
Available-for-sale investments:		
Net unrealized (loss) gain from available-for-sale investments	(2,932)	16,178
Financial instruments of Subsidiaries:		
Net variation of unrealized results in financial instruments of Subsidiaries, Note 9(c)	373,645	270,078
Exchange difference on translation of foreign operations, Note 9(c)	(18,395)	(7,654)
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	352,318	278,602
Total other comprehensive income for the year	1,215,279	933,141

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

Intercorp Perú Ltd.

Separate statements of changes in equity

For the years ended December 31, 2017 and 2016

	Number of shares			Unrealized results				
	Issued (in thousands)	Capital stock S/(000)	Reserves S/(000)	Available-for-sale investments S/(000)	Financial instruments of Subsidiaries S/(000)	Exchange difference on translation of foreign operations S/(000)	Retained earnings S/(000)	Total S/(000)
Balances as of January 1, 2016	149,019	2,536,133	2,336,014	27,837	(379,715)	28,628	1,056,746	5,605,643
Net profit for the year	-	-	-	-	-	-	654,539	654,539
Other comprehensive income	-	-	-	16,178	270,078	(7,654)	-	278,602
Total other comprehensive income	-	-	-	16,178	270,078	(7,654)	654,539	933,141
Declared dividends, Note 13(a)	-	-	-	-	-	-	(101,700)	(101,700)
Capitalization of profits, Note 13(a)	-	505,174	-	-	-	-	(505,174)	-
Net variation of treasury stock held by Subsidiaries, net of dividends received, Note 9(c)	-	-	-	-	-	-	(190,748)	(190,748)
Effect of participation changes in Subsidiaries, Note 9(c)	-	-	-	-	-	-	87,933	87,933
Others, net	-	-	-	-	-	-	(5,272)	(5,272)
Balances as of December 31, 2016	149,019	3,041,307	2,336,014	44,015	(109,637)	20,974	996,324	6,328,997
Net profit for the year	-	-	-	-	-	-	862,961	862,961
Other comprehensive income	-	-	-	(2,932)	373,645	(18,395)	-	352,318
Total other comprehensive income	-	-	-	(2,932)	373,645	(18,395)	862,961	1,215,279
Declared dividends, Note 13(a)	-	-	-	-	-	-	(97,335)	(97,335)
Capitalization of profits, Note 13(a)	-	483,492	-	-	-	-	(483,492)	-
Constitution of reserves, Note 13(c)	-	-	290,000	-	-	-	(290,000)	-
Net variation of treasury stock held by Subsidiaries, net of dividends received, Note 9(c)	-	-	-	-	-	-	70,174	70,174
Effect of participation changes in Subsidiaries, Note 9(c)	-	-	-	-	-	-	(49,463)	(49,463)
Others, net	-	-	-	-	-	-	8,815	8,815
Balances as of December 31, 2017	149,019	3,524,799	2,626,014	41,083	264,008	2,579	1,017,984	7,476,467

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

Intercorp Perú Ltd.

Separate statements of cash flows

For the years ended December 31, 2017 and 2016

	2017 S/(000)	2016 S/(000)
Reconciliation of net profit for the year with cash used in operating activities		
Net profit for the year	862,961	654,539
Plus (minus)		
Participation in income of Subsidiaries	(937,020)	(765,447)
Loss (gain) on derivative financial instruments	3,150	(16,080)
Impairment loss on available-for-sale investments	-	293
Net changes in asset and liability accounts		
(Increase) decrease of other assets	(33,352)	8,713
(Decrease) increase of other liabilities	(35,074)	14,797
Net cash used in operating activities	(139,335)	(103,185)
Investing activities		
Dividends received	398,982	373,435
Loans (granted) collected from Subsidiaries, related parties and others, net	(42,292)	16,843
Capital contribution to Subsidiaries, net of capital reductions	(170,055)	(146,101)
Acquisition of available-for-sale investments	(1,211)	(1,650)
Maturity of available-for-sale investments	-	48,293
Sale of available-for-sale investments	69,710	-
Payment of account payable for acquisition of investment property, Note 10(d)	-	(26,223)
Acquisition of non-controlling interest in Subsidiaries	-	(3,732)
Net cash provided by investing activities	255,134	260,865
Financing activities		
Payment of notes issued	(40,320)	-
Loans paid to Subsidiaries, net	(75,614)	(58,786)
Loans received from third parties	110,000	-
Payment of dividends	(98,197)	(102,075)
Net cash used in financing activities	(104,131)	(160,861)
Net increase (decrease) in cash and cash equivalents	11,668	(3,181)
Balance of cash and cash equivalents at the beginning of year	1,826	5,007
Balance of cash and cash equivalents at the end of year	13,494	1,826

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

Intercorp Perú Ltd.

Notes to the separate financial statements

As of December 31, 2017 and 2016

1. **Business activity**

Intercorp Perú Ltd. (henceforth "Intercorp Perú" or "the Company") is a limited liability holding company incorporated in November 1997 in The Commonwealth of The Bahamas. Intercorp Perú performs as a holding of the group of Subsidiaries of the denominated "Intercorp Group", thus coordinating their policies and management. Intercorp Perú also operates as an investment company, investing in all types of securities.

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

The Company holds investments in a variety of entities domiciled mainly in Peru, in the Bahamas and in the Republic of Panama. The activities and the most important information about the Subsidiaries as of December 31, 2017 and 2016, are disclosed in Notes 3 and 9.

The accompanying separate financial statements show the individual activity of Intercorp Perú, not including the effect of the consolidation with its Subsidiaries, in accordance with the legal rules and the International Financial Reporting Standards (henceforth "IFRS"). The table below presents a summary of the consolidated financial statements of Intercorp Perú Ltd. and Subsidiaries as of December 31, 2017 and 2016:

	2017 S/(000) (Unaudited)	**2016** S/(000) (Audited)
Consolidated statements of financial position		
Total assets	74,053,915	63,708,858
Total liabilities	63,558,993	54,840,180
Equity attributable to Intercorp Perú's shareholders	7,476,467	6,328,997
Non-controlling interest	3,018,455	2,539,681
Consolidated income statements		
Net profit attributable to Intercorp Perú's shareholders	862,961	654,539
Net profit attributable to non-controlling interest	328,469	263,997

The separate financial statements as of December 31, 2016, and for the year then ended were approved by the General Shareholders' Meeting held on April 11, 2017. The separate financial statements as of December 31, 2017, and for the year then ended have been approved by Management on March 19, 2018, and will be submitted for approval by the Board of Directors and the General Shareholders' Meeting within the deadline established by law. In Management's opinion, said separate financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

2. Acquisition of Subsidiaries

In May 2017, the Company, through its Subsidiary Intercorp Financial Services Inc. (henceforth "IFS") entered into a share purchase agreement with Sura Asset Management S.A. (Colombia), Sura Asset Management Perú S.A. (Peru) and Grupo Wiese (Peru) for the direct and indirect purchase of 100 percent of Seguros Sura (henceforth "Seguros Sura") and Hipotecaria Sura (henceforth "Hipotecaria Sura"). The acquisition was approved by Peru's Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS", by its Spanish acronym) on September 28, 2017.

As a consequence, on November 2, 2017, IFS acquired 60.10 percent of Seguros Sura's capital stock and 70.0 percent of Hipotecaria Sura's capital stock. On the same date, Interseguro, a Subsidiary of IFS, acquired 9.19 percent of Seguros Sura's capital stock. Subsequently, on November 22, 2017, IFS acquired 30.10 percent of Seguros Sura's capital stock as well as 29.40 percent of Hipotecaria Sura's capital stock. The latter two acquisitions were made through the purchase of the companies Negocios e Inmuebles S.A. and Holding Retail Perú S.A. After such acquisitions, IFS holds 99.39 percent of Seguros Sura's capital stock and 99.40 percent of Hipotecaria Sura's capital stock.

The price of the overall transaction was US$275,865,000 (equivalent to approximately S/891,911,000). The consideration transferred by IFS and Interseguro amounted to approximately S/811,238,000 and S/80,673,000, respectively.

On the other hand, the SBS granted a six-month deadline to complete the merger between Interseguro and Seguros Sura as from the date the SBS approved the acquisition.

Seguros Sura is incorporated in Peru and its operations are regulated by the General Act of the Financial and Insurance System and the Organic Act of the Superintendence of Banks and Insurance SBS - Act 26702 (henceforth the "Banking and Insurance Act"). It is authorized to sell life insurance and general insurance policies. Likewise, Hipotecaria Sura is incorporated in Peru. Its operations are regulated by the SBS; its main activity is to grant mortgage loans, and since 2015, it has not granted any new mortgage loans.

The balances of the main assets and liabilities of such entities are detailed below:

	Seguros Sura S.A. Peru S/(000)	Hipotecaria Sura EAH S.A. S/(000)
Assets		
Cash and due from banks	230,315	8,932
Trading securities and available-for-sale investments	4,656,932	2,938
Investment properties	251,212	-
Other assets	266,788	690
	5,405,247	12,560
Liabilities and net equity		
Outstanding bonds, notes and other obligations	9,823	-
Insurance contract liabilities	4,876,354	-
Other liabilities	66,724	1,311
Net equity	452,346	11,249
	5,405,247	12,560

3. Organization of Intercorp Perú Group

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

3.1. Financial and insurance entities

Intercorp Financial Services Inc.

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

As of December 31, 2017, the Company holds directly and indirectly 79.12 percent of the issued capital stock of IFS and 78.07 percent of the outstanding capital stock of IFS (directly and indirectly 79.78 percent and 78.61 percent, respectively, as of December 31, 2016). The percentage of indirect participation over IFS' issued capital stock is held by Intercorp Perú through its subsidiaries IFH Capital Corp. and Intercorp Capital Investments Inc., in which Intercorp Perú holds 100 percent of their capital stock and, at the same time, each of these subsidiaries hold 8.62 percent of IFS' capital stock.

As of December 31, 2017 and 2016, IFS held 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "Interbank") and 100 percent of the outstanding capital stock of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), Inteligo Group Corp. (henceforth "Inteligo") and San Borja Global Opportunities S.A.C. In addition, as of December 31, 2017, it holds 99.39 percent and 99.40 percent of the capital stock of Seguros Sura S.A. and Hipotecaria Sura Empresa Administradora Hipotecaria S.A., respectively. The operations of Interbank, Interseguro, Seguros Sura and Hipotecaria Sura are concentrated in Peru, while the operations of Inteligo and Subsidiaries are concentrated in Peru and Panama.

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

(a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries
Interbank is incorporated in Peru and is authorized to operate as a universal bank by the SBS, in accordance with Peruvian legislation. Interbank's operations are governed by the Banking and Insurance Act, which establishes the requirements, rights, obligations, restrictions and other operating conditions that Peruvian financial and insurance entities must comply with.

As of December 31, 2017 and 2016, Interbank had 272 and 282 offices, respectively, and a branch established in the Republic of Panama. Additionally, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Interfondos S.A. Sociedad Administradora de Fondos	Management of mutual funds and investment funds.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	Management of securitization funds.
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Créditos y Cobranzas S.A.	Collection services.
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities. On March 27, 2017, the General Shareholders' Meeting of Interbank approved the merger transaction between Interbank and Corporación Inmobiliaria de La Unión 600 S.A.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand "American Express".

(b) Interseguro Compañía de Seguros S.A. and Subsidiaries

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

As of December 31, 2017 and 2016, Interseguro controls the following Subsidiaries:

Entity	Activity
Centro Comercial Estación Central S.A.	Administration of the "Estación Central" Shopping Mall, located in downtown Lima; as of December 31, 2017 and 2016, Interseguro holds 75 percent of its capital stock and Real Plaza S.R.L., a Subsidiary belonging to the retail and real estate business of the Group (see Note 3.2). holds the remaining 25 percent.
Empresa Administradora Hipotecaria IS S.A.	Was incorporated in February 2014 in Peru. It does not have operations and is in the process of liquidation. As of December 31, 2017 and 2016, Interseguro holds 100 percent of its shares and has a paid in capital of S/1.

Likewise, Interseguro holds contributions in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth "Patrimonio Fideicometido – Interproperties Perú"), a structured entity incorporated in April 2008, and in which several investors (related parties to the Intercorp Group) contributed investment properties; each investor or investors have ownership of and specific control over the contributed investment property. For accounting purposes and under IFRS 10 "Consolidated Financial Statements", the assets included in said structure are considered "silos", because they are ring-fenced parts of the wider structured entity (the Patrimonio Fideicometido - Interproperties Perú). Intercorp Group has ownership of and decision making power over these properties, and the Group has the exposure or rights to their returns; therefore, the Group has consolidated the silos containing the investment properties that it controls.

In this regard, as of December 31, 2016, Inteligo Real Estate (a Subsidiary of Intercorp Re Inc. – in turn Subsidiary of Intercorp Perú) and Interseguro held 27.17 percent and 72.83 percent, respectively, of an investment property located in San Isidro, Lima. In September 2017, Interseguro purchased the shareholding held by Inteligo Real Estate, thus obtaining the whole ownership of such investment property. The consideration transferred for the acquisition amounted to US$20,542,000 (equivalent to S/66,577,000).

On the other hand, in April 2016, the Congress of the Republic of Peru approved an amendment to the Act of the Private Pension System, by which the affiliates of the Private Pension Fund Administration Companies ("AFP", by its Spanish acronym) who are 65 years old and retire, can choose an additional retirement scheme in addition to the options in force, which are: a) Planned Retirement, managed by an AFP; and b) the acquisition of an annuity retirement insurance plan, managed by a life insurance company, as is the case of Interseguro. This new retirement scheme allows the affiliate to dispose the 95.5 percent of their Individual Capitalization Account ("CIC", by its Spanish acronym).

During 2017, Interseguro launched the product named "Renta Particular Plus" for S/128,200,000. This allowed to maintain the product portfolio level and the long-term cash fundraising, while counterbalancing the retirement income reduction due to the modification of the Private Pension System Act, which, in 2017, amounted to S/24,786,000 (in 2016 and 2015 the retirment income amounted to S/137,119,000 and S/362,861,000, respectively).

(c) Inteligo Group Corp. and Subsidiaries
Inteligo Group Corp. is an entity incorporated in the Republic of Panama. As of December 31, 2017 and 2016, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in the Commonwealth of The Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.

(d) Seguros Sura S.A.
Seguros Sura is incorporated in Peru and its operations are governed by Banking and Insurance Act. It is authorized to issue life and general risk insurance contracts.

(e) Hipotecaria Sura Empresa Administradora Hipotecaria S.A.
Hipotecaria Sura Empresa Administradora Hipotecaria S.A. is incorporated in Peru and is regulated by the SBS. Its main activity is to grant mortgage loans, and since 2015, it has not granted any new mortgage loans.

(f) Negocios e Inmuebles S.A. and Holding Retail Perú S.A.
These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura. As of December 31, 2017, the only activity of these entities is to maintain collectively 30.7 percent of Seguros Sura' capital stock and 30.0 percent of Hipotecaria Sura's capital stock.

(g) San Borja Global Opportunities S.A.C.
Its corporate purpose is the acquisition and holding of shares and securities. As of December 31, 2017 and 2016, it did not have operations and had a paid in capital of S/1,000.

3.2. Retail and real estate businesses

(i) Intercorp Retail Inc.
It is a limited liability holding company incorporated in the Republic of Panama in December 2010, in order to group the entities of Intercorp Group engaged in the retail business in Peru.

As of December 31, 2017 and 2016, the Company holds 100 percent of the capital stock of Intercorp Retail Inc., which owns the following Subsidiaries:

Entity	Activity
InRetail Perú Corp. (As of December 31, 2017 and 2016, Intercorp Retail Inc. holds 58.33 and 58.72 percent, respectively, of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 70.17 and 71.16 percent, respectively (directly and indirectly) of InRetail Peru Corp.'s outstanding capital stock).	Holding incorporated in the Republic of Panama in January 2011, which holds 100 percent of the capital stock of the following Subsidiaries, which operate several businesses: (a) Shopping malls: Developed by InRetail Real Estate Corp., owner of Patrimonio en Fideicomiso InRetail Shopping Malls, which in turn is owner of (i) Real Plaza S.R.L. and (ii) Patrimonio en Fideicomiso – D.S. No. 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso -D.S. No. 093-2002-EF Interproperties Holding II, equity trusts which are special-purpose entities; see description in paragraph 3.2(v); (b) Patrimonio en Fideicomiso Inretail Consumer: Equity trust incorporated in August 2014, which develops the following retail businesses: (i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of December 31, 2017 and 2016, operates stores under the trademarks "Plaza

Entity	Activity
	Vea", "Plaza Vea Súper", "Vivanda" and "Mass". (ii) Drugstores: Developed by Eckerd Perú S.A. and Subsidiaries, a company that, as of December 31, 2017 and 2016, operates 1,153 and 1,020 stores, respectively, under the trademark "Inkafarma". (c) InRetail Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.
IFH Retail Corp. (As of December 31, 2017 and 2016, Intercorp Retail Inc. holds 78.35 percent and 63.54 percent, respectively, of its capital stock)	Holding incorporated in the Republic of Panama in September 2006. As of December 31, 2017 and 2016, holds 26.06 percent and 44.23 percent, respectively, of Tiendas Peruanas S.A. and Subsidiaries; see Note 3.2(ii), a company engaged in the retail business through department stores under the trademark "Oechsle" (23 and 24 premises as of December 31, 2017 and 2016, respectively) and 96 percent of Financiera Oh! S.A., a company that provides financial support to the companies of Intercorp Group dedicated to the retail business.

Entity	Activity
HPSA Corp. (As of December 31, 2017 and 2016, Intercorp Retail Inc. holds 64.99 percent of its capital stock)	Holding incorporated in the Republic of Panama, owner of Homecenters Peruanos S.A. and Subsidiary, a company engaged in the operation of the business of home improvement stores under the trademark "Promart" (23 stores as of December 31, 2017 and 2016, respectively).
Lince Global Opportunities Corp. (As of December 31, 2017 and 2016, Intercorp Retail Inc. holds 100 percent of its capital stock)	Holding incorporated in the Republic of Panama in December 2010, which holds 98.71 percent of the capital stock of Inmobiliaria Milenia S.A., a company engaged in the real estate business.

(ii) Callao Global Opportunities
Subsidiary of Intercorp Perú, incorporated in 2011 as a limited liability holding company in the Republic of Panama. As of December 31, 2017 and 2016, holds 72.56 percent and 54.29 percent, respectively, of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.

On the other hand, as indicated in Note 3.2(i), Intercorp Perú holds 78.35 percent and 63.54 percent of IFH Retail Corp. as of December 31, 2017 and 2016, respectively; which, in turn, holds 26.06 percent and 44.23 percent of Tiendas Peruanas S.A., and therefore the joint shareholding of Intercorp Perú in Tiendas Peruanas, through IFH Retail corp. and Callao Global Opportunities, is equivalent to 92.98 percent and 82.39 percent of its capital stock as of December 31, 2017 and 2016, respectively.

(iii) Intercorp Investments Perú Inc.
It is a limited liability holding company incorporated in September 2006 in the Republic of Panama. As of December 31, 2017 and 2016, the Company holds 100 percent of its capital stock. Intercorp Investments Perú Inc. is the sole shareholder of Horizonte Global Opportunities Corp., a holding company incorporated in the Republic of Panama, owner of Horizonte Global Opportunities Perú S.A.C., whose sole asset is a land lot located in the district of Independencia in Lima.

(iv) Urbi Propiedades S.A.
As of December 31, 2017 and 2016, the Company holds 100 percent of the capital stock of this entity, incorporated in Peru in 1998, engaged in real estate management and in the provision of structuring and real estate project management. In addition and through its Subsidiaries, it is developing a number of real estate projects.

In January 2016, Urbi Propiedades S.A. split an equity block in the amount of S/6,019,000 in favor of Urbi Proyectos S.A., a Subsidiary of Intercorp established in September 2015, engaged in real estate projects.

As of December 31, 2017 and 2016, Urbi holds 100 percent of the following Subsidiaries:

Entity	Activity
Alameda Colonial S.A.	Incorporated in Lima in May 2006, to build apartments under the Government's program "Mi Vivienda".
Domus Hogares del Norte S.A.	Incorporated in Lima in June 2009, to develop a real estate project called "Domus Hogares del Norte".
Club de Socios S.A.	Incorporated in Lima in August 2007 in order to engage in the management, administration and organization of recreational, sports and social activities, among others. As of December 31, 2017 and 2016, Urbi Propiedades S.A. and Intercorp Perú maintain 75.48 percent and 24.51 percent, respectively, of the capital stock of this entity.
Urbi Solutions S.A.C.	Incorporated in Lima in June 2014 to engage in the construction of real estate projects.

(v) Patrimonio en Fideicomiso – D.S. No. 093-2002-EF, Interproperties Holding and Interproperties Holding II

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

Through these equity trusts, investments in real estate projects are made, and their yields back (i) the certificates of participation issued, and (ii) the compliance with other obligations assumed directly or through third parties in order to obtain the resources that are necessary to make said investments. As of December 31, 2017 and 2016, the company that consolidates financial information with Intercorp Perú and that holds 100 percent of the participations in Interproperties Holding is InRetail Perú Corp.

Through these equity trusts, Intercorp Group holds the ownership of the property where the shopping malls called "Real Plaza" operate. As of December 31, 2017 and 2016, there were 21 shopping malls, located in the cities of Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca, Nuevo Chimbote, Huánuco, Cajamarca, Piura, Pucallpa, Cusco, Sullana and Lima.

(vi) Intercorp Re Inc.

It is a limited liability holding incorporated in August 2015 in the Republic of Panama. As of December 31, 2017 and 2016, the Company holds 100 percent of its capital stock and, in turn, Intercorp Re Inc. is the sole shareholder of Inteligo Real Estate Corp., a holding company incorporated in the Republic of Panama, owner of Inteligo Real Estate Perú S.A.C.

3.3. Educational business

(i) NG Education Holdings Corp.

It is a limited liability holding company incorporated in January 2011 in the Republic of Panama, whose purpose is to group the Subsidiaries of Intercorp Group engaged in the educational business in Peru.

As of December 31, 2016, NG Education Holdings Corp. sold 50 percent of its participation in Colegios Peruanos (equivalent to 10,585,563 shares) to NG Education Holdings IV Corp. (a related entity). After this operation, NG Education Holdings Corp. reduced its capital; therefore, as of December 31, 2017, Intercorp Perú holds 100 percent of Class A shares and 51.47 percent of Class B shares of NG Education Holdings Corp.'s capital stock (100 percent of Class A shares and 50.00 percent of Class B shares as of December 31, 2016).

NG Education Holdings Corp. has the following Subsidiaries:

Entity	Activity
Colegios Peruanos S.A. (As of December 31, 2017 and 2016, NG Education Holdings Corp. holds 34.25 and 39.56 percent, respectively, of its capital stock)	As of December 31, 2017, it operates 41 schools under the trademark "Innova Schools" (35 schools as of December 31, 2016).
NG Education S.A.C. (As of December 31, 2017 and 2016, NG Education Holdings Corp. holds 48.67 and 99.9 percent, respectively, of its capital stock)	Holding incorporated in Peru in November 2011. NG Education S.A.C. holds 100 percent as of December 31, 2017 (50 percent plus one share as of December 31, 2016) of the following Subsidiaries: (a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 3 business units: UTP University, IDAT Institute and Post-Graduate School. (b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of December 31, 2017 and 2016, has 1 premise.

(ii) NG Education Holdings II Corp.
It is a limited liability holding company incorporated in October 2013 in the Republic of Panama. As of December 31, 2017 and 2016, Intercorp Perú holds 50 percent of the capital stock of NG Education Holdings II Corp., which in turn owns the following Subsidiaries:

Entity	Activity
Servicios Educativos Perú S.A.C. (As of December 31, 2017 and 2016, NG Education Holdings II Corp. holds 100 percent of its capital stock)	Company incorporated in Peru in October 2013. As of December 31, 2017, it holds 100 percent of the capital stock of Servicios Educativos Empresariales S.A.C. (80 percent as of December 31, 2016), incorporated in Lima in February 2012, which operates 4 premises under the trademark "Zegel-IPAE".

(iii) NG Education Holdings III Corp.
It is a limited liability holding company incorporated in July 2013 in the Republic of Panama. As of December 31, 2017 and 2016, Intercorp Perú holds 85.31 percent and 76.93 percent, respectively, of its capital stock and, in turn, as of December 31, 2017 and 2016, it holds 16.64 percent and 12.28 percent of the capital stock of Colegios Peruanos S.A., respectively.

3.4. Other entities
As of December 31, 2017 and 2016, the Company holds 100 percent of the capital stock of the following Subsidiaries:

Company	Activity	Country of incorporation
Inversiones Río Nuevo S.A.C.	Real estate business	Peru
San Miguel Global Opportunities S.A.C.	Real estate business	Peru
Intercorp Management S.A.C.	Administrative services	Peru
Puente de San Miguel Arcángel S.A.	Holding	Republic of Panama
Centro Cívico S.A.	Real estate business	Peru
Ronepeto S.A.	Real estate business	Peru
La Punta Global Opportunities Corp.	Specialized investments	Republic of Panama
Urbi Proyectos S.A.	Real estate projects	Peru
Beacon Healthcare S.A.C.	Specialized investments	Peru
Intercorp Education Services S.L.	Specialized investments	Spain

Financial data of the main Subsidiaries is presented in Note 9(b).

4. **Significant accounting principles and practices**

4.1. Basis of presentation and use of estimates

The accompaying separate financial statements have been prepared based on accounting records of Intercorp Perú, in accordance with the IFRS as issued by the International Accounting Standards Board (henceforth "IASB").

According to IFRS, there is no obligation to prepare separate financial statements; however, this is required in Peru by the Superintendence of Securities Market ("SMV", by its Spanish acronym). Because of this, the Company has prepared separate financial statements in accordance with IAS 27 "Separate Financial Statements". The Company also prepares consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements". For a correct interpretation of the separate financial statements, these must be read together with the consolidated financial statements of the Company and its Subsidiaries, which are presented separately.

The accompanying separate financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available-for-sale investments that have been measured at fair value as well as investments in subsidiaries, which are recorded under the equity method. The separate financial statements are presented in Soles and all amounts are rounded to thousands of Soles (S/(000)), unless otherwise indicated.

The preparation of the separate financial statements in conformity with the IFRS requires Management to make estimates that affect the reported amounts of assets and liabilities, income and expenses; and the disclosure of significant events in the notes to the separate financial statements. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying separate financial statements are related to the measurement of the fair value of investment property, financial derivative instruments, available-for-sale investments and those performed by each Subsidiary in the preparation of their separate financial statements that are the basis for the application of the equity method by the Company.

The accounting policies adopted are consistent with those of the previous periods, except when the Company has adopted the new IFRS and revised IAS mandatory for periods beginning on or after January 1, 2017, as described below:

- IAS 7 "Statement of Cash Flows" – Amendments to IAS 7

  The amendments are part of the Disclosure Initiative of the IASB and require that the Company provides disclosures that allow users of financial statements to assess changes in liabilities arising from financing activities, including those related to cash flows and non-monetary changes. In the initial application of the amendments, entities are not required to provide comparative information for prior periods. Management has decided to not provide comparative information. See required disclosures in Note 19(b).

- IAS 12 "Recognition of Deferred Income Tax for Unrealized Losses" – Amendments to IAS 12
  The amendments clarify that entities need to consider if tax rules restrict the sources of taxable income with which it could make deductions on the reversal of a deductible temporary difference. Also, the amendments provide a guideline about the way an entity must determine future taxable income and explain the circumstances in which the taxable income might include the recovery of some assets for a value greater than their book values. Management has concluded that this amendment does not have effects on its separate financial statements.

- IFRS 12 "Disclosure of Interests in Other Entities" – Clarification of the scope of diclosure requeriments of IFRS 12
  The amendment clarifies that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a Subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. Management concluded that this clarification does not have effects on its separate financial statements.

4.2. Summary of significant accounting policies

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Interest, dividends, gains and losses related to a financial instrument classified as asset or liability are recorded as income or expense, respectively. Financial instruments are offset when the Company has a legally enforceable right to offset them and Management has the intention to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported in the separate statements of financial position include cash and due from banks, accounts receivable, available-for-sale investments and liabilities in general. The accounting policies for the recognition and measurement of each of these items are explained in the respective accounting policies described in this Note.

(b) Foreign currency

Functional and presentation currency

The Company considers the Sol as its functional and presentation currency, because it reflects the nature of economic events and circumstances relevant to the Company, since its main operations and/or transactions are established and settled in Soles; in addition, it corresponds to the functional currency of its main Subsidiaries; except for Inteligo Bank, whose functional currency is the US Dollar.

Because of Inteligo Bank has a functional currency different from the Sol, for the purpose of applying the equity method, its balances were translated using the methodology established by IAS 21 "The Effects of Changes in Foreign Exchanges Rates", as follows:

- Assets and liabilities at the closing exchange rate at each date of the separate statements of financial position.
- Income and expenses at the average exchange rate for each month.

The result of the translation of balances is recognized in the caption "Exchange difference on translation of foreign operations" of the separate statements of other comprehensive income.

Foreign currency balances and transactions

Foreign currency transactions and balances are those performed in currencies different from the functional currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency by using the exchange rate in effect on the reporting date. The effect of differences between the closing rate at the date of each separate statements of financial position presented and the exchange rate initially used to record the transactions in foreign currency are recognized in the separate income statements in the period in which they arise, in the caption "Exchange difference, net". Non-monetary assets and liabilities acquired in a foreign currency are recorded at the exchange rate at the date of the initial transaction.

(c) Available-for-sale investments

The criteria for the classification and valuation of the available-for-sale investments are the following:

- Classification

  Available-for-sale investments are those that are held for an indefinite period and they can be sold due to needs of liquidity or changes in interest rates, exchange rates or market prices; or do not qualify to be recorded at fair value through profit or loss or as held-to-maturity.

- Recording date of transactions

  Transactions shall be recorded using the trading date, that is, the date when the reciprocal obligations that must be performed within the terms established by regulations and practices in the market in which the transaction takes place are assumed.

- Initial recognition
  The initial recognition of available-for-sale investments is made at fair value plus the incremental costs directly attributable to the acquisition of said investments.

- Valuation
  Available-for-sale investments are measured at fair value and any unrealized gains and losses in relation to the amortized cost are recognized in the shareholders' equity.

  When the instrument is sold, gains or losses previously recognized as part of the equity are transferred to the results of the period. On the other hand, when Management believes that the decrease in fair value is permanent, it records the respective provisions in the separate income statements, in the caption "Impairment loss on available-for-sale investments".

  The estimated market value of available-for-sale investments is determined mainly based on quotations or, if they are not available, based on discounted cash flows, by using market rates according to the credit quality and maturity date of the investment.

- Recognition of exchange differences
  Equity instruments are considered non-monetary items and, consequently, they remain at their historical cost in the functional currency, which means that any exchange differences are part of their valuation and they are recognized as part of the unrealized results in the net equity. Likewise, the exchange differences of debt instruments are recognized in the separate income statements.

- Recognition of dividends
  Dividends are recognized in the results of the year when they are declared.

- Impairment assessment
  Management assesses as of the date of each separate statements of financial position whether there is any objective evidence that an investment or a group of investments are impaired.

  In the case of equity instruments, objective evidence must include a significant or prolonged decline in their fair value below cost. The "significant" decline is to be evaluated against the original cost of the investment while the "prolonged" decline, against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss) is removed from unrealized results from available-for-sale investments of the separate statements of changes in equity and recognized in the separate income statements.

Impairment losses on equity instruments are not reversed through the separate income statements; increases in their fair value after impairment are recognized directly in the separate statements of other comprehensive income.

In the case of debt instruments, the Company first assesses whether there is objective evidence of impairment. The amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value.

(d) Investment property

Investment property comprises the land that is not materially occupied for use by, or in, the operations of the Company, or for sale in the ordinary course of business, but it is held mainly to earn rental income and capital appreciation.

An investment property is measured initially at cost, including transaction costs. After the initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair values are recorded in the separate income statements in the year in which it occurs.

(e) Investments in Subsidiaries

A Subsidiary is an entity over which the Company exercises control; which means that the Company is exposed, or has rights to variable returns from its participation in the entity and it has the capability to affect those returns through its power over said investment.

The investments of the Company in its Subsidiaries are accounted for by using the equity method. Under this method, the investment is initially recognized at cost. The book value of the investment is adjusted to recognize the changes in the Company's participation in the net assets of the Subsidiaries since the acquisition date.

The separate income statements reflect the share in the profit or loss of the Subsidiaries. When there has been a change recognized directly in the Subsidiary's equity, the Company recognizes its participation in this change and records it in the separate statements of changes in equity. Unrealized profits and losses resulting from transactions between the Company and its Subsidiaries are eliminated in proportion to the participation held in the Subsidiary.

After the application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on investments in Subsidiaries. On each reporting date, the Company determines whether there is objective evidence of impairment on investments in Subsidiaries. If applicable, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in the Subsidiary and its book value and recognizes the loss in the separate income statements.

As of December 31 2017 and 2016, the Company has not recorded impairment losses on investments in Subsidiaries.

According to the equity method, dividends declared by the Subsidiaries in cash are recorded by decreasing the value of investments.

The acquisition of non-controlling interest is directly recorded in the separate statements of changes in equity; the difference between the paid amount and the acquired net assets is registered as an equity transaction. Therefore, the Company reports no additional goodwill after such acquisition.

(f) Financial obligations

After the initial recognition, financial obligations are measured at amortized cost using the effective interest method. The amortized cost is calculated taking into account any issuance discount or premium and costs that are an integral part of the effective interest rate.

(g) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense related to any provision is presented in the separate income statements, net of any reimbursement. If the effect of the time value of money is material, provisions are discount using a pre-tax rate that reflects, where appropriate, the specific risks of the liability. When the discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

(h) Contingencies

Contingent liabilities are not recognized in the separate financial statements, but they are disclosed in the notes, unless the probability of an outflow of resources is remote. Contingent assets are not recorded in the separate financial statements, but they are disclosed if it is probable that an inflow of economic benefits will be accomplished.

(i) Income Tax and Tax on Dividends received

Under regulations of The Bahamas, the Company is not subject to any Income Tax. However, legal entities or individuals not domiciled in Peru are subject to an additional Tax on Dividends received from entities domiciled in Peru.

(j) Recognition of revenues and expenses

Revenues and expenses are recognized as they accrue, regardless of the moment when they are realized, and are recorded in the related periods.

(k) Treasury stock

Intercorp Perú, through its Subsidiaries, holds shares of own issuance, which are presented by deducting the investment value charged to the caption "Treasury stock" of the equity, for the amount paid. No loss or gain is recorded in the separate income statements arising from the purchase, sale, issuance or amortization of these instruments. Shares that are subsequently sold are recorded as a reduction in treasury stock, measured at the average price of treasury stock held at such date; and the resulting gain or loss is recorded in the caption "Reatined earnings" of the separate statements of changes in equity.

(l) Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of outstanding common shares during the year. As of December 31, 2017 and 2016, the Company does not have financial instruments with dilutive effect; therefore, basic and diluted earnings per share are identical for the years reported.

(m) Cash

Cash presented in the separate statements of cash flows is made up of the balance held in banks; see Note 17(a).

(n) Trading derivative financial instruments

Trading derivative financial instruments are initially recognized in the separate statements of financial position at their cost and subsequently carried at fair value. Said fair values are obtained on the basis of projected cash flows and exchange rates and market interest rates as of the date of the separate statements of financial position. Profits and losses arising from changes in fair value are recorded in the separate income statements.

4.3. IFRS issued but not effective as of December 31, 2017

The standards and interpretations that have been issued but are not yet in force at the issuance date of the Company's separate financial statements are presented below. The Company will adopt the standards that are applicable to it, when they are in force.

- IFRS 9 "Financial Instruments"

  In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments," which replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous IFRS 9 versions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

  Intercorp Perú will adopt IFRS 9 on January 1, 2018. Based on its adoption project, Management estimated that the adjustment will not have a significant impact on its separate financial statements. Nonetheless, it will have an effect on the computation of the equity value of its investments in Subsidiaries once they adopt IFRS 9.

  The main impacts of the adoption of IFRS 9 are the following:

  Classification – Financial assets

  Intercorp Perú does not expect a significant impact on the separate statements of financial position or in the separate statements of change in equity, when it applies the requirements of classification and measurement of IFRS 9. Intercorp Perú expects to continue measuring at fair value all financial assets currently measured at fair value.

  IFRS 9 includes three main classification categories for financial assets: "Measured at amortized cost", "At fair value through other comprehensive income - FVTOCI" and "At fair value through profit or loss - FVTPL". It also eliminates IAS 39's existing categories of "held-to-maturity", "loans and receivables", and "available-for-sale".

  A financial asset must be measured at amortized cost if it meets the following two conditions and is not designated as FVTPL:

  - The business model's objective is to hold the financial asset to collect the contractual cash flows; and

  - The contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A financial asset must be measured at FVTOCI if it meets the following two conditions and is not designated as FVTPL under the fair value option:

- The business model's objective is to hold the financial asset in order to collect the contractual cash flows and sell financial assets; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

All the financial assets that are not measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss, according to the previously discussed conditions.

Impact assessment of IFRS 9
The standard will affect the classification and measurement of financial assets held by Intercorp Perú as of January 1, 2018, as follows:

- Mutual and investment funds participations classified as "available-for-sale" according to IAS 39, under IFRS 9 will be measured at fair value through profit or loss and will be classified as "Investments at fair value through profit or loss".

- Debt instruments classified as "available-for-sale" according to IAS 39, under IFRS 9 will be measured at fair value through other comprehensive income and will be classified as "Investments at fair value through other comprehensive income".

- In the case of financial liabilities, IFRS 9 mainly maintains the existing requirements detailed in IAS 39 for the classification of financial liabilities at amortized cost.

Impairment – Financial assets, loan commitments and financial guarantee contracts
Intercorp Perú only maintains accounts receivable from Subsidiaries and global bonds as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, respectively. In Management's opinion, the impact of the impairment assessment of the requirements established by IFRS 9 will not be significant.

On the other hand, in accordance with IFRS 9, equity instruments that are measured at fair value are not subject to credit loss due to impairment.

Derecognition and contract modification
IFRS 9 includes the requirements of IAS 39 for derecognition of financial assets and liabilities without significant modifications.

Hedge accounting
The Company does not have hedge derivative instruments; therefore, the application of the hedge requirements of IFRS 9 does not have an impact on its separate financial statements.

Transition
Changes in the accounting policies resulting from the IFRS 9 adoption will be applied as follows:

Intercorp Perú will use the standard exception by using the modified retrospective method, which allows not restating information from previous periods regarding classification and measurement changes, including impairment. As a result, the differences in the book value of financial assets and liabilities resulting from the IFRS 9 adoption will be recognized in the opening balances as of January 1, 2018, affecting the retained earnings.

- IFRS 15 "Revenue from Contracts with Customers"
  This standard will replace all IFRS related to revenue recognition and will apply to all revenues derived from contracts with customers, unless such contracts are within the scope of other standards, such as IAS 17 "Leases" (or IFRS 16 "Leases", once it is in-force). Additionally, IFRS 15 provides a model for the recognition and measurement of gains and losses in the elimination of certain non-financial assets, including property, plant and equipment, and intangible assets.

  IFRS 15 and its clarifications describe the principles that an entity must apply for measuring and recognizing revenue. The core principle is that an entity will recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled when transferring goods or services to a customer. The principles of IFRS 15 should be applied using a five-step model: (i) Identifying the contract (s) with a client; (ii) Identifying the performance obligations in the contract; (iii) Determining the transaction price; (iv) Allocating the transaction price to the performance obligations in the contract; and (v) Recognizing income when the entity satisfies a performance obligation.

  IFRS 15 requires a total retroactive or partial retroactive application for the periods beginning on or after January 1, 2018.

The Company plans to adopt the new standard and its clarifications on the required effective date. During 2017, the Company performed an impact assessment on the application of IFRS 15 and concluded that due to the nature of its operations, its application will not have a significant impact on its separate financial statements.

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or contribution of assets between an investor and its associate or joint venture.

  These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB decided to defer the application date of this amendment indefinitely. The Company considers that these amendments will not have a significant impact on its separate financial statements.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
  The interpretation clarifies that when determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part thereof), related to the derecognition of a non-monetary asset or liability in an advance payment, the transaction date is when the entity initially recognizes the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance payment.

  The Company performed an impact assessment and concluded that its application will not have a significant impact on its separate financial statements.

- IFRIC 23 "Uncertainty over Income Tax Treatments"
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty must be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019.

Management has concluded that this interpretation will not have a significant impact on its separate financial statements considering that the Company is not object to any Income Tax.

- Improvements to IFRS (2014-2016 cycle)

  - IFRS 1 "First-time Adoption of International Financial Reporting Standards": The exemptions of paragraphs E3 to E7 of IFRS 1 are deleted because they already have fulfilled their purpose. This amendment is effective beginning on or after January 1, 2018.

  - IAS 28 "Investments in Associates and Joint Ventures": Clarifies that the measurement of investments in associates and joint ventures at fair value through profit or loss is an election separately for each investment. This amendment must be applied retrospectively for periods beginning on or after January 1, 2018. Early application is permitted and must be disclosed.

The Company considers that these amendments will not have a significant impact on its separate financial statements.

5. Foreign currency transactions and foreign exchange risk exposure

Transactions in foreign currency are performed using exchange rates prevailing in the free market. As of December 31, 2017, the weighted average exchange rate of free market per US Dollar was S/3.238 bid and S/3.245 ask (S/3.352 and S/3.360, as of December 31, 2016, respectively).

As of December 31, 2017, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.241 (S/3.356 as of December 31, 2016).

The table below presents the detail of the Company's foreign currency assets and liabilities, stated in US Dollars as of December 31, 2017 and 2016:

	2017 US$(000)	2016 US$(000)
Assets		
Cash and due from banks	494	48
Accounts receivable from Subsidiaries, related companies and others	3,947	69
Available-for-sale investments	5,063	5,273
Other assets	141	355
	9,645	5,745
Liabilities		
Accounts payable to Subsidiaries	301	1,035
Interest, provisions and other accounts payable	15,604	18,563
Notes issued	-	12,000
Corporate bonds	246,246	245,853
	262,151	277,451
Liability position, net	(252,506)	(271,706)

As of December 31, 2017 and 2016, the Company does not have operations with derivative financial instruments for hedging or trading purposes. Consequently, the exchange risk of this position at said dates is assumed by the Company.

During the years 2017 and 2016, the Company signed foreign currency forward contracts, designated as financial instruments for trading purposes, with its subsidiary Interbank and with maturities in May 2017 and May 2016 for nominal amounts of approximately US$100,000,000 and US$80,000,000, respectively. As a result of holding these derivatives, the Company recorded a loss amounting to approximately S/3,150,000 as of December 31, 2017 and a gain of S/16,080,000 as of December 31, 2016.

6. Accounts receivable from Subsidiaries, related companies and others

(a) This caption is made up as follows:

	2017 S/(000)	2016 S/(000)
Subsidiaries (b)	36,345	2,197
Related entity (c)	8,174	-
Others	1	31
	44,520	2,228

(b) As of December 31, 2017 and 2016, it mainly corresponds to loans denominated in Soles, which bear interest at market rates, with short-term maturities and without specific guarantees. See Note 17(f).

(c) As of December 31, 2017, the balance is mainly comprised of a loan granted to Transformando la Educación de México, S.A. de C.V., a related entity, for an amount of US$2,396,000 (equivalent to approximately S/7,758,000), which bears interest at market rates, with short-term maturity and without specific guarantees.

7. Available-for-sale investments

(a) This caption is made up as follows:

	2017				2016			
		Gross unrealized amount				Gross unrealized amount		
	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	Fair value S/(000)	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	Fair value S/(000)
Foreign mutual funds participations (b) and (c)	4,957	19,801	-	24,758	41,122	35,560	-	76,682
Foreign investment funds participations (d)	17,802	21,150	-	38,952	18,120	16,110	-	34,230
Global Bonds of the Republic of Peru (e)	16,262	132	-	16,394	17,543	130	-	17,673
	39,021	41,083	-	80,104	76,785	51,800	-	128,585
Add – Accrued interest				274				284
				80,378				128,869

(b) For the year ended December 31, 2016, impairment has been recorded for an amount of approximately S/293,000, which is presented in the caption "Impairment loss on available-for-sale investments" of the separate income statements.

(c) In June and August 2017, the Company redeemed its participation in Second Curve Partners International, Ltd. at fair value for approximately US$20,893,000 (S/67,778,000). Gain arising from this transaction amounted to S/30,715,000, which is presented in the caption "Gain on sale of available-for-sale investments".

(d) Corresponds to participations in NG Capital Partners I, an investment fund located in Canada and dedicated to invest mainly in related entities established in Peru.

(e) As of December 31, 2017 and 2016, the Company held Global Bonds of the Republic of Peru denominated in US Dollars with maturity in March 2019 that accrued interest at an effective annual rate of 7.125 percent. As of December 2017 and 2016, these bonds accrued interests for approximately S/413,000 and S/663,000, respectively, which are presented in the caption "Financial income" of the separate income statements; see Note 15.

8. Investment property

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

The fair value of the land lot is determined on the basis of the value assigned by an external appraiser. The external appraiser uses the comparable market method, whereby the fair value of a property is estimated on the basis of comparable transactions. The unit of comparison applied by the Company is the price per square meter. As of December 31, 2017 and 2016, the price per square meter of the land lot amounted to US$650 and US$850, respectively.

9. Investments in Subsidiaries

(a) As of December 31, 2017 and 2016, the detail of the investments in Subsidiaries is as follows:

Entity	Equity Value	
	2017 S/(000)	2016 S/(000)
Intercorp Financial Services Inc. and Subsidiaries, Note 3.1	4,345,229	3,634,566
Intercorp Retail Inc. and Subsidiaries, Note 3.2(i)	3,199,462	3,001,490
NG Education Holdings Corp. and Subsidiaries, Note 3.3(i)	216,823	187,676
La Punta Global Opportunities Corp.	200,182	144,216
Urbi Propiedades S.A. and Subsidiaries, Note 3.2(iv)	166,049	58,250
Callao Global Opportunities Corp., Note 3.2(ii)	124,357	92,632
Intercorp Investments Perú Inc. and Subsidiaries, Note 3.2(iii)	106,857	106,450
San Miguel Global Opportunities S.A.C.	64,802	65,629
NG Education Holdings III Corp., Note 3.3(iii)	50,394	24,728
Intercorp Re Inc. and Subsidiaries, Note 3.2(vi)	22,129	104,898
NG Education Holdings II Corp. and Subsidiaries, Note 3.3(ii)	19,736	8,213
Other minor Subsidiaries	18,286	5,004
	8,534,306	7,433,752

(b) The table below presents the financial information of the main Subsidiaries, before eliminations and adjustments for the application of the equity method as of December 31, 2017 and 2016:

	Total assets		Total liabilities		Net equity		Net profit (loss)	
Entity	2017 S/(000)	2016 S/(000)	2017 S/(000)	2016 S/(000)	2017 S/(000)	2016 S/(000)	2017 S/(000)	2016 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	60,589,836	51,719,359	54,752,929	46,721,013	5,836,907	4,998,346	837,835	833,721
Intercorp Retail Inc. and Subsidiaries	11,582,224	10,963,561	7,054,371	6,772,519	4,527,853	4,191,042	320,595	167,949
NG Education Holdings Corp. and Subsidiaries	1,781,712	1,371,668	1,010,952	771,297	770,760	600,371	25,078	(24,477)
Urbi Propiedades S.A. and Subsidiaries	491,206	243,558	273,503	129,166	217,703	114,392	104,463	(6,611)
La Punta Global Opportunities Corp.	200,181	144,216	-	-	200,181	144,216	434	(6)
Intercorp Investments Perú Inc. and Subsidiaries	140,653	138,996	33,797	32,551	106,856	106,445	(8,679)	(9,387)
Callao Global Opportunities Corp.	124,357	92,631	-	-	124,357	92,631	(25,193)	(18,828)
NG Education Holdings III Corp.	59,357	32,426	1	-	59,356	32,426	(1,356)	(1,666)
NG Education Holdings II Corp. and Subsidiaries	53,965	51,381	14,493	28,866	39,472	22,515	926	(6,925)
San Miguel Global Opportunities S.A.C.	46,888	47,612	9,216	9,112	37,672	38,500	(920)	(1,885)
Intercorp Re Inc. and Subsidiaries	1,464	93,263	74	4,626	1,390	88,637	(21,747)	(558)

(c) The table below presents the movement of the investments in Subsidiaries for the years 2017 and 2016:

	2017 S/(000)	2016 S/(000)
Balances as of January 1	7,433,752	6,736,887
Net gain arising from the participation in income of Subsidiaries	937,020	765,447
Dividends received in cash from Subsidiaries (i)	(398,982)	(373,435)
Net variation of unrealized results in financial instruments of Subsidiaries	373,645	270,078
Capital contribution in Subsidiaries (ii)	240,415	146,101
Capital reduction of Subsidiaries (iii)	(70,360)	-
Exchange difference on translation of foreign operations	(18,395)	(7,654)
Acquisition of non-controlling interests	-	3,732
Effect of participation changes in Subsidiary	(49,463)	87,933
Net variation of treasury stock held by Subsidiaries, net of dividends received	70,174	(190,748)
Other minor equity movements	16,500	(4,589)
Balances as of December 31	8,534,306	7,433,752

(i) During the years ended December 31, 2017 and 2016, the Company recorded dividends from the following Subsidiaries:

	2017 S/(000)	2016 S/(000)
Intercorp Financial Services Inc.	354,808	368,961
Intercorp Retail Inc.	37,747	-
InRetail Perú Corp.	6,427	-
Intercorp Investments Perú Inc.	-	4,474
	398,982	373,435

(ii) During the years ended December 31, 2017 and 2016, the Company made capital contributions, in cash, to the following Subsidiaries:

	2017 S/(000)	2016 S/(000)
Callao Global Opportunities Corp.	70,809	-
NG Education Holdings III Corp.	46,852	46,121
La Punta Global Opportunities Corp.	35,749	69,554
NG Education Holdings Corp.	21,081	-
Intercorp Management S.A.C.	18,623	16,220
Beacon Healthcare S.A.C.	14,063	-
Urbi Propiedades S.A.	12,257	2,109
Intercorp Invesments Perú Inc.	9,069	6,692
Urbi Proyectos S.A.	5,154	4,219
Other subsidiaries	6,758	1,186
	240,415	146,101

(iii) During the years ended December 31, 2017 and 2016, the Company made capital reductions in the following Subsidiaries:

	2017 S/(000)	2016 S/(000)
Inteligo Real Estate Corp.	65,500	-
NG Education Holdings Corp.	4,860	-
	70,360	-

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

(a) As of December 31, 2017, loans payable include mainly promissory notes in Soles with several mutual funds managed by Interfondos SAFM, a related entity, which bear interest at market rates, with maturity in May 2019 and without specific guarantees.

(b) The detail of interest, provisions and other accounts payable as of December 31, 2017 and 2016, is presented below:

	2017 S/(000)	2016 S/(000)
Interest, provisions and other accounts payable -		
Interest payable on corporate bonds	27,443	28,096
Dividends payable (c)	24,338	25,200
Payable for acquisition of land (d)	13,277	12,826
Interest on notes issued	-	2,124
Other accounts payable and provisions	13,484	16,414
Total	78,542	84,660

(c) As of December 31, 2017 and 2016, correspond to dividends declared in each year, paid quarterly until March of the following year; see Note 13(a).

(d) As of December 31, 2017 and 2016, corresponds to the account payable for the land acquired from third parties during the year 2015, located in the district of San Martín de Porres; see Note 8.

11. Notes issued

(a) As of December 31, 2016, the notes issued corresponded to non-subordinated obligations, which did not present specific guarantees and were placed through private offers. The table below presents the characteristics of the issued notes:

Amount of issuance	US$12,000,000
Date of issuance	May 4, 2016
Currency	US Dollars
Maturity	May 4, 2017
Interest rate	8.0%
Interest payment	At maturity

(b) During the years 2017 and 2016, the Company recognized in the results of the year interest for approximately S/1,067,000 and S/3,240,000, respectively, which are presented in the caption "Financial expenses" of the separate income statements; see Note 15.

12. Corporate bonds

(a) This caption is made up as follows:

Issuances	Issuance year	Annual interest rate	Interest payment	Maturity	Issuance amount		2017	2016
		%			US$(000)	S/(000)	S/(000)	S/(000)
Senior Bonds (i)	2015	5.875	Semiannually	February 12, 2025	250,000	-	799,096	826,099
Senior Bonds (i)	2015	7.656	Semiannually	February 10, 2030	-	301,500	297,779	297,591
Total							1,096,875	1,123,690

(i) In February 2015, the Company made a private offering on the local and international markets of "Senior Notes due 2025" and "Senior Notes due 2030" for US$250,000,000 and S/301,500,000, respectively. Issuance expenses amounted to approximately S/18,800,000, which are presented as an issued bonds deduction; as of December 31, 2017 and 2016, approximately S/3,715,000 and S/2,324,000, respectively, have accrued as part of the interest rate. Funds obtained from these issuances were used mainly for:

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

(b) In 2017, the Company recorded interest expenses for approximately S/72,311,000 (approximately S/75,829,000 in 2016), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 15. Likewise, as of December 31, 2017 and 2016, interest payable is presented in the caption "Interest, provisions and other accounts payable"; see Note 10(b).

(c) As a consequence of these issuances, the Company, until the maturity and settlement, must comply with certain covenants (mainly financial ratios), which, in Management's opinion, do not limit its operations and have been complied with as of December 31, 2017 and 2016.

13. Equity

(a) Capital stock

As of December 31, 2017 and 2016, the Company's capital stock was represented by 14,901,892 Class A shares and 134,117,024 Class B shares. Both classes have the same economic rights. The difference between them is that Class A shares grant the right to choose the majority of the Board of Directors' members (5 directors), while Class B shares can choose one director.

The shareholding structure of the Company as of December 31, 2017 and 2016, is presented below:

Shareholders	Ownership %
Class "A" shares:	
International Financial Holding Inc.	7.73
Southern Hill Corp.	2.27
Class "B" shares:	
Bank of New York-ADR Programs	40.19
International Financial Holding Inc.	21.79
Shetland Securities Inc.	16.37
Southern Hill Corp.	10.60
Others	1.05
	100.00

The Board of Directors' Meeting, held on December 19, 2017, agreed to capitalize the retained earnings and/or earnings generated in 2017 up to the amount of S/700,000,000.

The General Shareholders' Meeting held on April 11, 2017, agreed to capitalize approximately S/483,492,000. As a result of said agreement, the nominal value per share was modified from US$7.00 to US$8.00, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to S/97,335,000), which will be paid in four equal installments (US$7,500,000) from June 2017 to March 2018. As of December 31, 2017, payment of the final installment is pending.

The General Shareholders' Meeting held on April 14, 2016, agreed to capitalize approximately S/505,174,000. As a result of said resolution, the nominal value per share was modified from US$6.00 to US$7.00, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to S/101,700,000), which were paid in four equal installments (US$7,500,000) from June 2016 to March 2017.

(b) Intercorp Group's regulatory capital

Intercorp Perú must meet certain capital requirements as well as global and concentration limits set out by the Regulation on Consolidated Supervision of Financial and Mixed Conglomerates, approved on September 29, 2010, by the SBS through Resolution No. 11823-2010, as amended. As of December 31, 2017 and 2016, the Company has met the aforementioned requirements.

(c) Reserves

The Board of Directors' Meeting, held on September 18, 2017 and June 30, 2017, agreed to constitute a reserve with charge to retained earnings as of June 30, 2017 up to the amount of S/90,000,000 and S/200,000,000, respectively.

(d) Unrealized results

Unrealized results correspond to those generated by the fluctuation of available-for-sale investments held by the Company, the valuation of financial instruments held by Subsidiaries in the application of the equity method for the recording of investments and the exchange difference on translation of foreign Subsidiaries with a functional currency other than the Company's functional currency.

14. Tax situation

(a) The Company and its Subsidiaries incorporated and domiciled abroad (see Note 3), are not subject to any Income Tax or any taxes on capital gains, equity or property. The Subsidiaries of the Company incorporated and domiciled in Peru (see Note 3), are subject to the Peruvian Tax legislation; see paragraph (b).

On the other hand, it is considered as Peruvian-source income those arisen from the direct or indirect sale of shares of stock or ownership interests of legal entities domiciled in the country.

For that purpose, an indirect sale shall be considered to have occurred when shares of stock or ownership interests of a legal entity are sold and this legal entity is not domiciled in the country and, in turn, is the holder — whether directly or through other legal entity or entities — of shares or ownership interests of one or more legal entities domiciled in the country, provided that certain conditions established by law occur.

In this sense, the Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the twelve (12) months prior to the sale, the market value of the shares or ownership interests of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares of stock or ownership interests of the non-domiciled legal entity.

Likewise, as a concurrent condition, is established that, in any 12-month period, shares or ownership interests that represent 10 percent or more of the capital stock of a non-domiciled legal entity shall be sold.

(b) The Company's Subsidiaries incorporated in Peru are subject to the payment of Peruvian taxes; hence, they must calculate their tax expenses on the basis of their separate financial statements.

As of December 31, 2017, the applicable Income Tax rate was 29.5 percent on the taxable income (28 percent as of December 31, 2016). Dividends distributed by Peruvian entities to non-domiciled shareholders or individuals, as of December 31, 2017, are subject to a withholding rate of 5 percent (6.8 percent as of December 31, 2016).

(c) The Tax Authority ("SUNAT", by its Spanish acronym) is legally entitled to perform tax audits procedures for up to four years subsequent to the date on which the tax return regarding a taxable period must be filed. It is also entitled to challenge the Income Tax assessment performed by taxpayers in their tax returns.

Consequently, the following tax periods of the main Subsidiaries are pending review by SUNAT.

	Income Tax	IGV (Value Added Tax)
Banco Internacional del Perú S.A.A. – Interbank	2014 to 2017	2012 to 2017
Interseguro Compañía de Seguros S.A.	2012 to 2015, 2017	2012 to 2017
Hipotecaria Sura	2013 to 2017	2013 to 2017
Seguros Sura	2013 to 2017	2013 to 2017
Holding Retail S.A.	2013 to 2017	2013 to 2017
Negocios e Inmuebles S.A.	2015 to 2017	2015 to 2017
Supermercados Peruanos S.A.	2013 to 2017	2013 to 2017
Universidad Tecnológica del Perú S.A.C.	2013 to 2017	2013 to 2017
Tiendas Peruanas S.A.C.	2013, 2015 to 2017	2013 to 2017
Colegios Peruanos S.A.C.	2012 to 2017	2012 to 2017
Homecenter Peruanos S.A.C.	2014 to 2017	2014 to 2017
Eckerd Perú S.A.	2014 to 2017	2014 to 2017
Boticas del Oriente S.A.C	2014 to 2017	2014 to 2017
Eckerd Amazonía S.A.C.	2014 to 2017	2014 to 2017
Financiera Oh! S.A.	2014 to 2017	2013 to 2017
Inmobiliaria Milenia S.A.	2012, 2015 to 2017	2013 to 2017
Urbi Propiedades S.A.	2013 to 2017	2013 to 2017
Real Plaza S.R.L.	2015 to 2017	2013 to 2017
InRetail Management S.R.L.	2013, 2015 to 2017	2013 to 2017

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, Management and its external legal advisors estimate as remote contingency, as of December 31, 2016, that the most relevant matter subject to discrepancy with SUNAT corresponds to whether the "interests in suspense" are subject to Income Tax or not. In this sense, the Company 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 Constitutional and Social Law Chamber of the Supreme Court issued in August 2009.

Notwithstanding the foregoing, in February 2018, Management was informed that the Third Transitory Chamber of Constitutional and Social Law of the Supreme Court issued a ruling regarding a third bank that impacts its original estimation regarding the degree of contingency indicated in the previous paragraph; which, based on this new circumstance and in compliance with the IFRS, Management estimates as possible as of the date of this report.

The tax liability requested for this concept and other minors by the SUNAT as of December 31, 2017, amounts to approximately S/359 million, out of which S/50 million correspond to taxes and the difference to fines and interest arrears.

From the tax and legal analysis performed, Management and its external legal advisors consider that there is sufficient technical support for the prevalence of its position; as a result, it has not recorded any provision for this contingency as of December 31, 2017 and 2016.

(d) On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank was notified with Tax Assessments and Fine Imposing Resolutions regarding mainly the assessments of the Income Tax from the years 2000 to 2006, for which it filed Tax Claims and Tax Appeals. In March 2009, August 2010 and December 2011, SUNAT issued Resolutions of Intendency regarding the tax years 2000 to 2006, for which Interbank filed the corresponding appeals. In December 2014, SUNAT issued the Resolution of Intendency No. 0150140011647 declaring partly founded the appeal filed by the Bank corresponding to the 2001 Income Tax. On the part not accepted by SUNAT, Interbank filed a new appeal. On February 29, 2016, Interbank obtained the Tax Court Resolution No.00783-3-2016, which declares as partially founded the case concerning to the 2001 Income Tax. In February 2017, the Superior Court of Justice of Lima declared invalid the judgment in first instance ordering the judge to re-issue a new decision about the case concerning to the 2002 Income Tax. On September 29, 2017, Interbank obtained the Tax Court Resolution No.08225-1-2017, which declares as partially founded the case concerning to the 2004 Income Tax. In the opinion of Management and its legal advisors, any possible additional tax assessment would not have any material consequences on the Bank's financial statements as of December 31, 2017 and 2016.

In February 2017, SUNAT concluded the inspection process corresponding to the 2010 Income Tax; and as a result, no additional payments of such tax were determined.

During the years 2013 and 2014, SUNAT closed the audit processes corresponding to the assessment of the Income Tax of tax years 2007, 2008 and 2009, respectively, thus issuing a series of Assessment Resolutions without any additional settlement of said tax.

In January 2016, SUNAT closed the partial audit/inspection proceeding corresponding to the fiscal year 2013 for withholding of Income Tax from non-domiciled beneficiaries of Interbank, issuing a series of Final Assessment Resolutions without any additional payment of the tax in question.

Supermercados Peruanos S.A. has been audited by SUNAT on its Income Tax returns and its monthly Value-Added Tax returns for the years 2004 to 2010. Said audits resulted in Assessment Resolutions generating higher tax payments, fines and interest for an approximate total of S/170,000,000 as of December 31, 2017. The resolutions issued for the years 2004 to 2010 have been challenged and these cases are pending resolution at the Tax Court.

Eckerd Amazonía S.A.C., during 2005 and 2006, was audited on its monthly Value-Added Tax returns for the years 2003, 2004 and 2005. The main objections are related to the lack of knowledge of the exoneration of the Value-Added Tax provided by the Act of Promotion and Investment of the Amazon. In Management's opinion and its external legal advisors, the Company expects to obtain a favorable result in the appeal procedures initiated. As of this date, the total contingency of the Company amounts to S/20,536,000, which corresponds to the year 2004.

As of December 31, 2017 and 2016, UTP S.A.C. maintains several lawsuits (labor, tax and civil) and contentious administrative procedures with different municipalities and SUNAT, which have been assessed and qualified by Management and its legal advisors as possible. As of December 31, 2017 and 2016, the approximate amount of such proceedings and procedures amounted to approximately S/7,718,000 (S/9,739,000 as of December 31, 2016). In the opinion of Management and its legal advisors, these legal actions will not generate important liabilities to the financial statements.

Since tax regulations are subject to interpretation by SUNAT, it is not possible to determine to date whether such tax audits procedures may result in additional liabilities for the Group's Subsidiaries or not; therefore, any unpaid tax, penalties or interest that might result from said audit procedures will be recorded as expenses in the year in which they are assessed. Nevertheless, Management and its legal advisors consider that any additional tax assessment would not have a significant impact on the separate financial statements as of December 31, 2017 and 2016.

(e) Since January 1, 2010, income and gains derived from assets linked to technical reserves of life insurance companies incorporated or established in the country, for retirement, disability and survival pensions of annuities arising from the Private Pension Fund Administration System, are exempt from the Income Tax. Also, since January 1, 2010, the Income Tax exemption on interest and capital gains only applies to bonds issued by the Peruvian Government, Certificates of Deposit issued by Central Reserve Bank of Peru, used for monetary policy, and bonds issued before March 11, 2007.

On the other hand, through Act No. 30404 published on December 30, 2015, it was extended until December 31, 2018, the Value-Added Tax exemption on interest arising from securities issued through public offerings by legal entities incorporated or established in the country, provided that the issuance is carried out under the Act of the Securities Market, approved by Legislative Decree No.861, or through the Act of Investment Funds, approved by Legislative Decree No.862, as corresponds.

15. Financial income and expenses

This caption is comprised by the following:

	2017 S/(000)	2016 S/(000)
Financial income		
Interest from Global Bonds of the Republic of Peru, Note 7(e)	413	663
Interest from loans granted to Subsidiaries and shareholder	318	865
Others	34	9
Total	765	1,537
Financial expenses		
Interest on corporate bonds, Note 12(b)	(72,311)	(75,829)
Interest on bank loans	(6,108)	(8,914)
Interest on notes issued, Note 11(b)	(1,067)	(3,240)
Others	(6,857)	(857)
Total	(86,343)	(88,840)

16. Other expenses, net

This caption is comprised by the following:

	2017 S/(000)	2016 S/(000)
Board of Directors' compensation	31,306	30,688
Others, net	-	1,005
	31,306	31,693

17. Transactions with Subsidiaries and related entities

(a) As of December 31, 2017 and 2016, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	2017 S/(000)	2016 S/(000)
Banco Internacional del Perú S.A.A. – Interbank	12,711	1,713
Inteligo Bank Ltd.	783	113
	13,494	1,826

(b) As of December 31, 2017 and 2016, the balances payable to Subsidiaries are the following:

	2017 S/(000)	2016 S/(000)
Accounts payable to Subsidiaries		
Banco Internacional del Perú S.A.A. – Interbank (i)	45,144	120,172
Inteligo Bank Ltd. (ii)	-	3,477
Inversiones Río Nuevo S.A.C.	1,410	1,391
Intercorp Retail Inc.	1,181	1,181
Horizontal Global Opportunities Perú S.A.C.	978	-
	48,713	126,221

(i) As of December 31, 2017 and 2016, corresponds to promissory notes in Soles which bear interest at market rates, with short-term maturity and without specific guarantees. Promissory notes outstanding as of December 31, 2016, were settled in May 2017.

(ii) As of December 31, 2016, corresponds to a loan denominated in US Dollars amounting to US$1,000,000, with short-term maturity and interest accrued at market rates, which was settled in April 2017.

(c) As of December 31, 2017 and 2016, the Company holds participations in NG Capital Partners I investment fund, which are classified as available-for-sale investments, recorded at fair value and amount to S/38,952,000 and S/34,230,000, respectively; see Note 7(d).

(d) For the years ended December 31, 2017 and 2016, the Company recorded the following income (expenses) from operations with its Subsidiaries and related entities:

	2017 S/(000)	2016 S/(000)
(Loss) gain on derivative financial instruments		
Banco Internacional del Perú S.A.A. – Interbank, Note 5	(3,150)	16,080
Financial expenses		
Banco Internacional del Perú S.A.A. – Interbank	(6,056)	(8,439)
Other subsidiaries	(1,297)	(1,900)
Other expenses, net		
Board of Directors' compensation	(31,306)	(30,688)

(e) As of December 31, 2017 and 2016, the Company had no employees, and therefore its operations and administration are carried out through its Subsidiaries.

(f) As of December 31, 2017 and 2016, the balances receivable from Subsidiaries and related entities are the following:

	2017 S/(000)	2016 S/(000)
Accounts receivable from Subsidiaries		
Domus Hogares del Norte S.A.	23,210	-
Urbi Propiedades S.A.	6,580	-
NG Education Holdings Corp.	4,857	-
San Miguel Global Opportunities	1,550	1,210
Others	148	987
Total	36,345	2,197

	2017 S/(000)	2016 S/(000)
Accounts receivable from related entities, Note 6 (c)	8,174	-

18. Earnings per share

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

	Outstanding shares (in thousand)	Shares considered in computation (in thousand)	Effective days in the year	Weighted average number of shares (in thousand)
Year 2016				
Balance as of January 1	149,019	149,019	365	149,019
Balance as of December 31, 2016	149,019	149,019		149,019
Net profit for the year S/(000)				654,539
Earnings per share A and B, in Soles				4.39
Year 2017				
Balance as of January 1	149,019	149,019	365	149,019
Balance as of December 31, 2017	149,019	149,019		149,019
Net profit for the year S/(000)				862,961
Earnings per share A and B, in Soles				5.79

19. Structure of risk management and risk assessment

The Board of Directors is responsible for establishing adequate risk management and for encouraging an internal environment that facilitates its control. The Board of Directors is kept permanently updated on the exposure degree of the various risks that the Company manages.

It should be noted that each of the Subsidiaries has a structure and organization specialized in management, measurement systems and mitigation and hedging processes, considering the specific needs and regulatory requirements of the business they develop. The Company's Subsidiaries operate independently but in coordination with the general provisions issued by the Board of Directors and the Management of the Company.

The main risks, which due to the nature of its operations the Company faces are: credit risk, liquidity risk, market risk and capital management risk.

(a) Credit risk

Credit risk arises from the inability of debtors to comply with the payment of their obligations as they mature. As of December 31, 2017 and 2016, the assets that are potentially exposed to concentrations of credit risk correspond to cash, due from banks and accounts receivable; however, Management deems that said financial instruments are not exposed in a significant manner to credit risk due to the following reasons:

- Cash and due from banks corresponds to current accounts maintained in Interbank and Inteligo Bank, both financial entities of renowned prestige which are also Subsidiaries of the Company.

- Accounts receivable are mainly maintained with its shareholders and Subsidiaries; therefore, it is not expected to incur in significant losses due to credit risk.

- The financial instruments that the Company holds are not subject to enforceable netting agreements.

(b) Liquidity risk

Liquidity risk arises from the inability to obtain the funds needed to comply with the commitments.

As of December 31, 2017 and 2016, the Company is exposed mainly to demands of payment of interest and principal of issued corporate bonds, promissory notes, notes and accounts payable to Subsidiaries. In order to pay said financial obligations, the Company solely depends on the generation of dividends from its Subsidiaries or the obtaining of credit lines. Notes 10, 11, 12 and 17(b) present the maturities of the financial instruments payable.

The following table shows the changes in liabilities arising from financing activities according to IAS 7:

	2017				
	Balance as of January 1, 2017	**Dividends payable**	**Cash flows**	**Others**	**Balance as of December 31, 2017**
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes issued	40,320	-	(40,320)	-	-
Accounts payable to Subsidiaries	126,221	-	(75,614)	(1,894)	48,713
Loans payable	-	-	110,000	-	110,000
Dividends payable	25,200	97,335	(98,197)	-	24,338
Total liabilities for financing activities	191,741	97,335	(104,131)	(1,894)	183,051

(c) Market risk

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

(i) Exchange rate risk

This risk arises when the fair value of future cash flows of a financial instrument fluctuates due to changes in the exchange rate. Exchange rate risk arises when the Company has mismatches between its assets and liabilities and off-balance sheets in the foreign currency it operates, which is mainly US Dollars; see Note 5.

The sensitivity analysis for the variation of the US Dollar is presented below:

Sensitivity analysis	**Change in exchange rates**	**2017**	**2016**
	%	S/(000)	S/(000)
Devaluation			
US Dollars	5	40,919	45,592
US Dollars	10	81,837	91,185
US Dollars	15	122,756	136,777
Revaluation			
US Dollars	5	(40,919)	(45,592)
US Dollars	10	(81,837)	(91,185)
US Dollars	15	(122,756)	(136,777)

(ii) Interest rate risk

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

The exposure to this risk occurs due to possible fluctuations in the interest rates of bonds classified as available-for-sale investments, notes and corporate bonds issued by the Company.

As of December 31, 2017 and 2016, the Company manages its interest rate risk through investments in liquid financial instruments and the obtaining of financial obligations at fixed interest rates, as is the case with the Global Bonds of the Republic of Peru, the notes, the promissory notes, the corporate bonds issued and the loans obtained from Subsidiaries. As of December 31, 2017 and 2016, the Company did not have any operations with derivative financial instruments for hedging or trading that cover interest rate risk.

(iii) Price risk

The Company's exposure to this risk occurs due to changes in prices of Global Bonds, mutual funds and investment funds classified in the separate statements of financial position as available-for-sale investments.

As of December 31, 2017 and 2016, Management has performed sensibility tests on the market prices of such financial instruments. The effect on the separate statements of changes in equity is presented below:

Sensitivity analysis	Prices %	2017 S/(000)	2016 S/(000)
Mutual funds	+/-10	2,476	7,688
Mutual funds	+/-25	6,190	19,171
Mutual funds	+/-30	7,427	23,005
Investment funds	+/-10	3,895	3,423
Investment funds	+/-25	9,738	8,558
Investment funds	+/-30	11,686	10,269

(d) Fair value of financial instruments

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

As of December 31, 2017 and 2016, available-for-sale investments are presented at their fair value; see Note 7, and the corresponding hierarchy levels of fair value are the following:

	Hierarchy level 2017 and 2016
Global Bonds of the Republic of Peru	1
Foreign mutual funds	2
Foreign investment funds	3

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

- Level 1 - Quoted prices (not adjusted) in active markets for identical assets and liabilities.
- Level 2 - Valuation techniques by which the lowest significant level of information for measurement at fair value is directly or indirectly observable.
- Level 3 - Valuation techniques by which the lowest significant level of information for measurement at fair value is not observable.

As of December 31, 2017 and 2016, the net unrealized gain from financial instruments on Level 3 (Foreign investment funds participations) amounts to S/21,150,000 and S/16,110,000, respectively; see Note 7(a).

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

During the years 2017 and 2016, there were no transfers of financial instruments from Level 3 to Level 1 or to Level 2.

The sensitivity tests performed by Management to significant unobservable data used in the valuation of Level 3 instruments measured at fair value are presented below:

Industry	Valuation technique	Significant unobservable inputs	Valuation	Sensitivity of inputs to fair value
	Market value	Price	Depends on the company's sector	500 basis points of increase (decrease) in the price would result in an increase (decrease) in the fair value of S/621,000.
Participation in foreign investment funds	Multiple income	Total Enterprise Value / Sales of the last 12 months	Depends on the company's sector	500 basis points of increase (decrease) in the average price to sales average ratio would result in an increase (decrease) in the fair value of S/586,000.

(ii) Financial instruments not measured at fair value

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

Accounts receivable and accounts payable have mostly short-term maturities and/or generate interest rates that can be readjusted in the event of changes in market conditions; consequently, their book value is considered as a good estimate of their fair value as of the date of the separate statements of financial position. Taking into account that the interest rate of the issued notes do not differ significantly from the market interest rate for this type of financial instruments, Management considers that their fair value is equivalent to their book value at each date of the separate statements of financial position.

In the case of corporate bonds, considering that they have long-term maturities, Management has estimated that their fair value is not equivalent to their book value, as presented below:

	As of December 31, 2017		As of December 31, 2016	
	Book value S/(000)	Fair Value S/(000)	Book value S/(000)	Fair Value S/(000)
Financial liabilities				
Corporate bonds	1,096,875	1,168,795	1,123,690	1,178,711

20. Subsequent events

(a) On January 18, 2018, Interbank issued corporate bonds called "3.375% Senior Unsecured Notes" for US$200,000,000, under Rule 114A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. These bonds expire in January 2023 and the annual effective interest rate agreed was 3.375 percent.

Also, on January 24, 2018, the Bank made an offer addressed to the holders of the corporate bonds denominated "5.750% Senior Notes due 2020" issued by its Panama Branch, for the purpose of exchanging these bonds for new corporate bonds to be issued by a reopening of the corporate bonds denominated "3.375% Senior Unsecured Notes" for US$284,213,000. The exchange premium of these bonds was 8.219 percent. This issuance has maturity in January 2023 and the agreed annual coupon rate was 3.375 percent.

(b) In January 2018, Eckerd Perú S.A. (as main Shareholder) constituted IR Pharma S.A.C. (formerly Chakana Salud S.A.C.) with the aim of acquiring 100 percent of Quicorp S.A. and its Subsidiaries (henceforth and jointly "Quicorp"), which are: Química Suiza Comercial S.A., Química Suiza S.A., Cifarma S.A., Mifarma S.A.C., Empresa Comercializadora Mifarma S.A., Botica Torres de Limatambo S.A.C., BTL Amazonía S.A.C., Vanttive S.A.C., Farmacias Peruanas S.A., Droguería La Victoria S.A.C., Vanttive Cía Ltda., Quifatex S.A., Quimiza Ltda, Quideca S.A., Albis S.A., Jorsa de la Selva S.A. and Superfarma Mayorista S.A. It should be noted that these entities operate in the segments of manufacturing, distribution and retail within the pharmaceutical sector, with presence in Peru, Ecuador, Bolivia and Colombia.

The consideration paid for the 100 percent of Quicorp's shares amounted to approximately US$583 million and was funded with a bridge loan amounting to US$1,000 million granted by Citibank N.A. and J.P. Morgan Chase Bank N.A. to Eckerd Perú S.A. with a one-year maturity and interests at a Libor rate plus a spread. Such loan was partially used for the acquisition mentioned before and, the difference, mainly to the restructuring of several debts contracted by related entities.

On the other hand, at the date of this report, the acquisition of Quifatex S.A. and Subsidiaries (Subsidiaries of Quicorp that operate in Ecuador), is subject to the approval by the Superintendency of Control of the Market Power of Ecuador ("SCPM", by its acronym in Spanish). Therefore, shares of Quitafex S.A. have been temporarily provided to trusts constituted in Ecuador and Peru, pending the decision of the SCPM, which is expected to occur during the first semester of 2018.

(c) On January 31, 2018, Interbank sold through the Lima Stock Exchange 3,009,490 shares of IFS at market value, for approximately US$121,133,000 (equivalent to approximately S/ 389,565,000). As of December 31, 2017, these shares correspond to "Treasury stock" recorded in the "Equity, net" caption of IFS's separate statements of financial position.

21. Additional explanation for the English translation

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

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