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

First Quarter 2018

May, 2018

Index

I. Overview

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

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

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

Intercorp began investing in education in 2010 and is rapidly expanding its footprint into this sector. Their education businesses, Innova Schools, UTP and Zegel IPAE, are operated through other subsidiaries within Intercorp's corporate structure. Innova Schools is a scalable network of private K-12 schools operating in 49 locations across Peru. UTP consists of a university and a technical school, with more than 72,000 students. Zegel IPAE complements the education portfolio with a technical school focused on specialized business careers.

Additional commentaries

<u>Acquisition of Sura</u>

In May 2017, IFS signed a share buyout agreement with Sura Asset Management S.A. (Colombia), Sura Asset Management Perú S.A. (Perú) and Grupo Wiese (Perú) for the direct and indirect acquisition of up to the 100 percent of Seguros Sura and 100 percent of Hipotecaria Sura. The acquisition was approved by the Superintendencia de Banca Seguros y AFPs (hereinafter "SBS") on September 28th 2017.

The price of transaction as a whole was US$ 275, 865,000 (equivalent approximately to S/ 891,911,000). The amount paid by IFS and by Interseguro ascended to S/ 811,238,000 and S/ 80,673,000, respectively.

Seguros Sura was constituted in Peru and its operations were normed by the Bank and Insurance Law. It was autorized to emit life insurance policies and general insurance. Likewise, Hipotecaria Sura was constituted in Peru, is regulated by the SBS and is mainly engaged in mortgage loans. However, since 2015, the company does not make new mortgage loans.

To the date of this information, Interseguro (IFS subsidiary) and Seguro Sura have merged, by virtue of the approvals made by the SBS within the established legal deadlines.

Acquisition of Quicorp

In January 2018, InRetail Perú Corp., through InRetail Pharma (formerly Eckerd Perú S.A. and 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 the following: 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 partially funded with a bridge loan amounting to US$1,000 million granted to Eckerd Perú S.A. by Citibank N.A. and J.P. Morgan Chase Bank N.A.

As of the date of the acquisition, the net assets of the acquired company amounted to S/481 million.

As it gains control, the Group will apply the acquisition method established by IFRS 3 "Business Combinations" in order to determine the acquired goodwill. As of March 31, 2018, the Company is conducting the assessment process of the allocation exercise of the acquisition price and its respective determination of the goodwill. Nevertheless, the higher value paid amounts to approximately S/1,460,089,000 and has been recorded preliminarily as goodwill.

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 Superintendence of Control of the Market Power of Ecuador ("SCPM", by its acronym in Spanish). Therefore, the shares of Quifafex 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.

II. Results Analysis

The table below details Intercorp's assets and equity in its main businesses as of March 31, 2018 and December 31, 2017.

	As of March 31, 2018				As of December 31, 2017			
	Assets		Equity		Assets		Equity	
	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%	(S/ in millions)	%
IFS								
Interbank (banking)……………………………………	45,039.4	57.6%	4,693.9	41.1%	45,554.5	61.6%	4,923.5	46.9%
Interseguro (insurance)………………………………	12,055.6	15.4%	1,065.2	9.3%	12,413.5	16.8%	392.7	3.7%
Inteligo (wealth management)…………………………	3,103.2	4.0%	733.7	6.4%	3,013.9	4.1%	709.8	6.8%
IFS (holding company) and eliminations………………	672.2	0.9%	-99.5	-0.9%	-303.3	-0.4%	-189.1	-1.8%
Total IFS………………………………………………	60,870.5	77.8%	6,393.3	55.9%	60,678.6	82.0%	5,836.9	55.6%
Intercorp Retail								
Supermercados Peruanos (supermarkets)…………	3,432.3	4.4%	1,100.6	9.6%	3,321.4	4.5%	1,083.2	10.3%
Inkafarma /Quicorp (pharmacies)……………………	5,947.9	7.6%	620.8	5.4%	783.8	1.1%	124.4	1.2%
InRetail Shopping Malls (shopping malls)……………	3,812.6	4.9%	2,145.5	18.8%	3,668.9	5.0%	2,114.9	20.2%
Other [(1)]………………………………………………	3,077.9	3.9%	1,099.7	9.6%	3,808.1	5.1%	1,205.3	11.5%
Total Intercorp Retail………………………………	16,270.6	20.8%	4,966.6	43.5%	11,582.2	15.7%	4,527.8	43.1%
Other subsidiaries/Intercorp (holding company) and eliminations…………………………………..…	1,110.3	1.4%	67.5	0.6%	1,704.3	2.3%	130.2	1.2%
Total Consolidated…………………………………	78,251.4	100%	11,427.4	100%	73,965.1	100%	10,494.9	100%

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

i. Intercorp

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

The following table presents information of the unconsolidated income statement regarding the contributions attributable to Intercorp, based on its equity ownership, from its primary businesses for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31		Change	
	2018	2017		
	(S/ millions)		(S/ in millions)	%
IFS				
Banking	185.7	151.9	33.8	22.3%
Insurance	18.3	4.9	13.4	273.3%
Wealth Management	30.6	38.4	-7.7	-20.2%
IFS expenses and eliminations	-16.1	-7.0	-9.1	130.2%
Total IFS	**218.5**	**188.1**	**30.4**	**16.1%**
Intercorp Retail				
Supermarkets	11.1	15.1	-4.0	-26.6%
Pharmacies	12.0	19.7	-7.7	-39.0%
Shopping malls	17.0	36.1	-19.1	-52.8%
Other subsidiaries / holding company and eliminations	-64.2	2.8	-67.0	N/M
Total Intercorp Retail	**-24.0**	**73.8**	**-97.8**	**N/M**
Other subsidiaries	-2.1	-13.4	11.4	-84.6%
Net profit attributable to Intercorp	**192.4**	**248.4**	**-56.0**	**-22.6%**
Financial expenses, net	-21.0	-22.7	1.7	-7.6%
General expenses	-5.4	-3.9	-1.6	40.6%
Other income (expenses), net	-6.2	-7.0	0.8	-11.5%
Foreign exchange gain (loss), net	3.8	27.3	-23.4	-85.9%
Income (expenses)	**-28.8**	**-6.3**	**-22.5**	**355.8%**
Net profit	**163.6**	**242.1**	**-78.5**	**-32.4%**

For the three months ended March 31, 2018, Intercorp´s net profit was S/ 163.6 million, a decrease of S/ 78.5 million compared to the same period in 2017. The decrease was driven by negative profits at Intercorp Retail (S/ -97.8 million), and higher expenses at the holding level (S/ 22.5 million) due to lower foreign exchange results (the Peruvian sol appreciated 3.2% in the first quarter of 2017, while it only appreciated 0.4% in similar period of 2018).

The net profit attributable to Intercorp is lower in S/ 56 million, explained by a lower net profit of Intercorp Retail due to one-time expenses related to premiums of bonds cancellations of InRetail Consumer and InRetail Shopping Malls, in the context of debt restructuration operations.

ii. IFS

IFS adopted IFRS 9 requirements starting January 1st, 2018. As permitted by this regulation, we hereby present prior-period information under IAS 39 standards and information for the three months ended March 31, 2018 under IFRS 9.

As a one-off effect, as of January 1st, 2018, we registered an increase of S/ 144.6 million in allowances for credit exposures, which led to a S/ 101.9 million reduction in retained earnings.

Furthermore, the adoption of IFRS 9 resulted in the implementation of a new impairment approach based on expected credit loss, as opposed to the incurred-loss impairment model under IAS 39. Its main impacts are related to the constitution of provisions for credit exposures and to the classification and measurement of investments and their impairment. These effects will be reflected mainly at Interbank and Inteligo, and in a lower scale at Interseguro.

Finally, we have discussed with our auditors the restatement of the discount rate effect on the adjustment of technical reserves at Interseguro, which was a source of volatility in our results. Consequently, as of January 1st, 2018, such effect will no longer be registered in the P&L statement, but in the Statement of financial position. The reported earnings for the three months ended March 31, 2017 have been restated accordingly.

The table below sets forth the main components of IFS' consolidated income statement for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,		Change	
	2018	2017		
	(S/ million)		(S/ million)	%
Interest and similar income	1,036.3	944.4	91.8	9.7%
Interest and similar expense	-266.9	-275.2	8.3	-3.0%
Net interest and similar income	**769.4**	**669.3**	**100.1**	**15.0%**
Provision for loan losses, net of recoveries	-172.1	-222.7	50.6	-22.7%
Net interest and similar income after provision for loan losses	**597.3**	**446.6**	**150.7**	**33.8%**
Fee income from financial services, net	233.3	220.7	12.5	5.7%
Other income	105.7	115.2	-9.5	-8.2%
Total premiums earned less claims and benefits	-78.9	-46.1	-32.8	71.1%
Other expenses	-466.1	-448.2	-17.9	4.0%
Income before translation result and income tax	**391.2**	**288.1**	**103.1**	**35.8%**
Translation result	4.3	23.1	-18.9	-81.5%
Income tax	-105.5	-73.6	-32.0	43.4%
Profit for the period	**290.0**	**237.7**	**52.3**	**22.0%**
Attributable to equity holders of the group (1)	**288.2**	**238.3**	**49.9**	**20.9%**
EPS	**2.64**	**2.23**		
ROAE	**19.1%**	**18.4%**		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.

Profit attributable to shareholders was S/ 290.0 million for the three months ended March 31, 2018, increasing 20.9% compared to the corresponding period of 2017; mainly due to growths in net interest and similar income and fees from financial services, as well as a lower provision expense. These factors were partially offset by decreases in other income and in total premiums earned less claims and benefits, in addition to an increase in other expenses and a higher effective tax rate. IFS annualized ROAE was 19.1% for the three months ended March 31, 2018, above the 18.4% reported for the corresponding period of 2017.

IFS' Subsidiaries

The following discussion details the results of operations of each of IFS's three subsidiaries: Interbank, Interseguro and Inteligo.

Interbank

The table below details selected financial information for Interbank for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,		Change	
	2018	2017		
	(S/ million)		(S/ million)	%
Interest and similar income	843.6	815.0	28.6	3.5%
Interest and similar expense	-242.4	-258.8	16.4	-6.4%
Net interest and similar income	**601.3**	**556.2**	**45.1**	**8.1%**
Provision for loan losses, net of recoveries	-172.5	-225.4	52.9	-23.5%
Net interest and similar income after provision for loan losses	**428.8**	**330.7**	**98.0**	**29.6%**
Fee income from financial services, net	206.2	203.3	2.9	1.4%
Other income	96.5	93.4	3.1	3.3%
Other expenses	-390.3	-379.0	-11.2	3.0%
Income before translation result and income tax	**341.2**	**248.4**	**92.7**	**37.3%**
Translation result	1.1	14.6	-13.5	-92.5%
Income tax	-96.0	-68.5	-27.6	40.3%
Profit for the period	**246.2**	**194.5**	**51.7**	**26.6%**
ROAE	**20.7%**	**18.3%**		
Efficiency ratio	**41.8%**	**43.3%**		
NIM	**5.5%**	**5.6%**		

Interbank's profit for the three months ended March 31, 2017 reached S/ 246.2 million, a S/ 51.7 million growth when compared to the corresponding period of 2017. The increase in net profit was supported by growths of S/ 45.1 million in net interest and similar income, S/ 3.1 million in other income and S/ 2.9 million in fee income from financial services, together with a reduction of S/ 52.9 million in provisions. These effects were partially offset by a lower translation result and an S/ 11.2 million increase in other expenses.

Net interest and similar income grew 8.1% due to a 3.5% growth in interest and similar income, in addition to a 6.4% decrease in interest and similar expense.

Growth in interest and similar income was mainly due to increases of 2.0% in interest on loans, 17.8% in interest on investments available for sale and a more than two-fold growth in interest due from banks and inter-bank funds.

The increase in interest on loans was due to a 7.0% increase in the average volume of loans, partially compensated by a 60 basis point contraction in the average yield, from 12.1% for the three months ended March 31, 2017 to 11.5% in the same period of 2018. The higher average volume of loans was attributed to growths of 9.0% in retail loans and 5.0% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 13.4% in mortgages, 9.5% in other consumer loans and 2.6% in the average balance of credit cards. In the commercial portfolio, volumes increased 6.7% in trade finance loans and 5.8% in short and medium-term loans, partially compensated by a 2.6% contraction in leasing operations. On the other hand, the decrease in the average rate was mainly explained by lower yields on credit cards, payroll loans and trade finance loans.

Interest on investments available for sale increased S/ 7.9 million, or 17.8%, as a result of a 35.2% growth in the average volume, partially offset by a 50 basis point decrease in the nominal average rate. The growth in volume was a result of higher investments in sovereign and global bonds, and in CDBCR, while the lower rate was due to lower returns on CDBCR and sovereign bonds.

Interest due from banks and inter-bank funds grew by S/ 5.5 million, or 113.9%, explained by a 20 basis point increase in the nominal average rate and a 5.0% growth in the average volume. The increase in the nominal average rate was due to higher returns on reserve requirements and deposits at the Central Bank, while growth in the average volume was due to higher reserve requirements, inter-bank funds and deposits at the Central Bank.

The nominal average yield on interest-earning assets decreased 50 basis points, from 8.2% for the three months ended March 31, 2017 to 7.7% for the corresponding period of 2018, mainly explained by the lower yields on loans and on investments available for sale.

Interest and similar expense decreased 6.4% due to reductions of 18.1% in interest due to banks and correspondents, and 12.7% in interest on bonds, notes and other obligations, partially offset by a 2.5% increase in interest on deposits and obligations.

The S/ 10.1 million, or 18.1%, decrease in interest on due to banks and correspondents was explained by a 19.7% reduction in the average volume, partially offset by a 10 basis point increase in the average cost. The decrease in average volume was mainly due to lower funding provided by the Central Bank and COFIDE, as well as by lower inter-bank funds; while the increase in the average rate was explained by higher average costs of funding from abroad and inter-bank funds.

Interest on bonds, notes and other obligations decreased S/ 9.6 million, or 12.7%, mainly explained by a lower nominal average cost, as a result of a bond exchange program executed in January 2018.

Interest on deposits and obligations increased S/ 3.2 million, or 2.5%, explained by a 15.2% growth in the average volume, partially offset by a 20 basis point decrease in the nominal average cost. The higher average volume was explained by higher balances of institutional, retail and commercial deposits. By currency, average soles deposits grew 22.1% while average dollar deposits increased 6.2%. The decrease in the average cost was due to a 60 basis point decrease in rates paid to soles deposits, partially compensated by a 20 basis point increase in the cost of dollar deposits.

The average cost of funds decreased 30 basis points, from 2.9% for the three months ended March 31, 2017 to 2.6% for the corresponding period of 2018. This was the result of the lower costs of bonds and deposits, as well as a higher proportion of deposits to total funding, since they contribute with a lower average cost than the rest of the sources of funding.

As a result of the above, net interest margin declined 10 basis points, from 5.6% for the three months ended March 31, 2017 to 5.5% for the corresponding period of 2018.

Provision for loan losses, net of recoveries decreased 23.5% due to lower provision requirements in credit cards and corporate loans, as well as higher provision recoveries in consumer loans. These effects were partially offset by higher provisions in small enterprise loans. As a result, the annualized ratio of provision expense to average loans was 2.5% for the three months ended March 31, 2018, below the 3.4% registered in the correspondent period of 2017.

Net fee income from financial services increased S/ 2.9 million, or 1.4%, mainly due to growths of S/ 3.1 million in commissions from credit card services, S/ 2.2 million in fees from funds management, and S/ 1.5 million in fees for indirect loans.

Other income increased S/ 3.1 million, mainly due to increases of S/ 10.6 million in net gain on foreign exchange transactions and derivatives, and S/ 2.5 million in net gain on sale of securities.

Other expenses increased S/ 11.3 million, or 3.0%; mainly explained by growths of 12.1% in depreciation and amortization, 1.6% in salaries and employee benefits, and 1.3% in administrative expenses. The efficiency ratio was 41.8% for the three months ended March 31, 2018, better than the 43.3% achieved for the corresponding period of 2017.

Income before translation result and income tax grew 37.3% during the first three months of 2018 compared to the same period of 2017, which was then negatively affected by a lower translation result and a higher effective tax rate. All in all, profit for the first three months of 2017 increased 26.6% compared to the same period of 2017.

Interbank's annualized ROAE was 20.7% for the three months ended March 31, 2018, above the 18.3% registered for the corresponding period of 2017.

Interseguro

The table below details selected financial information for Interseguro for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31, 2018	For the three months ended March 31, 2017	Change (S/ million)	Change %
	(S/ million)		(S/ million)	%
Net interest and similar income	143.9	85.8	58.1	67.6%
Fee income from financial services, net	-1.7	-1.2	-0.5	36.9%
Other income	11.8	11.8	0.0	0.4%
Total premiums earned less claims and benefits	-78.9	-46.1	-32.8	71.1%
Other expenses	-61.7	-57.8	-3.9	6.7%
Income before translation result and income tax	**13.5**	**-7.5**	**21.0**	**N/M**
Translation result	1.0	8.4	-7.4	-87.9%
Income tax	0.0	0.9	-0.9	N/M
Profit for the period	**14.5**	**1.8**	**12.7**	**N/M**
Attributable to non-controlling interest (1)	0.0	2.0	-2.0	N/M
Profit attributable to shareholders	**14.5**	**3.8**	**10.7**	**283.1%**
Efficiency ratio	**11.0%**	**17.3%**		
ROAE	**5.5%**	**1.4%**		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.

Interseguro's result attributable to shareholders for the three months ended March 31, 2018 was S/ 14.5 million, compared to S/ 3.8 million for the corresponding period of 2017.

The improvement in bottom-line results was mainly due to a S/ 58.1 million growth in net interest and similar income, partially offset by decreases of S/ 32.8 million in total premiums earned less claims and benefits and S/ 7.4 million in translation result; in addition to an increase of S/ 3.9 million in other expenses.

Net interest and similar income grew S/ 58.1 million, or 67.6%, mainly due to higher interest on fixed income and equity investments as a result of a higher volume of assets due to the merger with Seguros Sura.

Total premiums earned less claims and benefits decreased S/ 32.8 million, mainly explained by a S/ 91.2 million growth in net claims and benefits incurred, partially offset by a S/ 34.9 million reduction in adjustment of technical reserves, as well as a S/ 23.5 million increase in net premiums.

The S/ 3.9 million increase in other expenses was mainly attributed to growths of S/ 2.7 million in salaries and employee benefits, S/ 1.1 million in depreciation and amortization and S/ 0.4 million in administrative expenses, partially offset by a reduction of S/ 0.4 million in expenses related to rental income.

Total premiums earned less claims and benefits

	For the three months ended March 31,		
	2018	2017	Change
	(S/ million)		%
Net premiums	138.9	115.4	20.4%
Adjustment of technical reserves	-42.6	-77.5	-45.1%
Net claims and benefits incurred	-175.1	-83.9	108.7%
Total premiums earned less claims and benefits	**-78.9**	**-46.1**	**71.1%**

The 20.4% growth in net premiums was mainly a result of increases of S/ 18.4 million in Individual Life and S/ 12.3 million in Disability and Survivorship, partially offset by reductions of S/ 3.8 million in annuities and S/ 3.5 million in Retail Insurance.

Adjustment of technical reserves reduced 45.1%, mainly due to decreases of S/ 38.5 million in annuities and S/ 0.4 million in Retail Insurance, partially offset by a S/ 3.9 million increase in Individual Life.

The 108.7% growth in net claims and benefits incurred was explained by increases of S/ 75.9 million in annuities, S/ 10.8 million in Disability and Survivorship, S/ 3.8 million in Retail Insurance and S/ 0.8 million in Individual Life.

Pensions increased mainly as a result of the merger with Seguros Sura, which doubled Interseguro's annuities portfolio.

Inteligo

The table below details selected financial information for Inteligo for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,		Change	
	2018	2017		
	(S/ million)		(S/ million)	%
Interest and similar income	33.2	39.7	-6.5	-16.4%
Interest and similar expense	-9.1	-13.9	4.8	-34.3%
Net interest and similar income	**24.0**	**25.8**	**-1.8**	**-6.7%**
Provision for loan losses, net of recoveries	0.4	2.7	-2.3	-85.9%
Net interest and similar income after provision for loan losses	**24.4**	**28.5**	**-4.1**	**-14.2%**
Fee income from financial services, net	33.0	29.0	4.0	13.6%
Other income	0.5	10.3	-9.8	-94.9%
Other expenses	-18.2	-19.1	0.9	-4.9%
Income before translation result and income tax	**39.8**	**48.6**	**-8.8**	**-18.3%**
Translation result	0.5	0.0	0.5	N/M
Income tax	0.0	0.1	-0.1	N/M
Profit for the period	**40.3**	**48.8**	**-8.5**	**-17.4%**
ROAE	**22.3%**	**28.2%**		
Efficiency ratio	**35.4%**	**29.2%**		

Inteligo's profit for the three months ended March 31, 2018 and 2017 was S/ 40.3 million and S/ 48.8 million, respectively. The S/ 8.5 million or 17.4% decrease was mainly attributable to a negative performance in other income, due to the implementation of IFRS 9.

Net interest and similar income for the three months ended March 31, 2018 reached S/ 24.0 million, a S/ 1.8 million or 6.7% decrease when compared to the corresponding period of 2017.

Interest and similar income for the three months ended March 31, 2018 decreased S/ 6.5 million or 16.4% when compared to the corresponding period of 2017, mainly as a result of lower income from Inteligo's loan portfolio. Interest and similar expense decreased S/ 4.8 million, or 34.3%, due to lower expenses related to deposits and obligations.

Inteligo's net fee income from financial services for the three months ended March 31, 2018 was S/ 33.0 million, an increase of S/ 4.0 million or 13.6% compared to the corresponding period of 2017. This result was attributable to an increase in revenues from funds management, brokerage and custody services fees.

Other income exhibited a S/ 9.8 million or 94.9% decrease, mostly attributable to an S/ 8.8 million contraction in net trading gain due to the recognition of the mark-to-market of Inteligo's propietary portfolio through the Income statement (IFRS 9).

Inteligo's other expenses reached S/ 18.2 million for the three months ended March 31, 2018. The S/ 0.9 million or 4.9% decrease was mainly due to an adjustment in impairment loss, partially compensated by higher salaries and administrative expenses when compared to the corresponding period of the previous year.

Inteligo's annualized ROAE for the three months ended March 31, 2018 was 22.3%.

iii. Intercorp Retail

The table below details Intercorp Retail's assets and equity in its main businesses as of March 31, 2018 and December 31, 2017.

	As of March 31, 2018		As of December 31, 2017	
(S/ million)	Asset	Equity	Asset	Equity
Supermercados Peruanos (Food Retail)	3,432.3	1,100.6	3,331.2	1,084.7
InRetail Pharma (Pharma).....	5,947.9	620.4	783.7	124.4
InRetail Shopping Malls (shopping malls)................	3,818.8	2,151.7	3,672.0	2,117.0
Other..................................	3,082.0	1,098.4	3,815.1	1,196.9
Total Intercorp Retail	**16,281.0**	**4,971.1**	**11,601.9**	**4,523.0**

Results of Operations for the three months ended March 31, 2018 compared to the three months ended March 31, 2017

Intercorp Retail

The table below sets forth the main components of Intercorp Retail's consolidated income statement for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,			
	2018	2017	Change	
	(S/ million)		(S/ million)	%
Total revenues....................	3,286.1	2,426.0	860.1	35.5%
Cost of sales......................	-2,323.9	-1,698.6	-625.3	36.8%
Gross profit	**962.2**	**727.4**	**234.8**	**32.3%**
Selling expenses..................	-617.5	-471.0	-146.4	31.1%
Administrative expenses	-173.7	-109.3	-64.4	58.9%
Other income (expense).........	23.4	11.1	12.3	110.4%
Operating profit..................	**194.5**	**158.2**	**36.2**	**22.9%**
Financial income (expense), net	-165.7	-14.4	-151.3	1048.8%
Income tax expense...............	-48.8	-43.0	-5.9	13.6%
Net profit (loss)..................	**-20.0**	**100.8**	**-120.9**	**-**
Attributable to:				
Intercorp Retail's shareholders	-7.0	65.4	-72.4	
Minority interest	-13.1	35.4	-48.5	
Adjusted EBITDA	**266.5**	**217.9**	**48.6**	**22.3%**
Adjusted EBITDA margin	8.1%	9.0%		-87 bps

Intercorp Retail reported net loss of S/ -20.0 million as of March 2018, representing a decrease of S/ 120.9 million compared to the same period in 2017. This is mainly a result of one-time expenses related to the acquisition of Quicorp at the end of January and to the prepayment of the InRetail Consumer bonds issued in 2014.

Intercorp Retail's gross profit increased 32.3% in the first quarter of 2018. This growth was mainly due to the acquisition of Quicorp, additional supermarkets sales area and the acquisition of Real Plaza Pucallpa.

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

Intercorp Retail's Segments

Food Retail

The table below details selected financial information for Supermercados Peruanos for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,			
	2018	2017	Change	
	(S/ million)		(S/ million)	%
Total revenues........................	1,234.5	1,151.5	83.0	7.2%
Cost of sales.........................	-922.4	-857.2	-65.2	7.6%
Gross profit...........................	**312.0**	**294.2**	**17.8**	**6.1%**
Selling expenses...................	-236.9	-230.1	-6.8	2.9%
Administrative expenses...........	-33.1	-28.4	-4.7	16.5%
Other income (expense)	3.2	5.2	-2.0	-38.8%
Operating profit......................	**45.3**	**40.9**	**4.4**	**10.6%**
Financial income (expense).......	-15.0	-6.0	-9.0	150.2%
Income tax expense................	-14.4	-13.5	-0.9	6.9%
Net profit	**15.8**	**21.4**	**-5.6**	**-26.1%**
EBITDA................................	76.0	70.7	5.3	7.5%
EBITDA margin	6.2%	6.1%	-	2 bps

Food Retail reported a net income of S/ 15.8 million as of March 2018 compared to S/ 21.4 million in the same period of 2017.This decrease was mainly generated by higher financial expenses of S/ 15.0 million in the first quarter 2018, compared to S/ 6.0 million in the same period of 2017.

Food Retails' gross profit increased 6.1% in the first quarter of 2018, compared to the same period in 2017. This growth is mainly explained by a SSS growth of 4.7%, an increase of 2k sqm of additional supermarkets sales area since Q1'17 (+0.8% increase over the same period). The increase in SSS is mainly explained by non-food categories, mainly due to an anticipated back-to-school campaign, concentrated in March in comparison to April in 2017.

Food Retails' selling and administrative expenses grew 4.4% in the first quarter of 2018 compared to the same period in 2017. As a percentage of revenues, selling and administrative expenses decreased from 22.4% in the first quarter of 2017, to 21.9% in the same period of 2018, mainly explained by the reduction in logistic and personnel expenses.

InRetail Pharma

The table below details selected financial information for InRetail Pharma for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,			
	2018	2017	Change	
	(S/ million)		S/ millions	%
Total revenues......................	1,379.3	662.1	717.2	108.3%
Cost of sales........................	-975.0	-449.4	-525.6	116.9%
Gross profit......................	**404.4**	**212.7**	**191.7**	**90.1%**
Selling expenses..................	-289.3	-154.9	-134.4	86.7%
Administrative expenses	-65.5	-15.7	-49.8	317.9%
Other income (expense)	8.6	-1.2	9.8	-
Operating profit.................	**58.2**	**40.8**	**17.3**	**42.5%**
Financial income (expense), net	-26.1	-0.6	-25.5	4533.2%
Income tax expense...............	-16.7	-12.3	-4.4	35.7%
Net profit	**15.4**	**28.0**	**-12.6**	**-44.9%**
EBITDA..............................	78.1	51.8	26.3	50.8%
EBITDA margin.....................	5.7%	7.8%	-	-216 bps

InRetail Pharma reported S/ 15.4 million of net profit as of March 2018, which represented a decrease of 44.9% compared to the same period of 2017, mainly due to S/ 18 mm of one-time expenses related to the acquisition and higher financial expenses of the USD 1,000 million Bridge Loan used to finance the acquisition.

InRetail Pharma's gross profit increased 90.1% in the first quarter of 2018 compared to the same period of 2017. This increase was mainly driven by Quicorp's acquisition and a positive SSS of 4.5%. Additionally, gross margin decreased from 32.1% in the first quarter of 2017 to 29.3% in the same period of 2018, due to the incorporation of the MDM unit of Quicorp, which operates at lower margins than the Pharmacies unit.

InRetail Pharma's selling and administrative expenses grew 107.95% in the first quarter of 2018, compared to the same period of 2017. As a percentage of revenues, selling and administrative expenses were 25.7% in the first quarter of 2018, compared to 25.8% in the same period of 2017.

InRetail Shopping Malls

The table below details selected financial information for InRetail Shopping Malls for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,			
	2018	2017	Change	
	(S/ million)		(S/	%
Total revenues	121.3	111.5	9.8	8.8%
Cost of sales	-39.3	-38.4	-0.8	2.1%
Gross profit	**82.1**	**73.1**	**9.0**	**12.3%**
Selling expenses	-1.8	-1.8	0.0	-2.4%
Administrative expenses	-8.0	-5.8	-2.2	38.5%
Other income (expense)	5.8	4.4	1.4	33.3%
Operating profit	**78.1**	**69.9**	**8.3**	**11.8%**
Financial income (expense), net	-34.0	-20.0	-14.0	69.7%
Income tax expense	-11.4	-15.0	3.6	-24.0%
Net profit	**32.7**	**34.8**	**-2.1**	**-6.0%**
Adjusted EBITDA	75.9	67.2	8.7	13.0%
Adjusted EBITDA / Net Rental Income	81.4%	79.3%	-	205

InRetail Shopping Malls reported S/ 32.7 million of net profit as of March 2018, which represented a decrease of 6.0% compared to the same period in 2017. This decrease is mainly explained by higher financial expenses related to the unwind of the US$ 200mm Call Spread hedging the 2014 InRetail Shopping Malls USD bond.

InRetail Shopping Malls' revenues, which are mainly rental income from property investments, grew 8.8% in the first quarter of 2018 in comparison to same period of 2017, mainly due to 45k sqm of additional GLA since Q1'17 related to the acquisition of Real Plaza Pucallpa, better performance of remodeled malls and higher marketing income. Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of our shopping malls. These operating costs are billed directly to tenants and are also reported as income from rendering of services. InRetail Shopping Malls' net rental income increased from S/ 85 million in the first quarter of 2017 to S/ 93 million in the same period of 2018 (a 10.2% growth).

In the first quarter 2018, InRetail Shopping Malls' selling and administrative expenses increased 28.8% compared to the same period of 2017. As a percentage of shopping malls revenues, selling and administrative expenses were 8.0% in the first period of 2018, in comparison to 6.8% in the same period of 2017, mainly explained by higher administrative personnel expenses.

III. Other financial information

i. Liquidity and Capital Resources

Intercorp's main source of cash flows is dividends received from its subsidiaries. Substantially all of Intercorp's dividends have been contributed by IFS and its subsidiaries. Intercorp also receives distributions and other proceeds from investments in the ordinary course of business. Its main uses of funds have been investments in subsidiaries, the payment of interest on its financial obligations and the payment of dividends to its shareholders. Intercorp typically pays dividends to its shareholders in four quarterly installments after such dividends are declared at its annual general shareholders meeting. The table below provides information regarding the cash flows of Intercorp.

	For the three months ended March 31	
	2018	2017
	(S/ millions)	
Operating activities		
Net profit for the period	163.6	242.2
Adjustments to reconcile net income to net cash		
Participation in income of Subsidiaries	-192.2	-248.5
Gain on derivate financial instruments	-2.5	0.0
(Increase) decrease of other accounts receivable	-21.3	-14.1
Increase (decrease) of interest, provisions and other accounts payable*	-13.1	44.9
Net cash provided by (used in) operating activities	**-65.5**	**24.5**
Investing activities		
Dividends received	1.6	-
Loans collected from shareholder and related parties	-	-
Capital contribution to Subsidiaries, net of capital reductions	-104.5	-104.1
Maturity of available-for-sale investments	-	-
Payment of account payable for acquisition of investment property	-	-
Acquisition of non-controlling interest	-	-
Sale of available-for-sale investments	-	-
Acquisition of available-for-sale investments	-	-
Net cash provided by investing activities	**-102.9**	**-104.1**
Financing activities		
Issuance (payment) of notes	-	-
Loans received fromthird parties, net*	-	-
Loans received from Subsidiaries and related parties, net	182.0	116.0
Payment of dividends	-24.3	-25.2
Net cash used in financing activities	**157.7**	**90.8**
Net cash (decrease) increase	**-10.7**	**11.2**
Balance of cash at the beginning of period	**13.5**	**1.8**
Balance of cash at the end of period	**2.8**	**13.0**

(*) Differs from the *Separate financial statements as of March 31, 2017, December 31, 2016 and for the three-month periods ended March 31, 2017 and 2016,* which includes a funding source with a third party for S/ 80 million in Increase (decrease) of interest, provisions and other accounts payable.

Net cash used in operating activities increased by S/ 90.0 million for the three months ended March 31, 2018 when compared to the corresponding period in 2017.

Net cash used in investing activities decreased by S/ 1.2 million for the three months ended March 31, 2018 when compared to the corresponding period in 2017.

Net cash from financing activities increased by S/ 66.9 million for the three months ended March 31, 2018 when compared to the corresponding period in 2017. This increase was explained by higher short terms loans in first quarter of 2018.

ii. Dividends Received by Intercorp

Intercorp has not received dividends from its subsidiary IFS during the first quarter of 2018. IFS distributes its dividends in the second quarter of each year.

iii. Indebtedness

Unconsolidated

As of March 31, 2018, Intercorp had S/ 1,479 million (US$458 million) of unconsolidated outstanding obligations (excluding interest, provisions and other accounts payable) consisting of: S/ 1,114 million of long-term indebtedness comprised of S/ 812.5 million (US$250 million) of Senior Notes due 2025 (net of issuance expenses) and S/ 301.5 million of the Senior Notes due 2030 (net of issuance expenses), and short-term indebtedness of S/ 365 million comprised of S/ 255 million of accounts payable to its subsidiaries and S/ 110 million of accounts payable to third parties. As of the same date, Intercorp had guaranteed up to US$161 million of indebtedness in favor of un-affiliated third parties of its subsidiaries Tiendas Peruanas, Financiera Oh!, Homecenters Peruanos and Colegios Peruanos, US$118 million of which was outstanding and the remainder of which consisted of debt commitments that are not yet outstanding indebtedness.