Translation of independent auditor's report and separate financial statements originally issued in Spanish - Note 20

Intercorp Perú Ltd.

Separate financial statements as of December 31, 2018 and 2017, and as of January 1,2017, together with Independent Auditor's Report

Building a better working world

Translation of independent auditor's report and separate financial statements originally issued in Spanish – Note 20

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Content

Translation of independent auditor's report and separate financial statements originally issued in Spanish – Note 20

Independent Auditor's Report

To the Shareholders of Intercorp Perú Ltd.

1. 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, 2018, 2017, and as of January 1, 2017, 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 each of the years ended December 31, 2018 and 2017 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

2. 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

3. 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.

4. 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.

Independent Auditor's Report (continued)

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

Opinion

5. In our opinion, the accompanying separate financial statements prepared for the purpose indicated in paragraph 8, present fairly, in all material respects, the financial position of Intercorp Perú Ltd. as of December 31, 2018 and 2017, and as of January 1,2017, as well as the results of their operations and their cash flows for each of the years ended on December 31, 2018 and 2017, in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other issues

6. As mentioned in Note 4.2.1(i) to the separate financial statements, during the year 2018, Interseguro Compañía de Seguros S.A., Subsidiary of Intercorp Perú, through its Subsidiary Intercorp Financial Services Inc., modified its accounting policy regarding the impact of change in the value of insurance contracts liabilities that comprise retirement, disability and survival pensions, which was caused by the variation in the market interest rates used to discount these liabilities from the separate income statements to the separate statements of other comprehensive income (equity). In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", such change was retrospectively recorded, thus modifying previously released separate financial statements. As a result, Intercorp Perú Ltd. recognized retrospectively in its separate financial statements, the effects of such changes.

7. As mentioned in Note 4.2.2 to the separate financial statements, in 2018 Intercorp Perú Ltd. and Subsidiaries adopted IFRS 9 "Financial Instruments"and IFRS 15 "Revenue from Contracts with Customers". The accounting effects of the adoption of IFRS 9 and IFRS 15 on Intercorp Perú Ltd., as well as the effects on its Subsidiaries's equity are detailed in Note 4.5.

Independent Auditor's Report (continued)

Use of the separate financial statements

8. 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, 2018 and 2017, and as of January 1,2017, 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 18, 2019.

Lima, Peru
March 18, 2019

Countersigned by:

Paredes, Burga & Asoc.

Victor Tanaka
C.P.C.C. Register No.25613

Intercorp Perú Ltd.

Separate statements of financial position

As of December 31, 2018 and 2017, and as of January 1, 2017

	Note	2018 S/(000)	2017 S/(000) Note 4.2.1 Restated	01.01.2017 S/(000) Note 4.2.1 Restated
Assets				
Current assets				
Cash and due from banks	15(a)	7,468	13,494	1,826
Accounts receivable from Subsidiaries, related entities and others	5(a)	1,260	44,520	2,228
Financial investments at fair value through profit or loss	6(a)	105,885	-	-
Total current assets		114,613	58,014	4,054
Available-for-sale investments	6(e)	-	80,378	128,869
Investment property	7	141,492	137,468	135,660
Investments in Subsidiaries	8	9,879,979	8,534,306	7,433,752
Other assets		1,696	431	1,553
Total no current assets		10,023,167	8,752,583	7,699,834
Total assets		10,137,780	8,810,597	7,703,888
Liabilities and equity				
Current liabilities				
Accounts payable to Subsidiaries	15(b)	71,310	48,713	126,221
Loans payable	9(a)	153,000	110,000	-
Interest, provisions and other accounts payable	9(b)	72,045	78,542	84,660
Notes issued	13(b)	-	-	40,320
Total current liabilities		296,355	237,255	251,201
Corporate bonds	10	1,129,224	1,096,875	1,123,690
Total liabilities		1,425,579	1,334,130	1,374,891
Equity, net	11			
Capital stock		4,010,690	3,524,799	3,041,307
Reserves		3,740,123	2,626,014	2,336,014
Unrealized results		(102,476)	(219,351)	(418,957)
Retained earnings		1,063,864	1,545,005	1,370,633
Total equity, net		8,712,201	7,476,467	6,328,997
Total liabilities and equity, net		10,137,780	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, 2018 and 2017

	Note	2018 S/(000)	2017 S/(000) Note 4.2.1 Restated
Participation in income of Subsidiaries	8(c)	942,795	1,089,732
Income (expenses)			
Financial income	13	2,431	765
Financial expenses	13	(85,577)	(86,343)
General expenses		(24,843)	(18,839)
Net loss on trading derivative financial instruments	18(c)(i)	(2,092)	(3,150)
Valuation gain from investments at fair value through profit or loss	6(d)	41,508	-
Gain on sale of available-for-sale investments	6(g)	-	30,715
Other expenses, net	14	(28,329)	(29,787)
Exchange difference, net	18(c)(i)	(28,659)	32,580
		(125,561)	(74,059)
Net profit for the year		817,234	1,015,673
Earnings per share basic and diluted (stated in Soles) – Shares A and B classes	16	5.48	6.82
Weighted average number of outstanding shares (A and B classes) (in thousands)	16	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, 2018 and 2017

	Note	2018 S/(000)	2017 S/(000) Note 4.2.1 Restated
Net profit for the year		817,234	1,015,673
Other comprehensive income to be reclassified to the separate income statements in subsequent periods			
Net unrealized loss from available-for-sale investments		-	(2,932)
Transfer of realized gain from instruments at fair value through other comprehensive income to separate income statements		(132)	-
Net variation of unrealized results in financial instruments of Subsidiaries	8(c)	198,460	220,933
Exchange difference on translation of foreign operations	8(c)	19,324	(18,395)
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods		217,652	199,606
Total other comprehensive income for the year		1,034,886	1,215,279

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, 2018 and 2017

				Unrealized results, net					
				Instruments that will be reclassified to the separate income statements					
	Issued (in thousands)	Capital stock S/(000)	Reserves S/(000)	Available-for-sale investments S/(000)	Financial instruments at fair value 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, 2017 (Note 4.2.1 Restated)	149,019	3,041,307	2,336,014	44,015	-	(483,946)	20,974	1,370,633	6,328,997
Net profit for the year	-	-	-	-	-	-	-	1,015,673	1,015,673
Other comprehensive income	-	-	-	(2,932)	-	220,933	(18,395)	-	199,606
Total other comprehensive income	-	-	-	(2,932)	-	220,933	(18,395)	1,015,673	1,215,279
Declared dividends, Note 11(a)	-	-	-	-	-	-	-	(97,335)	(97,335)
Capitalization of profits, Note 11(a)	-	483,492	-	-	-	-	-	(483,492)	-
Constitution of reserves, Note 11(c)	-	-	290,000	-	-	-	-	(290,000)	-
Net variation of treasury stock held by Subsidiaries, net of dividends received, Note 8(c)	-	-	-	-	-	-	-	70,174	70,174
Effect of participation changes in Subsidiaries, Note 8(c)	-	-	-	-	-	-	-	(49,463)	(49,463)
Others, net	-	-	-	-	-	-	-	8,815	8,815
Balances as of December 31, 2017 (Note 4.2.1 restated)	149,019	3,524,799	2,626,014	41,083	-	(263,013)	2,579	1,545,005	7,476,467
Changes due to the first adoption of IFRS 9 and IFRS 15, Note 4.5	-	-	-	(41,083)	132	(59,826)	-	27,798	(72,979)
Restated balance as of January 1, 2018, Note 4.5	149,019	3,524,799	2,626,014	-	132	(322,839)	2,579	1,572,803	7,403,488
Net profit for the year	-	-	-	-	-	-	-	817,234	817,234
Other comprehensive income	-	-	-	-	(132)	204,342	20,945	-	225,155
Effect of participation changes in Subsidiaries	-	-	-	-	-	(5,882)	(1,621)	-	(7,503)
Total other comprehensive income	-	-	-	-	(132)	198,460	19,324	817,234	1,034,886
Declared dividends, Note 11(a)	-	-	-	-	-	-	-	(97,818)	(97,818)
Capitalization of profits, Note 11(a)	-	485,891	-	-	-	-	-	(485,891)	-
Constitution of reserves, Note 11(c)	-	-	1,114,109	-	-	-	-	(1,114,109)	-
Net variation of treasury stock held by Subsidiaries, net of dividends received, Note 8(c)	-	-	-	-	-	-	-	219,128	219,128
Effect of participation changes in Subsidiaries, Note 8(c)	-	-	-	-	-	-	-	(78,241)	(78,241)
Acquisition of non- controlling interest of Quicorp, Note 8(c)	-	-	-	-	-	-	-	293,368	293,368
Others, net	-	-	-	-	-	-	-	(62,610)	(62,610)
Balances as of December 31, 2018	149,019	4,010,690	3,740,123	-	-	(124,379)	21,903	1,063,864	8,712,201

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, 2018 and 2017

	Note	2018 S/(000)	2017 S/(000) Note 4.2.1 Restated
Reconciliation of net profit for the year with cash used in operating activities			
Net profit for the year		817,234	1,015,673
Plus (minus) adjustments to net income			
Gain from participation in income of Subsidiaries, net	8 (c)	(942,795)	(1,089,732)
Loss on valuation of trading derivative financial instruments	18(c)(i)	2,092	3,150
Valuation gain from investments at fair value through profit or loss	6(d)	(41,508)	-
Changes in fair value of investment property		(4,550)	(1,519)
Exchange difference from corporate bonds and others		32,349	(26,815)
Gain from sale of available-for-sale investments		-	(30,715)
Net changes in asset and liability accounts			
Decrease (increase) of other assets		(2,943)	(1,413)
Decrease of other accounts payable		(1,621)	(8,259)
Net cash used in operating activities		(141,742)	(139,630)
Investing activities			
Dividends received	8(c)	389,912	398,982
Loans granted to Subsidiaries, related parties and others, net		-	(41,997)
Capital contribution to Subsidiaries, net of capital reductions	8(c)	(233,441)	(170,055)
Acquisition of available-for-sale investments		-	(1,211)
Sale of investment at fair value through other comprehensive income (available-for-sale in 2017)		16,344	69,710
Net cash provided by investing activities		172,815	255,429
Financing activities			
Payment of notes issued	13(b)	-	(40,320)
Loans received from (paid to) Subsidiaries, net		19,022	(75,614)
Loans received from third parties		43,000	110,000
Payment of dividends		(99,121)	(98,197)
Net cash used in financing activities		(37,099)	(104,131)
Net (decrease) increase in cash		(6,026)	11,668
Balance of cash at the beginning of year		13,494	1,826
Balance of cash at the end of year		7,468	13,494

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, 2018, 2017 and as of January 1, 2017

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, 2018 and 2017, are disclosed in Notes 3 and 8.

The accompanying separate financial statements reflect separate activities of Intercorp Perú, not including the effect of the consolidation with its Subsidiaries, pursuant the legal rules in Peru and in accordance with the International Financial Reporting Standards (henceforth "IFRS").

The table below presents a summary of the consolidated financial statements of Intercorp Perú Ltd. and Subsidiaries as of December 31, 2018 and 2017:

	2018 S/(000) (Unaudited)	2017 S/(000) Restated
Consolidated statements of financial position		
Total assets	82,193,696	73,775,750
Total liabilities	69,793,112	63,280,828
Equity attributable to Intercorp Perú's shareholders	8,712,201	7,476,467
Non-controlling interest	3,688,383	3,018,455
Consolidated income statements		
Net profit attributable to Intercorp Perú's shareholders	817,234	1,015,673
Net profit attributable to non-controlling interest	409,895	371,376

The separate financial statements as of December 31, 2017, and for the year then ended were approved by the General Shareholders' Meeting held on April 2, 2018. The separate financial statements as of December 31, 2018 have been approved by Management on March 18, 2019, 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. **Business combinations**

(a) Quicorp Group acquisition -

In January 2018, the Company through InRetail Pharma S.A. (formerly Eckerd Perú S.A.), an indirect Subsidiary of Intercorp Perú through its Subsidiary Intercorp Retail Inc, and NG Infra II S.A.C. (a non-related entity) constituted IR Pharma S.A.C. (formerly Chakana Salud S.A.C.), through cash contributions that resulted in a shareholding of 73.21 percent and 26.79 percent, respectively. The purpose of incorporating IR Pharma S.A.C. was to acquire, through it, 100 percent of Quicorp and its Subsidiaries. The acquired conglomerate (henceforth and collectively, "Quicorp Group") was comprised by the following companies: 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. These entities operate in manufacturing, distribution and retail segments within the pharmaceutical sector in Peru, Ecuador, Bolivia and Colombia.

The acquisition of Quicorp Group was performed on January 26, 2018, for approximately US$592,000,000, financed by a loan granted to InRetail Pharma S.A. by Citibank N.A. and J.P. Morgan Chase Bank N.A.; which was entirely paid in June 2018, with proceeds from issuances of "Senior Unsecured Notes" by InRetail Pharma S.A.

On April 23, 2018, InRetail Pharma S.A. absorbed IR Pharma S.A.C., thereby reducing the participation percentage of its main shareholder (InRetail Perú Corp.) to 87.02 percent (before said merger, InRetail Perú Corp. held 100 percent of the capital stock of InRetail Pharma S.A.) and adding NG Infra II S.A.C. as a shareholder. It is worth mentioning that the contribution made by NG Infra II S.A.C. for the acquisition of Quicorp Group, amounted to S/481,500,000. As a result, as of December 31, 2018, InRetail Pharma S.A. is the sole owner of Quicorp Group.

(b) Acquisition of Seguros Sura and Hipotecaria Sura -

In May 2017, IFS entered into an 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 shares, of up to 100 percent of Seguros Sura (company incorporated in Peru with operations regulated by the Banking and Insurance Act and authorized to sell life insurance and general insurance policies) and up to 100 percent of Hipotecaria Sura (company incorporated in Peru with operations regulated by the Banking and Insurance Act and authorized to grant mortgage loans that, since the year 2015, does not grant new loans). 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 as of December 31, 2017.

The price of the overall transaction was US$275,865,000 (equivalent to approximately S/891,911,000).

On the other hand, and in accordance with the legal regulations in force in Peru, 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. In this sense, and in compliance with the legal regulations in force in Peru; Interseguro merged with Seguro Sura, through the absorption method. The date of entry into force of the merged was March 31, 2018, date at which Seguros Sura transferred all its assets and liabilities to the absorbing company, extinguising after completing this merger process without having to liquidate.

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 property	251,212	-
Other assets	266,788	690
	5,405,247	12,560
Liabilities and net equity		
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.- IFS (henceforth "IFS")

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

As of December 31, 2018, the Company holds directly and indirectly 76.46 percent of the issued capital stock of IFS and 75.94 percent of the outstanding capital stock of IFS (directly and indirectly 79.12 percent and 78.07 percent, respectively, as of December 31, 2017). The percentage of indirect participation over IFS' issued capital stock is held by Intercorp Perú through its Subsidiaries IFH Capital Corp. and Intercorp Capital Investments Inc., in which Intercorp Perú holds 100 percent of both their capital stock and, at the same time, each of these Subsidiaries hold 8.62 percent of IFS' capital stock.

As of December 31, 2018 and 2017, IFS holds 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "Interbank"), 99.83 percent of the outstanding capital stock of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), (100 percent as of December 31,2017) and 100 percent of Inteligo Group Corp. (henceforth "Inteligo"), San Borja Global Opportunities S.A.C. In addition, as of December 31, 2018, it holds 99.42 percent of the outstanding capital stock of Hipotecaria Sura Empresa Administradora Hipotecaria S.A. (99.40 percent as of December 31, 2017). The operations of Interbank, Interseguro and Hipotecaria Sura are concentrated in Peru, while the operations of Inteligo and Subsidiaries (Inteligo Sociedad Agente de Bolsa S.A. and Inteligo Bank Ltd.) are concentrated in Peru and Panama.

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

(a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -

Interbank is incorporated in Peru and is authorized to operate as a universal bank by the SBS, in accordance with Peruvian legislation. Interbank's operations are governed by the General Act of the Financial and Insurance System and Organic Act of SBS – Act N°26702 (henceforth "Banking and Insurance Act"), which establishes the requirements, rights, obligations, restrictions and other operating conditions that financial and insurance entities must comply in Peru.

As of December 31, 2018 and 2017, Interbank operates 269 and 272 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, Note 19(a)	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.
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, 2018 and 2017, Interseguro controls the following Subsidiaries:

Entity	Activity
Empresa Administradora Hipotecaria S.A.	It was incorporated in February 2014 in Peru. In April 2018, this company was extinguished.
Centro Comercial Estación Central S.A.	Company dedicated to the administration of "Centro Comercial Estación Central". Interseguro held 75 percent of this Subsidiary. On January 19, 2018, Interseguro sold the entirety of said participation to Real Plaza, a related company, for S/2,086,000, generating a profit of S/1,526,000.

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 property; each investor or investors have ownership of and specific control over the contributed investment properties. 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 property that it controls.

Regarding the "Patrimonio Fideicometido", until September 2017, Inteligo Real Estate (a related entity, Subsidiary of Intercorp Perú) and Interseguro held 27.17 percent and 72.83 percent, respectively, of an investment property located in San Isidro, Lima. On September 26, 2017, Interseguro purchased Inteligo Real Estate's interest, thus obtaining the whole ownership of such investment property. The consideration paid for the acquisition amounted to US$20,542,000 (equivalent to S/66,577,000).

(c) Inteligo Group Corp. and Subsidiaries –
Inteligo Group Corp. is an entity incorporated in the Republic of Panama. As of December 31, 2018 and 2017, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It was incorporated in the Commonwealth of The Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Inteligo Perú Holding S.A.C	It was incorporated in Peru in December 2018, to engage in investment management activities in financial sectors. As of December 31, 2018, its paid-in capital amounts to S/1,000.

(d) Hipotecaria Sura Empresa Administradora Hipotecaria S.A., in liquidation
It 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.

(e) 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; see Note 2. As of December 31, 2018 and 2017, these entities hold collectively 30.0 percent of Hipotecaria Sura's capital stock. Additionally, as a result of the merger between Interseguro and Seguros Sura – see Note 2 – both companies hold 8.50 percent of Interseguro's capital stock.

(f) San Borja Global Opportunities S.A.C. -
Its corporate purpose is the marketing of products and services through Internet, telephony or related. As of December 31, 2018 and 2017, it maintains a paid-in capital of S/1,461,000 and S/1,000, respectively.

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, 2018 and 2017, the Company holds 100 percent of the capital stock of Intercorp Retail Inc.

As of December 31, 2018 and 2017, Intercorp Retail Inc holds the following Subsidiaries:

Entity	**Activity**
InRetail Perú Corp. (As of December 31, 2018 and 2017, Intercorp Retail Inc. holds 59.04 and 58.33 percent, respectively, of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 70.98 and 70.17 percent, respectively (directly and indirectly) of InRetail Perú 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:

Entity	Activity
	(i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of December 31, 2018 and 2017, operates stores under the trademarks "Plaza Vea", "Plaza Vea Súper", "Vivanda" and "Mass".
	(ii) Drugstores: Developed by InRetail Pharma S.A. (formerly Eckerd Perú) and Subsidiaries, a company that, as of December 31, 2018 and 2017, operates under the trademark "Inkafarma".
	In January 2018, InRetail Pharma S.A. through its Subsidiary IR Pharma S.A.C. acquired the 100 percent of Quicorp S.A. and Subsidiaries, which operate under the trademarks "Mifarma" and "BTL", see Note 2.
	(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, 2018 and 2017, Intercorp Retail Inc. holds 78.35 percent of its capital stock)	Holding incorporated in the Republic of Panama in September 2006. As of December 31, 2018 and 2017, holds 22.63 percent and 26.06 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" and 96 percent of Financiera Oh! S.A., which provides financial support to the companies of Intercorp Group dedicated to the retail business.
HPSA Corp. (As of December 31, 2018 and 2017, 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".
Lince Global Opportunities Corp. (As of December 31, 2018 and 2017, Intercorp Retail Inc. holds 100 percent of its capital stock)	Holding incorporated in the Republic of Panama in December 2010, which holds 98.79 percent of the capital stock of Inmobiliaria Milenia S.A., which is engaged in the real estate business.

(ii) Callao Global Opportunities -
Subsidiary of Intercorp Perú, incorporated in 2011 as a limited liability holding company in the Republic of Panama. As of December 31,2018 and 2017, it holds 76.18 percent and 72.56 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 of IFH Retail Corp., through Intercorp Retail, as of December 31, 2018 and 2017, respectively; which, in turn, holds 22.63 percent and 26.06 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 98.80 percent and 98.62 percent of its capital stock as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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.

As of December 31, 2018 and 2017, 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".
Urbi Solutions S.A.C.	Incorporated in Lima in June 2014 to engage in the construction of real estate projects.
Club de Socios S.A.	Company dedicated to engage in the management, administration and organization of recreational, sports and social activities, among others. As of December 31, 2017, Urbi Propiedades S.A. and Intercorp Perú held

Entity	Activity
	75.48 percent and 24.51 percent, respectively, of the capital stock of this entity. In April 2018, Intercorp Perú and Urbi Propiedades sold their participation in this company to non-related third parties for US$3,500,000.

(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, 2018 and 2017, 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, 2018 and 2017, the main shopping malls are located in different cities of Peru.

(vi) Intercorp Re Inc. -

It is a limited liability holding incorporated in August 2015 in the Republic of Panama. As of December 31, 2018 and 2017, 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, 2018, Intercorp Perú holds 100 percent of its participation of Class A shares and 51.47 percent of Class B shares of NG Education Holdings Corp.'s capital stock, that holds the following Subsidiaries:

Entity	Activity
Colegios Peruanos S.A. (As of December 31, 2018 and 2017, NG Education Holdings Corp. holds 33.99 and 34.25 percent, respectively, of its capital stock).	As of December 31, 2018, it operates 49 schools under the trademark "Innova Schools" (41 schools as of December 31, 2017).
NG Education S.A.C (As of December 31, 2018 and 2017, NG Education Holdings Corp. holds 48.67 percent of its capital stock)	Holding incorporated in Peru in November 2011. As of December 31, 2018 and 2017, NG Education S.A.C. holds 100 percent of the following Subsidiaries: (a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 3 business units: UTP University, IDAT Institute and Post-Graduate School. As of December 31,2018, UTP holds 100 percent of the following Subsidiaries: (i) Corriente Alterna S.A.C.: School of artistic education that provides the career of Visual Arts and has 1 premise in Lima. (ii) Instituto Superior Tecnológico Corriente Alterna S.A.C.: As of the date of this report, it is not operating. (b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of December 31, 2018 and 2017, 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, 2018 and 2017, 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 31,2018 and 2017, NG Education Holdings II Corp. holds 100 percent of its capital stock)	Company incorporated in Perú in October 2013. As of December 31, 2018 and 2017, it holds 100 percent of the capital stock of Servicios Educativos Empresariales S.A.C., incorporated in Lima in February 2012. As of December 31, 2018, operates 5 premises under the trademark "Zegel-IPAE" and 2 premises in construction located in Arequipa and Ica (4 operational premises and 2 premises in construction in San Juan de Lurigancho and Ica as of December 31, 2017).

(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, 2018 and 2017, Intercorp Perú holds 85.31 percent of its capital stock and, in turn, at the same dates, it holds 16.52 percent and 16.64 percent of the capital stock of Colegios Peruanos S.A., respectively.

(iv) Intercorp Education Services, S.L. -

It is a limited liability holding company incorporated in November 2017 in Spain. As of December 31, 2018, Intercorp Perú holds 100 percent of its capital stock. This Subsidiary has 55 percent of the capital stock of Transformando la Educación en México S.L. de C.V., which, at the same time, holds 99.85 percent of the capital stock of Servicios Administrativos Transformando la Educación en México, S.C. The latter operates under the brand "Innova Schools" and is headquartered in Mexico.

3.4. Other entities -

As of December 31, 2018 and 2017, the Company holds 100 percent of the capital stock of the following Subsidiaries:

Entity	Activity	Constitution
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.	Holding	Peru
Centros de Salud Peruanos S.A.C.	Health sector	Peru
Escuela Peruana de Educación	Education	Peru

Financial data of the main Subsidiaries is presented in Note 8(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 the Securities Market ("SMV", by its Spanish acronym). Because of this, the Company has prepared separate financial statements in accordance with IAS 27 "Separate Financial Statements". The Company also prepares consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements". For a 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 investments at fair value through profit or loss and investment property, as of December 31, 2018 (available-for-sale financial investments and investment property as of December 31, 2017) which have been measured at fair value. 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 investments at fair value through profit or loss and investment property, and those performed by each Subsidiary in the preparation of their separate financial statements that are the basis for the application of the equity method by the Company.

4.2 Changes in accounting policies, adoption of new IFRS and disclosures –

4.2.1 Changes in accounting policies -

Based on an analysis conducted by Management of Interseguro, a Subsidiary of IFS, in 2018, and in application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", Interseguro modified its corresponding figures as of December 31, 2017, and January 1, 2017, and for the years ended December 31, 2017 and 2016, originating that IFS modified the equity value of its participation in Interseguro retrospectively, thus modifying its separate financial statements. As a result of this change, Intercorp Perú has modified its separate financial statements as a result of the restatement of the equity value in IFS and has presented the restated separate statements of financial position as of January 1, 2017, but it does not include the Notes for that period, according to what is established by IAS 1. The amended balances of the Company's financial statements as of December 31, 2017, and January 1, 2017, and for the year ended December 31, 2017, mainly result from the following:

(i) As of December 31, 2017, Interseguro recognized in its separate income statements the effect of the change in the value of liabilities coming from retirement, disability and survivor's pensions, caused by the variation in the market interest rates used to discount these liabilities. In the first quarter of 2018, Management of Interseguro decided to modify its accounting policy in order to show the effect of the change in market interest rates on the statements of other comprehensive income. This change was made to reduce volatility in the profits or losses associated to the effect of changes in market interest rates, as the financial assets supporting such insurance liabilities are measured at fair value through other comprehensive income.

According to IAS 8, as the aforementioned change constitutes a voluntary change in the accounting policy of the Company and, in compliance with the standard, must be applied retrospectively to previously released balances.

In addition, this change in the accounting policy has been made in accordance with IFRS 4 "Insurance Contracts" and, in Management's opinion, provides more accurate and relevant information regarding the Group's insurance contract operations.

In that sense, Intercorp Perú calculated retrospectively the accounting effects of these changes on the balances as of January 1, 2017. The aggregate effect of the application of the equity method amounted to S/374,309,000 as of January 1, 2017, and S/527,021,000 as of December 31, 2017.

The reconciliation of the main items of the separate statements of financial position as of December 31, 2017, and January 1, 2017 is presented below:

	December 31, 2017			January 1, 2017		
	Audited balance S/(000)	Modifications S/(000)	Restated S/(000)	Audited balance S/(000)	Modifications S/(000)	Restated S/(000)
Current Assets						
Cash and due from banks	13,494	-	13,494	1,826	-	1,826
Accounts receivable from Subsidiaries, related companies and others	44,520	-	44,520	2,228	-	2,228
Total current assets	58,014	-	58,014	4,054	-	4,054
Available-for-sale-investments	80,378	-	80,378	128,869	-	128,869
Investment property	137,468	-	137,468	135,660	-	135,660
Investments in Subsidiaries	8,534,306	-	8,534,306	7,433,752	-	7,433,752
Other assets	431	-	431	1,553	-	1,553
Total non-current assets	8,752,583	-	8,752,583	7,699,834	-	7,699,834
Total assets	8,810,597	-	8,810,597	7,703,888	-	7,703,888
Liabilities and equity, net						
Accounts payable to Subsidiaries	48,713	-	48,713	126,221	-	126,221
Loans payable	110,000	-	110,000	-	-	-
Interest, provisions and other accounts payable	78,542	-	78,542	84,660	-	84,660
Notes issued	-	-	-	40,320	-	40,320
Total current liabilities	237,255	-	237,255	251,201	-	251,201
Corporate bonds	1,096,875	-	1,096,875	1,123,690	-	1,123,690
Total liabilities	1,334,130	-	1,334,130	1,374,891	-	1,374,891
Equity, net						
Capital stock	3,524,799	-	3,524,799	3,041,307	-	3,041,307
Reserves	2,626,014	-	2,626,014	2,336,014	-	2,336,014
Unrealized results	307,670	(527,021)	(219,351)	(44,648)	(374,309)	(418,957)
Retained earnings	1,017,984	527,021	1,545,005	996,324	374,309	1,370,633
Total equity, net	7,476,467	-	7,476,467	6,328,997	-	6,328,997
Total liabilites and equity, net	8,810,597	-	8,810,597	7,703,888	-	7,703,888

The reconciliation of the main items of the separate income statements for the year ended December 31, 2017, is presented below:

	Audited balance S/(000)	Modifications S/(000)	Restated S/(000)
Participation in income of Subsidiaries, net	937,020	152,712	1,089,732
Total other expenses, net	(74,059)	-	(74,059)
Net profit for the year	862,961	152,712	1,015,673
Earnings per share (A and B classes) basic and diluted, in Soles	5.79	-	6.82
Weighted average number of outstanding shares (A and B classes) (in thousands)	149,019	-	149,019

The reconciliation of the main items of the separate statements of other comprehensive income for the year ended December 31, 2017, is presented below:

	Audited balance S/(000)	Modifications S/(000)	Restated S/(000)
Net profit for the year	862,961	152,712	1,015,673
Other comprehensive income to be reclassified to the separate income statements in subsequent periods			
Net unrealized loss from available-for-sale investments	(2,932)	-	(2,932)
Net variation of unrealized results in financial instruments of Subsidiaries	373,645	(152,712)	220,933
Exchange difference on translation of foreign operations	(18,395)	-	(18,395)
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	352,318	(152,712)	199,606
Total other comprehensive income for the year	**1,215,279**	-	**1,215,279**

The modifications did not generate changes in the cash flows of operations, investment or financing activities during the year 2017.

4.2.2. Adoption of new standards and disclosures -

In these separate financial statements, Intercorp Perú has adopted for the first time IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018. Other standards, interpretations or amendments have also been adopted for the first time in 2018 but, as of December 31, 2018, they have not had a significant impact on Intercorp Perú's separate financial statements. The Company has not adopted any standard, interpretation or amendment that has been issued but is not effective, as explained below.

- First adoption of IFRS 9 "Financial Instruments"

  IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods starting on or after January 1, 2018.

  As permitted by IFRS 9, the Company has not restated the comparative information for 2017 for financial instruments within the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in the retained earnings as of January 1, 2018, and are disclosed in Note 4.5.

  (a) Changes to classification and measurement -

  To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on (i) a combination of the entity's business model for managing financial assets; and (ii) the financial assets contractual cash flow characteristics.

  The IAS 39 measurement categories of financial assets (fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables) have been replaced by:

  - Debt instruments at amortized cost.
  - Debt instruments at fair value through other comprehensive income.
  - Equity instruments at fair value through other comprehensive income.
  - Financial assets at fair value through profit or loss

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to the separate income statements. As of December 31, 2018, the Company has no liabilities designated at fair value through profit or loss.

The classification of financial assets and liabilities is explained in Note 17. The quantitative impact of applying IFRS 9 as of January 1, 2018, is disclosed in Note 4.5.

(b) Changes to the impairment calculation -

The adoption of IFRS 9 has fundamentally changed the Company's accounting for financial assets impairment by replacing the incurred loss model under IAS 39 with a forward-looking expected credit loss (ECL) model. IFRS 9 requires the Company to record an allowance for expected credit loss for all loans and other debt financial assets not held at fair value through profit or loss, together with financial guarantee contracts. The allowance is based on the expected losses associated with the probability of default in the next 12 months, unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

This change has not had significant impact on the financial statements of the Company due mainly to:

- Most of the financial assets (cash and due from banks and accounts receivable) maintained by the Company are related to operations with its Subsidiaries, entities of recognized prestige and solvency that do not present problems of ability to pay and; therefore, their probability of default is essentially nil.

On the other hand, the result of the first adoption IFRS 9 for the Subsidiaries of Intercorp Perú implied a reduction in their respective equity, as well as a decrease in the equity of Intercorp Perú amounting to S/72,867,000, as result of the equity method, thus affecting the caption "Investments in Subsidiaries", see Notes 4.5 and 8(c).

(c) Disclosures in accordance with IFRS 7 -
To reflect the differences between IFRS 9 and IAS 39 , IFRS 7 "Financial Instruments: Disclosures" was updated and the Company has adopted it, together with IFRS 9, for the year beginning January 1, 2018. Changes include transition disclosures, qualitative and quantitative information about the expected loss calculations, such as the assumptions and inputs used and the reconciliations of the expected loss from the date of transition until the closing date of the separate financial statements of the financial assets that apply.

Changes in the disclosures in IFRS 7 have not had any material effect on the Company because the implementation of IFRS 9 did not have significant effects on the separate financial statements.

- IFRS 15 "Revenue from Contracts with Customers" -
IFRS 15, which replaced IAS 18 "Revenue" and IAS 11 "Construction Contracts", was adopted by the Company starting on January 1, 2018, regarding all contracts with customers.

The standard establishes a more systematic approach to the measurement and recognition of income through the introduction of a five-step model that governs the recognition of income. This model requires the Company (i) to identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of the consideration in the contract, (iv) assign the consideration for each of the performance obligations identified; and (v) recognize income as each performance obligation is met.

As Intercorp Perú's main economic activity is to operate as an investment company of all sort of securities and its main source of income comes from dividends distributed by its Subsidiaries, the adoption of IFRS 15 has not caused any significant impact on the separate financial statements, with the exception of the first adoption of IFRS 15 by Intercorp Perú's Subsidiaries, whose impact amounted to S/112,000; such amount generated a decrease in Intercorp Perú's equity as a result of applying the equity method, thus affecting the caption "Investment in Subsidiaries"; see Notes 4.5 and 8(c).

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" -
  This interpretation clarifies that in determining the exchange rate to be used in the initial recognition of the asset, expense or income (or part thereof), related to the derecognition of a non-monetary asset or liability related to an advance consideration, the date of the transaction is the date at which the entity initially recognizes the non-monetary asset or liability resulting from the advance consideration. If there are several payments or receipts in advance, the entity must determine a transaction date for each payment or receipt of the advance consideration. Management concluded that this interpretation had no effect on the separate financial statements.

- IAS 40 "Investment Property" - Amendments to IAS 40 -
  The amendments clarify when an entity must transfer assets, including properties under construction or development, from or to investment property. In addition, the amendments stipulate that a change in use occurs when the property meets or fails to meet the definition of investment property and there is evidence of change in use. A change in Management's intentions for the use of a property does not provide evidence of a change in use. Management concluded that these modifications had no significant effects on the separate financial statements.

- Classification and measurement of share-based payment transactions -
  Amendments to IFRS 2
  The IASB issued amendments to IFRS 2 "Share-based Payments" in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas: The effects of acquisition conditions on the measurement of a payment transaction based on shares settled in cash; the classification of a payment transaction based on shares with net settlement characteristics to retain tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from liquidation in cash to liquidation of equity.

  Management concluded that these modifications had no effect on the separate financial statements.

- Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" Amendments to IFRS 4
  The amendments address the concerns that arise from the implementation of the new financial instruments standard, IFRS 9, before implementing IFRS 17, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from the application of IFRS 9 and an overlay approach. Due to the nature of the Company's operations, these modifications do not have any impact.

- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
  These modifications clarify that measuring investments at fair value through profit or loss is an investment-by-investment decision. Due to the nature of the Company's operations, these modifications do not have any impact.

4.3. Summary of significant accounting policies -

(a) Financial instruments: Initial recognition and subsequent measurement –

(i) Financial assets -

Recognition and initial measurement -

Before January 1, 2018, the Company classified its financial assets under IAS 39 as:

- Financial assets at fair value through profit or loss;
- Financial assets available-for-sale;
- Financial assets held-to-maturity;
- Loans and accounts receivable (amortized cost).

Since January 1, 2018, financial assets within the scope of IFRS 9 are classified according to the business model and the characteristics of the contractual flows, measured at:

- Amortized cost.
- Fair value through other comprehensive income (FVOCI).
- Fair value through profit or loss (FVPL).

The Company determines the classification of financial assets at the date of initial recognition.

All financial assets are initially recognized at their fair value plus, in the case of financial assets that are not accounted for at fair value through profit or loss, directly attributable costs.

Purchases or sales of financial assets that require the delivery of the assets within a period of time established by a standard or market condition (regular way purchases or sales) are recognized at the date of sale; that is, the date at which the Company agrees to buy or sell the asset.

Subsequent measurement -
As of December 31, 2018 and 2017, the Company maintains its financial assets classified as follows:

(i.1) Assets measured at amortized cost -
The Company maintains in this category the following captions: cash and due from banks and accounts receivable from Subsidiaries, related entities and others.

Prior to January 1, 2018, the Company classified such instruments as "Loans and accounts receivable", which were non-derivative financial assets whose charges are fixed or determinable, which were not traded in an active market. After initial recognition, these financial assets were measured at amortized cost through the use of the effective interest rate (EIR) method, less any impairment. The amortized cost was calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the EIR. The amortization of the EIR was included in the caption "Financial income (expenses)" and the losses resulting from impairment were recognized in the caption "Other expenses, net" of the separate income statements.

Since January 1, 2018, the Company measures the cash and due from banks and accounts receivable from Subsidiaries, related entities and others, at amortized cost given that they meet the following two conditions:

- The financial asset is held within a business model with the objective of holding the financial assets to obtain contractual cash flows.
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of capital and interest (SPPI) on the amount of the outstanding capital.

(i.2) Equity instruments at fair value through other comprehensive income -

Prior to January 1, 2018, the Company held available-for-sale investments, which were those that are expected to be held for an indefinite period, but which could be sold in the face of a liquidity need or changes in market conditions.

After initial recognition, available-for-sale investments were measured at fair value, and the unrealized gains or losses were recognized as other comprehensive income in net equity as part of the caption "Unrealized results" until the investment is derecognized; then, the accumulated gains or losses were recognized in the caption "Gains or losses from sales of financial investments" or considered as an impairment of the investment, in which case, the accumulated loss was reclassified into the caption "Loss due to impairment of financial investments" of the separate income statements and derecognized from net equity.

Since of January 1, 2018, the Company occasionally designates its equity investments at fair value through other comprehensive income, when they are not held for trading. Said designation is determined instrument by instrument.

Gains and losses accumulated in these equity instruments are never reclassified to results even when the asset is sold. Dividends are recognized in income as income when the right to collect arises, except when the Company benefits from said income as a recovery of part of the cost of the instrument, in which case such earnings will be recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

(i.3) Financial instruments at fair value through profit or loss -
As of December 31, 2018, the Company holds in this category the assets that comprise the caption "Investments at fair value through profit or loss".

Intercorp Perú classifies financial assets and financial liabilities as held for trading when they have been mainly acquired or issued in order to obtain benefits in the short term through trading activities. Held-for-trading assets and liabilities are recorded and measured at fair value in the separate statements of financial position. Fair value changes are recognized in profit or loss. Income or expenses from interests and dividends are recorded in profit or loss according to the terms of the contract or when the right to payment arises.

(i.4) Derecognition of financial assets -

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual rights to receive the cash flows generated by the asset have expired;

- The Company has transferred the contractual rights over the cash flows generated by the asset, or it has assumed an obligation to pay to a third party all of those cash flows without a significant delay, through a pass -through arrangement, and if (i) the Company has transferred substantially all the risks and benefits inherent to the ownership of the asset; or (ii) all the risks and benefits inherent to the ownership of the asset have not been substantially transferred or retained, but control over the asset has been transferred.

  When the Company has transferred its rights to receive the cash flows of an asset, or has entered into a transfer agreement, but has neither transferred nor substantially retained all the risks and benefits of the asset, nor transferred control of the asset, the asset is recognized to the extent of the continued participation in the Company over the asset. In this case, the Company also recognizes the related liability. The transferred asset and the related liability are measured in a manner that reflects the rights and obligations that the Company has retained.

  A continued ownership interest that adopts the form of guarantee over the transferred asset is measured at the lowest amount between the asset's original book value and the maximum compensation value that the Company is obliged to return.

(i.5) Impairment of financial assets -

Prior January 1, 2018, under IAS 39, the Company assessed at each reporting date, whether there was any objective evidence that a financial asset or a group of financial assets were impaired. A financial asset or a group of financial assets was considered impaired, if and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an "loss-causing-event", such as the antiquity assessment of accounts receivable and credit risk assessment) between which we have, the seniority assessment of accounts receivable, credit risk assessment) and that this event had an impact on the estimated future cash flows of the financial asset or group of financial assets, and that this estimate is reliable . Evidence of impairment could include indications of significant financial difficulties of the borrowers or group of borrowers, default or delays in interest or principal payments, likelihood of restructuring or bankruptcy of the company or other legal financial reorganization process in which it is demonstrated that there will be a reduction in the estimated future flows, such as changes in circumstances or economic conditions that have correlation with payment defaults.

Since January 1, 2018, with the adoption of IFRS 9, the method for calculating the impairment loss has changed substantially; replacing the incurred losses approach of IAS 39 with an approach of expected losses; However, as indicated in Notes 4.2.2 and 4.5, the adoption of IFRS 9 has not had a significant impact on the Company, since the Company does not hold financial assets with significant expected loss considering the nature of its operations., except for financial assets of its Subsidiaries, which do maintain financial assets subject to expected loss and whose first adoption generated a decrease in their respective assets, which in turn affected the Company's equity due to the application of the equity method.

The allocation of the expected loss is based on the credit losses that are expected to arise during the life of the asset, unless there has not been a significant increase in credit risk since the initial date of the financial instrument, in which case, the provision is based on the expected 12-month credit loss corresponding to the portion of expected credit loss during the asset's lifespan, which result from non-compliance events in a financial instruments, that are possible to occur within the 12 months after the reporting date.

Both the credit losses expected at 12 months and the expected credit losses during the life of the asset are calculated individually or collectively, depending on the nature of the portfolio.

The Company has established a policy to perform an assessment, at the end of each reporting period, to identify whether the asset has suffered a significant increase in credit risk since the initial date.

(ii) Financial liabilities -

Initial recognition and measurement -

Financial liabilities (within the scope of IAS 39 and IFRS 9) are classified as financial liabilities at fair value through profit or loss, loans and accounts payable, or as derivatives designated as efficient hedging instruments, as corresponds. The Company determines the classification of financial liabilities at the moment of initial recognition.

All financial liabilities are initially recognized at their fair value plus, in the case of loans and accounts payable recorded at amortized cost, directly attributable transaction costs.

The financial liabilities of the Company include various accounts payable to Subsidiaries, loans payable, interest, provisions and other accounts payable and corporate bonds.

Subsequent measurement -

As of December 31, 2018 and 2017, the Company does not maintain financial liabilities at fair value through profit or loss. In this sense, the measurement of the financial liabilities held by the Company depends on their classification as described below:

After the initial recognition, the debts and loans that accrue interest are subsequently measured at amortized cost, using the EIR. Profits and losses are recognized in the separate statements of comprehensive income when the liabilities are written off, as well as through the amortization process, through the EIR.

The amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the EIR. The amortization of the EIR is recognized as a financial expense in the statements of comprehensive income.

Derecognition of financial liabilities -
A financial liability is written off when the obligation specified in the corresponding contract has been paid or canceled, or has expired.

When an existing financial liability is replaced by another liability from the same lender under substantially different conditions, or if the conditions of an existing liability are substantially modified, such a swap or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference between the respective carrying amounts is recognized in the separate income statements.

(iii) Compensation of financial instruments -
Financial assets and financial liabilities are offset so that the net amount is reported in the statements of financial position, only if there is a current legally enforceable right to offset the amounts recognized, and there is an intention to settle them for the net amount, or to realize the assets and cancel the liabilities simultaneously.

As of December 31, 2018 and 2017, the Company does not present any financial asset or liability with net amounts; likewise, it does not present gross amounts subject to compensation rights.

(iv) Fair value of financial instruments -
As of the closing date of each reporting period, the fair value of financial instruments traded in active markets is determined based on market prices or the prices set by market agents (buying price for long positions and selling price for short positions) without deducting transaction costs.

For financial instruments that are not traded on active markets, fair value is determined using appropriate valuation methods. Those techniques include the use of recent market transactions between duly informed interested parties acting on an arm's length basis, references from fair values of other essentially similar financial instruments, the discounted cash flow analysis and other valuation methods.

Note 18(d) includes information about the fair values of financial instruments, as well as further detail about how they have been determined.

(b) Foreign currency -

Functional and presentation currency -
The Company has determined that the "Sol" is its functional and presentation currency, because it reflects the nature of the economic events and the relevant circumstances for Intercorp Perú, given that its main operations and / or transactions are established and settled in Soles.

Because certain Subsidiaries have a functional currency other than the Sol, for the purpose of applying the equity method, their balances were translated using the methodology established by IAS 21 "The Effects of Changes in Foreign Exchange Rates", as follows:

- Asset and liability accounts, at the closing exchange rate on each date of the separate statements of financial position.
- Income and expenses, at the average exchange rate for each month of the year.

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.

Transactions and balances in foreign currency:
Transactions and balances in foreign currency are those made in currencies other than the functional currency. Transactions in foreign currency are initially recorded at the exchange rate of the functional currency on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency by using the exchange net in effect on the reporting date. The differences between the closing exchange rate of each separate statements of financial position presented and the exchange rate initially used to record foreign currency transactions 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 foreign currency are recorded at the exchange rate corresponding to the date of the initial transaction.

(c) 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.

Investments in Subsidiaries are initially recorded at their acquisition cost; subsequently, they are recorded using the equity method. Under this method, the carrying amount of the investment is adjusted to recognize changes in the Company's participation in the net assets of the Subsidiaries since the acquisition date.

The separate income statements reflect the Company's participation 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, when applicable, in the separate statements of changes in equity. Unrealized gains and losses resulting from common transactions are eliminated in proportion to the participation held in the Subsidiary.

As detailed in Note 4.2.1, Interseguro performed a change in its accounting policy, which was applied retrospectively, thereby restating its previously issued financial statements. In order to recognize this change, IFS modified its calculations of the value of the equity method in Interseguro retrospectively, restating its separate financial statements. As a consequence, Intercorp Perú modified its calculations of the value of the equity participation in IFS and restated its separate financial statements.

After applying the equity method, the Company determines whether it is necessary to recognize an impairment loss on investments in Subsidiaries. At 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.

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

(d) Derivatives -

(d.1) Derivatives recorded at fair value through profit loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; provided that, in the case of a non-financial variable, it is not specific to part of the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than the required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

As of December 31, 2018 and 2017, Intercorp Perú performed currency forwards; however, at such dates, it does not hold derivative instruments for current trading purposes. The derivatives agreed in 2018 and 2017 generated net losses of approximately S/2,092,000 and S/3,150,000, respectively, which are presented in the caption "Net loss on trading derivate financial instruments", Note 18(c)(i).

(d.2) Hedging derivatives -

Derivatives can be designated as hedging instruments under accounting for hedging transactions if they qualify as such. Depending on the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge risk exposures or modify the characteristics of financial assets and liabilities and which meet the criteria of IFRS 9, are recognized as hedging transactions.

As of December 31, 2018 and 2017, the Company did not maintain derivatives designated as hedging.

(e) 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, Note 12.

(f) Recognition of revenues, costs and expenses -

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

(g) Provisions -

Provisions are recognized only when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required in order to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 discounted using a pre-tax rate that reflects, where appropriate, the specific risks of the liability. When 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 are disclosed in the Notes to the separate financial statements, 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 emerge.

(I) Earnings per share -
The amount of basic earnings per share is calculated by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. As of December 31, 2018 and 2017, the Company does not have financial instruments with dilutive effect, therefore, basic and diluted earnings per share are identical for the years reported.

(j) Cash and cash equivalents -
Cash presented in the separate statements of cash flows includes cash balances and bank deposits with original maturities of less than three months, excluding accrued returns and restricted funds, if applicable.

(k) 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.

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.

4.4 IFRS issued but not effective as of December 31, 2018 -
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 16 "Leases", effective for annual periods beginning on or after January 1, 2019.

- IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments", effective for annual periods beginning on January 1, 2019.

- Amendments to IFRS 9: "Financial Instruments: Prepayment features with negative compensation". The amendment must be applied retrospectively and is effective for periods beginning on or after January 1, 2019.

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in relation to the sale or contribution of assets between an investor and its associate or joint venture, whose effective application has been postponed indefinitely by the IASB, in December 2015.

- Amendments to IAS 19 "Employee Benefits: Plan amendment, curtailment or settlement"
  The amendments to IAS 19 are effective for reductions or liquidations of plans that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019.

- Amendments to IAS 28 "Investments in Associates and Joint Ventures: Long-term interests in associates and joint ventures", the amendments are effective for annual periods beginning on or after January 1, 2019.

- Improvements to the IFRS (2015 – 2017 cycle). IFRS 3 "Business Combinations", IFRS 11 "Joint Agreements", IAS 12 "Income Tax", IAS 23 "Borrowing Costs", effective for annual periods that begin on January 1, 2019 and its early application is allowed.

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

4.5 Transition disclosures -

This table presents the impact of the adoption of IFRS 9 and IFRS 15 in the separate statements of financial position:

	IAS 39 and IAS 18								IFRS 9 and IFRS 15
	Category	Balance S/(000)	Reclassifications S/(000)		Adjustment to the equity method value S/(000)		Balance S/(000)		Category
Current assets									
Cash and due from banks	Loans and accounts receivable	13,494	-		-		13,494		Amortized cost
Accounts receivable from Subsidiaries, related entities and others	Loans and accounts receivable	44,520	-		-		44,520		Amortized cost
Investments at fair value through profit or loss	Fair value through profit or loss	-	63,710	B	-		63,710		Equity instruments at fair value through profit or loss
Total current assets		58,014	63,710		-		121,724		
Non-current assets									
Available-for-sale investments	Available-for-sale	80,378	(80,378)		-		-		-
Investments at fair value through other comprehensive income	-	-	16,668	B	-		16,668		Debt instruments at fair value through other comprehensive income
Investment property	-	137,468	-		-		137,468		-
Investments in Subsidiaries	-	8,534,306	-		(72,979)	A	8,461,327		-
Other assets	-	431	-		-		431		-
Total non-current assets		8,752,583	(63,710)		(72,979)		8,615,894		
Total assets		8,810,597	-		(72,979)		8,737,618		

	IAS 39 and IAS 18							IFRS 9 and IFRS 15
	Category	Balance S/(000)	Reclassifications S/(000)		Adjustment to the equity method value S/(000)		Balance S/(000)	Category
Current liabilities								
Accounts payable to Subsidiaries	Amortized cost	48,713	-		-		48,713	Amortized cost
Loans payable	Amortized cost	110,000	-		-		110,000	Amortized cost
Interest, provisions and other accounts payable								
Tax liability on dividends	-	24,338	-		-		24,338	-
Other accounts payable	Amortized cost	26,761	-		-		26,761	Amortized cost
Interest payable on corporate bonds	Amortized cost	27,443	-		-		27,443	Amortized cost
Total current liabilities		237,255	-		-		237,255	
Corporate bonds	Amortized cost	1,096,875	-		-		1,096,875	Amortized cost
Total liabilities		1,334,130	-		-		1,334,130	
Equity, net								
Capital stock	-	3,524,799	-		-		3,524,799	-
Reserves	-	2,626,014	-		-		2,626,014	-
Unrealized results	-	(219,351)	(40,951)	B	(59,826)	A	(320,128)	-
Retained earnings	-	1,545,005	40,951	B	(13,153)	A	1,572,803	-
Total equity, net		7,476,467	-		(72,979)		7,403,488	
Total liabilities and equity, net		8,810,597	-		(72,979)		8,737,618	

A Corresponds to the effect on the equity method value from the adoption of IFRS 9 and IFRS 15 in the Subsidiaries of the Company for S/72,867,000 and S/112,000, respectively

B When adopting IFRS 9, the Company chose to designate investments at fair value through profit or loss for S/63,710,000 and debt instruments at fair value through other comprehensive income for S/16,668,000; these were classified as available-for-sale investments until 2017.

The impact of the transition to IFRS 9 and IFRS 15 on unrealized results and retained earnings is as follows:

	S/(000)
Unrealized results	
Balance according to IAS 39 (as of December 31,2017)	(219,351)
Impacts of the transition -	
Reclassification of financial investments	(40,951)
Equity method in the effect of the adoption of IFRS 9 in Subsidiaries	(59,826)
Total effects on unrealized results (i)	(100,777)
Initial balance under IFRS 9 (as of January 1, 2018)	(320,128)
Retained earnings -	
Balance according to IAS 39 (as of December 31,2017)	1,545,005
Impacts of the transition -	
Reclassification of financial investments	40,951
Recognition of the effect of adopting IFRS 9 on Subsidiaries	(13,041)
Recognition of the effect of adopting IFRS 15 on Subsidiaries	(112)
Total effects on retained earnings (ii)	27,798
Initial balance under IFRS 9 and IFRS 15 (as of January 1, 2018)	1,572,803
Changes for the first adoption of IFRS 9 and IFRS 15 (i) + (ii)	(72,979)

5. Accounts receivable from Subsidiaries, related entities and others

(a) This caption is made up as follows:

	2018 S/(000)	2017 S/(000)
Subsidiaries (b)	511	44,105
Related entity	749	415
	1,260	44,520

(b) As of December 31, 2018 and 2017, it mainly corresponds to loans denominated in Soles, which bear interest at market rates, with short-term maturities and without specific guarantees. See Note 15(f).

6. Financial investments at fair value through profit or loss

(a) This caption is made up as follows:

	2018
	Fair Value S/(000)
NG Capital Partners I – Investment fund (b)	46,166
Arias Resource Capital Fund II L.P.– Foreign mutual fund (c)	59,719
	105,885

(b) It corresponds to ownership interests in NG Capital Partners, which is an investment fund established in Canada and dedicated to invest principally in affiliated entities established in Peru.

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

(d) As of December 31, 2018, the Company has recognized income due to value changes in the fair value of these investments, which amount to S/41,508,000, and is presented in the separate income statements in the caption "Valuation gain from investments at fair value through profit or loss".

(e) The composition of the item "Available-for-sale" as of December 31, 2017, is presented below (in accordance with IAS 39):

	2017		
	Cost of acquisition S/(000)	**Unrealized earnings** S/(000)	**Fair value estimated** S/(000)
NG Capital Partners I	17,802	21,150	38,952
Arias Resource Capital Fund II L.P.	4,957	19,801	24,758
Global Bond of the Republic of Peru (f)	16,262	132	16,394
	39,021	41,083	80,104
Plus – Accrued interest			274
			80,378

(f) They corresponded to 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. In 2018, as part of the adoption of IFRS 9, the Company designated that investment as investment at fair value through other comprehensive income. As of December 2018, the Company sold its position in said investment; however, during its possession, they accrued interest for around S/147,000 (S/413,000 as of December 31, 2017), which is presented in the caption "Financial income" of the separate income statements; see Note 13(a).

(g) In July and August of 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 under "Gain from sale of available-for-sale investments".

7. 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, 2018 and 2017, the price per square meter of the land lot amounted to US$683 and US$650, respectively.

8. **Investments in Subsidiaries**

(a) As of December 31, 2018 and 2017, the detail of the investments in Subsidiaries is as follows:

Entity	Ownership		Equity value	
	2018 %	2017 %	2018 S/(000)	2017 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	75.94%	78.07%	5,129,134	4,345,229
Intercorp Retail Inc. and Subsidiaries	100.00%	100.00%	3,566,578	3,199,462
La Punta Global Opportunities Corp.	100.00%	100.00%	291,477	200,182
NG Education Holdings Corp. and Subsidiaries	68.51%	68.51%	228,461	216,823
Urbi Propiedades S.A. and Subsidiaries	100.00%	100.00%	172,767	166,049
Callao Global Opportunities Corp.	100.00%	100.00%	134,705	124,357
Intercorp Investments Perú Inc. and Subsidiaries	100.00%	100.00%	100,530	106,857
San Miguel Global Opportunities S.A.C.	100.00%	100.00%	66,743	64,802
NG Education Holdings III Corp.	85.31%	85.31%	49,623	50,394
NG Education Holdings II Corp. and Subsidiaries	50.00%	50.00%	37,470	19,736
Beacon Healthcare S.A.C.	100.00%	100.00%	41,518	8,787
Intercorp Education Services, S.L.	100.00%	100.00%	33,104	11
Intercorp Re Inc. and Subsidiaries	100.00%	100.00%	22,090	22,129
Other minor Subsidiaries	-	-	5,779	9,488
			9,879,979	8,534,306

(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, 2018 and 2017:

	Total assets		Total liabilities		Net equity		Net profit (loss)	
Entity	2018 S/(000)	2017 S/(000)	2018 S/(000)	2017 S/(000)	2018 S/(000)	2017 S/(000)	2018 S/(000)	2017 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	63,744,409	60,394,497	56,655,933	54,557,590	7,088,476	5,836,907	1,091,394	1,033,454
Intercorp Retail Inc. and Subsidiaries	16,787,509	11,582,224	11,666,986	7,054,371	5,120,523	4,527,853	142,499	320,595
La Punta Global Opportunities Corp.	291,477	200,181	-	-	291,477	200,181	42,151	434
NG Education Holdings Corp. and Subsidiaries	2,087,676	1,781,712	1,277,490	1,010,952	810,186	770,760	28,770	25,078
Urbi Propiedades S.A. and Subsidiaries	458,851	491,206	234,128	273,503	224,723	217,703	(25,906)	104,463
Callao Global Opportunities Corp.	134,705	124,357	-	-	134,705	124,357	(17,633)	(25,193)
Intercorp Investments Perú Inc. and Subsidiaries	133,602	140,653	33,072	33,797	100,530	106,856	(21,222)	(8,679)
San Miguel Global Opportunities S.A.C.	47,268	46,888	7,654	9,216	39,614	37,672	(142)	(920)
NG Education Holdings III Corp.	58,553	59,357	3	1	58,550	59,356	(513)	(1,356)
NG Education Holdings II Corp. and Subsidiaries	95,990	53,965	21,050	14,493	74,940	39,472	(2,347)	926
Intercorp Re Inc. and Subsidiaries	1,351	1,464	-	74	1,351	1,390	(39)	(21,747)
Beacon Healthcare S.A.C.	64,388	9,254	22,870	466	41,518	8,788	(3,952)	(5,275)
Intercorp Education Services S.L.	51,370	11	2,654	-	48,716	11	(6,215)	-

(c) The table below presents the movement of the investments in Subsidiaries for the years 2018 and 2017:

	2018 S/(000)	2017 S/(000) Note 4.2.1 Restated
Balances as of January 1	8,534,306	7,433,752
First adoption of IFRS 9, Note 4.5	(72,867)	-
First adoption of IFRS 15, Note 4.5	(112)	-
Net gain arising from participation in income of Subsidiaries (*)	942,795	1,089,732
Dividends received in cash from Subsidiaries (i)	(389,912)	(398,982)
Net variation of unrealized results on financial instruments of Subsidiaries (*)	198,460	220,933
Capital contribution in Subsidiaries (ii)	233,441	240,415
Debt capitalization in Subsidiaries	41,213	-
Exchange difference on translation of foreign operations	19,324	(18,395)
Net variation of treasury stock held by Subsidiaries, net of dividends received.	219,128	70,174
Acquisition of non-controlling interest of Quicorp, net of participation changes in Subsidiaries	293,368	-
Effect of participation changes in Subsidiaries	(78,241)	(49,463)
Capital reduction in Subsidiaries (iii)	-	(70,360)
Other minor equity movements	(60,924)	16,500
Balances as of December 31	9,879,979	8,534,306

(*) As detailed in Note 4.2.1, during the year 2018 Interseguro performed a voluntary change in its accounting policy and modified its financial statements retrospectively. Said change affected Intercorp Perú's ownership interest in IFS's profit or loss and unrealized results.

(i) During the years 2018 and 2017, the Company recorded dividends from the following Subsidiaries:

	2018 S/(000)	2017 S/(000)
Intercorp Financial Services Inc.	380,999	354,808
La Punta Global Opportunities Corp.	7,047	-
Intercorp Retail Inc.	-	37,747
InRetail Perú Corp.	-	6,427
Others	1,866	-
	389,912	398,982

(ii) During the years 2018 and 2017, the Company made capital contributions, in cash, to the following Subsidiaries:

	2018	2017
	S/(000)	S/(000)
La Punta Global Opportunities Corp.	56,192	35,749
Beacon Healthcare S.A.C.	36,683	14,063
Callao Global Opportunities Corp.	30,000	70,809
Intercorp Education Services, S.L.	26,923	11
Urbi Propiedades S.A.	24,354	12,257
NG Education Holdings II Corp.	20,000	6,654
Intercorp Investments Perú Inc.	16,502	9,069
Intercorp Management S.A.C.	14,981	18,623
Urbi Proyectos S.A.	7,243	5,154
NG Education Holdings III Corp.	34	46,852
NG Education Holdings Corp.	-	21,081
Other Subsidiaries	529	93
	233,441	240,415

(iii) During the year 2017, Intercorp Re Inc. and NG Education Holdings Corp., Subsidiaries of the Company, reduced their capital stock by S/65,500,000 and S/4,860,000, respectively.

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

(a) As of December 31, 2018 and 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.

As of December 31, 2018 and 2017, loans accrued interests for S/7,354,000 and S/5,096,000 respectively, which are presented in the caption "Financial expenses" of the separate income statements; see Note 13(a).

(b) The composition of interest, provisions and other accounts payable as of December 31, 2018 and 2017, is presented below:

	2018 S/(000)	2017 S/(000)
Interest payable on corporate bonds, Note 10(b)	28,152	27,443
Dividends payable (c)	25,275	24,338
Board of Directors' compensation	10,437	7,280
Interest on loans - mutual funds	3,948	3,826
Accounts payable for acquisition of land (d)	367	13,277
Other accounts payable and provisions	3,866	2,378
	72,045	78,542

(c) As of December 31, 2018 and 2017, correspond to the balance of dividends declared in each year, paid quarterly until March of the following year; see Note 11(a).

(d) As of December 31, 2018 and 2017, 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 7.

10. Corporate bonds

(a) This caption is made up as follows:

Issuance	Annual interest rate	Interest payment	Maturity	Issuance amount (000)	2018 S/(000)	2017 S/(000)
Senior Bonds (i)	5.875	Semiannually	2025	US$250,000	831,272	799,096
Senior Bonds (i)	7.656	Semiannually	2030	S/301,500	297,952	297,779
					1,129,224	1,096,875

(i) In February 2015, the Company performed 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, 2018 and 2017, approximately S/5,411,000 and S/3,715,000, 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 2018, the Company recorded interest expenses for approximately S/72,869,000 (approximately S/72,311,000 in 2017), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 13(a). Likewise, as of December 31, 2018 and 2017, interest payable is presented in the caption "Interest, provisions and other accounts payable"; see Note 9(b).

(c) As consequence of these issuances, the Company, until their maturity and settlement, must comply with certain covenants (mainly financial ratios), which, in Management's opinion, do not limit its operations and have been complied with as of December 31, 2018 and 2017.

11. Equity

(a) Capital stock -

As of December 31, 2018 and 2017, 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, 2018 and 2017, is presented below:

Shareholder	Ownership %
Class “A” shares:	
International Financial Holding Inc.	7.73
Southern Hill Corp.	2.27
Class “B” shares:	
Bank of New York-ADR Programs	39.78
International Financial Holding Inc.	21.79
Shetland Securities Inc.	16.37
Southern Hill Corp.	10.60
Others	1.46
	100.00

The Board of Directors' session, held on November 20, 2018, agreed to capitalize the earnings generated in 2018 for the amount of S/350,000,000.

The General Shareholders' Meeting held on April 2, 2018, agreed to capitalize approximately S/485,891,000. As a result of said agreement, the nominal value per share was modified from US$8 to US$9. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to 97,818,000), which will be paid in four quarterly and equal installments (US$7,500,000) from June 2018 to March 2019. As of December 31, 2018, the payment of the last installment is pending.

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 to US$8, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to 97,335,000), which were paid in four quarterly and equal installments (US$7,500,000) from June 2017 to March 2018.

(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, 2018 and 2017, the Company has met the aforementioned requirements.

(c) Reserves

In the Board sessions held on March 28, 2018, May 22, 2018, and September 24, 2018, it was agreed to constitute a reserve with charge to retained earnings up to the amount of S/550,000,000, S/250,000,000 and S/200,000,000, respectively.

The General Shareholders' Meeting held on April 2, 2018, agreed to constitute a reserve for S/114,109,000 charged to retained earnings.

In the Board sessions held on September 18, 2017 and June 30, 2017, it was agreed to constitute a reserve charged to retained earnings for up to S/90,000,000 and S/200,000,000, respectively.

(d) Unrealized results

Unrealized results correspond to those generated by the fluctuation of Instruments at fair value through other comprehensive income (available-for-sale investments as of December 31, 2017), due to 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 Subsidiaries abroad with a functional currency other than the Company's functional currency.

12. 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).

Peruvian companies of life insurance are exempted from the Income Tax regarding the income derived from assets linked to technical reserves for the payment of annuities and pension insurance of the Private Pension Fund Administration System.

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. In addition, 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 are subject to the tax regime of the country in which they operate; and pay taxes on the basis of their separate financial statements.

As of December 31, 2018 and 2017, the applicable Income Tax rates on the taxable income in the main countries where the Company and its Subsidiaries operate are presented below.

	Tax rates	
	2018 %	2017 %
Peru	29.50	29.50
Ecuador	25.00	22.00
Colombia	33.00	34.00
Bolivia	25.00	25.00

According to existing legislation in some countries as of December 31, 2018 and 2017, cash dividends for non-domiciled shareholders are taxable for Income Tax with to the following rates:

	Tax rates	
	2018	2017
	%	%
Peru	5.00	5.00
Colombia	5.00	5.00
Bolivia	12.50	12.50

(c) The Tax Authority is legally entitled to review and dispute tax returns for up to four years subsequent to the date at which they are filed.

The following tax periods of the main Subsidiaries are pending review by the Tax Authority.

	Income Tax	Value Added Tax (IGV)
Albis S.A.C.	2014 to 2018	Dec. 2015 to 2018
Banco Internacional del Perú S.A.A. – Interbank	2012, 2014 to 2018	2014 to 2018
Cifarma S.A.C.	2014 to 2018	Dec. 2014 to 2018
Colegios Peruanos S.A.	2012 to 2018	2012 to 2018
Desarrolladora Strip Centers S.A.C.	2013 to 2018	2015 to 2018
Financiera Oh! S.A.	2014 to 2018	2014 to 2018
Hipotecaria Sura – In liquidation	2012, 2014 to 2018	2014 to 2018
Holding Retail S.A.	2014 to 2018	2014 to 2018
Homecenters Peruanos S.A.C.	2014 to 2018	2015 to 2018
Inmobiliaria Milenia S.A.	2014, 2015 to 2018	2015 to 2018
Inretail Pharma S.A.	2014 to 2018	2015 to 2018
InRetail Management S.R.L.	2015 to 2018	2014 to 2018
Interseguro Compañía de Seguros S.A.	2013, 2015, 2017 and 2018	2014 to 2018
Jorsa de la Selva S.A.C.	2014 to 2018	-
Mifarma S.A.C.	2014 to 2018	2015 to 2018
Mifarma S.A. (Bolivia)	2014 to 2018	2014 to 2018
Negocios e Inmuebles S.A.	2014 to 2018	2014 to 2018
Quicorp S.A.	2014 to 2018	Dec. 2014 to 2018
Quideca S.A. (Colombia)	2014 to 2018	2016 to 2018
Quifatex S.A. (Ecuador)	2015 to 2018	2015 to 2018
Quimiza Ltda. (Bolivia)	2014 to 2018	2014 to 2018
Química Suiza S.A.C.	2016 to 2018	Dec. 2014 to 2018
Real Plaza S.R.L.	2015 to 2018	2015 to 2018
Seguros Sura S.A.	2014 to 2018	2014 to 2018

	Income Tax	Value Added Tax (IGV)
Superfarma Mayorista S.A.C.	2016 to 2018	2016 to 2018
Supermercados Peruanos S.A.	2013 to 2018	2015 to 2018
Tiendas Peruanas S.A.C.	2015 to 2018	2014 to 2018
Universidad Tecnológica del Perú S.A.C.	2014 to 2018	2015 to 2018
Urbi Propiedades S.A.	2013 to 2018	2014 to 2018
Vanttive S.A.C.	2014 to 2018	Sep. 2015 to 2018
Vanttive Cía. Ltda (Ecuador)	2015 to 2018	2015 to 2018

Given the possible interpretations that the Tax Authority may have for the current legal regulations, it is not possible to determine as of the corresponding date if future revisions will result or not in additional liabilities for Subsidiaries of Intercorp Group, therefore, if eventual tax revisions result in higher taxes, they will be applied to the profit or loss of the fiscal year in which they are determined. However, Management and its legal advisors believe that the determination of higher taxes would not have a significant impact on the separate financial statements as of December 31, 2018 and 2017.

(d) Financial and insurance entities

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, the most relevant matter subject to discrepancy with the Peruvian Tax Authority ("SUNAT", by its Spanish acronym) corresponds to whether the "interests in suspense" are subject to Income Tax or not. In this sense, Interbank deems 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 aforementioned, 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 the original estimation regarding the degree of contingency for this discrepancy; which, based on this new circumstance and in compliance with the IFRS, Management and its legal advisors estimate as possible.

The tax debt requested for this concept and other minors by SUNAT as of December 31, 2018, amounts to approximately S/393 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 Interbank's position; as a result, it has not been recorded any provision for this contingency as of December 31, 2018 and 2017.

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

On January 14, 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. The tax debt sought by SUNAT amounts to approximately S/50 million. To date, Management has submitted the respective complaint resource to the resolutions indicated above. In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2018 and 2017.

Lastly, as of the date of this report, SUNAT is reviewing the 2012 tax return. In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the separate financial statements as of December 31, 2018 and 2017.

On January 4, 2019, Interseguro was notified through a Determination Resolution about the partial auditing of the Income Tax for non-domiciled entities for Sura corresponding to January 2015; see Note 2. The tax debt claimed by SUNAT amounts to approximately S/19 million. Considering that this debt corresponds to a period prior to the acquisition of Seguros Sura by the Group (see Note 2), and according to the conditions of the purchase and sale agreement of this entity, this debt, if confirmed after the legal actions that Management is to file, would be assumed by the sellers. To date, Management and its legal advisors are assessing the measures to be followed in relation to said Determination Resolution.

(e) Retail and real estate business -

Supermercados Peruanos S.A. has been audited by SUNAT on its Income Tax returns and its monthly IGV returns for the years 2004 to 2010. Said audits resulted in Determination Resolutions generating higher tax payments, fines and interest for an approximate total of S/174,000,000 as of December 31, 2018. The resolutions issued for the years 2004 to 2010 have been challenged and these cases are pending resolution by the Tax Court.

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

Mifarma S.A.C. (formerly known as Farmacias Peruanas S.A.C.) filed an appeal for around S/15,385,000 against SUNAT for resolutions with alleged omissions in the determination of the tax base for the profits of 2001, 2003, 2008, 2009, 2011, 2012, 2013, 2014 and 2015, as well as the IGV of the year 2001. Management and its legal advisors do not consider it necessary to create additional provisions to those that are already recorded as of December 31, 2018, for these processes.

(f) Educational business
As of December 31, 2018 and 2017, 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, 2018 and 2017, the approximate amount of such proceedings and procedures amounts to approximately S/5,000,000. In the opinion of Management and its legal advisors, these legal actions will not generate liabilities of importance to the financial statements.

(g) Regarding the determination of the Income Tax, transfer prices of transactions with related companies and companies located in non-cooperating countries or territories or with low or zero taxation, or with legal persons or permanent establishments whose profits, income or earnings from such contracts are subject to a preferential fiscal regime, must be supported with documentation and information about valuation methods and criteria considered for its determination. Based on the analysis of the Company's and its Subsidiaries' operations, Management and its legal advisors believe that, as a result of the application of these standards, there will not be significant contingencies for the Company and its Subsidiaries as of December 31, 2018 and 2017.

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

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

(i) In July 2018, Act No. 30823 was published, whereby the Congress delegated power to the Executive Branch to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

(i) Beginning on January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the Income Tax is withheld at the payment or accreditation of the compensation. In order for said cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the filing date of the annual tax return for the Income Tax (Legislative Decree No. 1369).

(ii) The rules that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Act, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the natural or juridical person who manages the autonomous patrimony or the investment funds from abroad, or the natural or juridical person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be fulfilled through the presentation to SUNAT of an informative Sworn Statement, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by Superintendence Resolution issued by SUNAT.

(iii) The Tax Code was amended regarding the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code - Legislative Decree No. 1422).

As part of this amendment, a new assumption of joint and several liabilities is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of actions or situations or economic relations viewed as evasion in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of actions, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The actions, situations and economic relations carried out within the framework of tax planning and implemented at the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until March 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved the aforementioned actions, situations and economic relations.

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

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

- Income obtained from the indirect transfer of shares of stock or capital representing participations of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new indirect sale assumption, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or higher than 40,000 Tax Units.

- Permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. For this purpose, new cases of permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any 12-month period.

- The regime of credits against Income Tax for taxes paid abroad, to be included in the indirect credit (corporate tax paid by foreign Subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, in order to avoid double economic imposition.

- The deduction of interest expenses for the determination of corporate Income Tax. In the years 2019 and 2020, it shall be applicable the debt limit set at up to three times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. Beginning in 2021, the limit for the deduction of financial expenses shall be equivalent to 30 percent of the entity's EBITDA.

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

13. Financial income and expenses

(a) This caption is comprised by the following:

	2018 S/(000)	2017 S/(000)
Financial income		
Interest from loans granted to Subsidiaries and shareholder, Note 15(d)	2,267	318
Interest from Global Bond of the Republic of Peru, Note 6(f)	147	413
Others	17	34
Total financial income	2,431	765
Financial expenses		
Interest on corporate bonds, Note 10(b)	(72,869)	(72,311)
Interest on loans, Notes 9(a) and 15(b)	(11,468)	(11,152)
Interest on notes issued (b)	-	(1,067)
Others	(1,240)	(1,813)
Total financial expenses	(85,577)	(86,343)
Financial expenses, net	(83,146)	(85,578)

(b) As of December 31, 2017, correspond to the interests accrued by issued Notes that corresponded to unsubordinated obligations, which did not have specific guarantees and were placed through private offers for US$12,000,000, equivalent to S/40,320,000; their maturity was in May 2017.

14. Other expenses, net

This caption is comprised by the following:

	2018 S/(000)	2017 S/(000)
Board of Directors' compensation	35,671	31,306
Changes in fair value of investment property	(4,550)	(1,519)
Others, net	(2,792)	-
	28,329	29,787

15. Transactions with Subsidiaries and related entities

(a) As of December 31, 2018 and 2017, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	2018 S/(000)	2017 S/(000)
Subsidiary		
Banco Internacional del Perú S.A.A. – Interbank	6,616	12,711
Inteligo Bank Ltd.	852	783
	7,468	13,494

(b) As of December 31, 2018 and 2017, the balance of accounts payable to Subsidiaries are the following:

	2018 S/(000)	2017 S/(000)
Subsidiary		
Banco Internacional del Perú S.A.A. – Interbank (i)	65,257	45,144
InRetail Pharma S.A.	3,450	-
Inversiones Río Nuevo S.A.C.	1,422	1,410
Intercorp Retail Inc.	1,181	1,181
Horizonte Global Opportunities Perú S.A.C.	-	978
	71,310	48,713

(i) As of December 31, 2018 and 2017, it corresponds to promissory notes in Soles, which accrue interest at market rates, with current maturity and do not have specific guarantees. In the year 2018, interest was recognized for S/4,114,000 (S/6,056,000 as of December 31, 2017), which are presented as part of the "Financial expenses" caption of the separate income statements, see Note 13(a).

(c) As of December 31, 2018 and 2017, the Company holds participations in NG Capital Partners I investment fund, which are classified as investments at fair value through profit or loss and available-for-sale investments for S/46,166,000 and S/38,952,000; respectively, see Notes 6(a) and 6(e).

(d) For the years ended December 31, 2018 and 2017, the Company recorded the following income (expenses) from operations with its Subsidiaries and related entities:

	2018 S/(000)	2017 S/(000)
Loss on derivative financial instruments		
Banco Internacional del Perú S.A.A. – Interbank, Note 18(c)(i)	(2,092)	(3,150)
Financial income		
Other Subsidiaries	2,267	318
Financial expenses		
Banco Internacional del Perú S.A.A. – Interbank (b)	(4,114)	(6,056)
Intercorp Retail Inc.	(1,159)	(1,143)
Other Subsidiaries	(80)	(195)
Other expenses, net		
Board of Directors' compensation	(35,671)	(31,306)

(e) As of December 31, 2018 and 2017, the Company had no employees, and therefore its operations and administration are carried out through its Subsidiaries.

(f) As of December 31, 2018 and 2017, the balances receivable from Subsidiaries and related entities are the following:

	2018 S/(000)	2017 S/(000)
Subsidiary / Related entity		
Domus Hogares del Norte S.A.	-	23,210
Transformando la Educación en México S.L.	-	7,758
Urbi Propiedades S.A.	-	6,580
NG Education Holdings Corp.	-	4,857
San Miguel Global Opportunities	-	1,550
Other accounts receivable from Subsidiaries	511	150
Other accounts receivable from related entities	749	415
Total	1,260	44,520

Notes to the separate financial statements (continued)

16. 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 thousands)	Shares considered in computation (in thousands)	Effective days in the year	Weighted average number of shares (in thousands)
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), modified				1,015,673
Earnings per share A and B, in Soles				6.82
Year 2018				
Balance as of January 1	149,019	149,019	365	149,019
Balance as of December 31, 2018	149,019	149,019		149,019
Net profit for the year S/(000)				817,234
Earnings per share A and B, in Soles				5.48

17. Financial instruments classification

The financial assets and liabilities of the separate statements of financial position as of December 31, 2018 and 2017 are presented below. As detailed in Note 4.2.2., the Company has not restated the comparative information of the year 2017 for the financial instruments within the scope of IFRS 9. Therefore, the comparative information for the year 2017 is presented in accordance with IAS 39 and is not comparable to the information presented for the year 2018. The differences that arise from the adoption of IFRS 9 have been directly recognized in the retained earnings as of January 1, 2018, and disclosed in Note 4.5.

	As of December 31, 2018			
	At fair value through profit and loss S/(000)	Amortized Cost S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets				
Cash and due from banks	-	7,468	-	7,468
Accounts receivable from Subsidiaries, related entities and others	-	1,260	-	1,260
Investments at fair value through profit or loss	105,885	-	-	105,885
	105,885	8,728	-	114,613
Financial liabilities				
Accounts payable to Subsidiaries	-	-	71,310	71,310
Loans payable	-	-	153,000	153,000
Interest, provisions and other accounts payable	-	-	72,045	72,045
Corporate bonds	-	-	1,129,224	1,129,224
	-	-	1,425,579	1,425,579

	As of December 31, 2017			
	Loans and accounts receivable S/(000)	Available-for-sale investments S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets				
Cash and due from banks	13,494	-	-	13,494
Accounts receivable from Subsidiaries, related entities and others	44,520	-	-	44,520
Available-for-sale investments	-	80,378	-	80,378
	58,014	80,378	-	138,392
Financial liabilities				
Accounts payable to Subsidiaries	-	-	48,713	48,713
Loans payable	-	-	110,000	110,000
Interest, provisions and other accounts payable	-	-	78,542	78,542
Corporate bonds	-	-	1,096,875	1,096,875
	-	-	1,334,130	1,334,130

18. Financial risk management

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

(a) Credit risk

Credit risk arises from the inability of debtors to comply with the payment of their obligations as they mature. As of December 31, 2018 and 2017, the assets that are potentially exposed to concentrations of credit risk correspond to cash, due from banks, accounts receivable from Subsidiaries, related entities and others, and investments at fair value through profit or loss; however, Management deems that said financial instruments are not exposed in a significant manner to credit risk due to the following reasons:

- Cash and due from banks correspond to time deposits and checking accounts maintained in Interbank and Inteligo Bank, both Subsidiaries of the Company.
- Accounts receivable are mainly from Subsidiaries.

(b) Liquidity risk

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

As of December 31, 2018 and 2017, the Company is exposed mainly to payment requirements of interest and principal of loans, issued corporate bonds, and accounts payable to Subsidiaries. In order to pay said financial obligations, the Company solely depends on the distribution of dividends from its Subsidiaries or on the obtaining of credit lines.

The following table presents the cash flows payable of the Company as of December 31, 2018 and 2017, according to contractual terms agreed upon. Likewise, the amounts disclosed are undiscounted but include the respective interest to be accrued:

	2018					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	More than 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Accounts payable to Subsidiaries	-	3,450	68,353	1,181	-	72,984
Loans payable	-	-	160,857	-	-	160,857
Interest, provisions and other accounts payable	431	26,795	10,437	2,108	174	39,945
Corporate bonds	-	36,290	36,290	290,322	1,368,289	1,731,191
Total liabilities	431	66,535	275,937	293,611	1,368,463	2,004,977

	2017					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Accounts payable to Subsidiaries	-	-	47,306	2,595	-	49,901
Loans payable	-	-	113,970	-	-	113,970
Interest, provisions and other accounts payable	181	24,338	5,591	973	-	31,083
Corporate bonds	-	35,343	35,343	282,743	1,403,882	1,757,311
Total liabilities	181	59,681	202,210	286,311	1,403,882	1,952,265

The following table shows the changes in liabilities arising from financing activities according to IAS 7, as of December 31, 2018 and 2017:

	2018				
	Balance as of January 1	**Dividends payable**	**Cash flow**	**Others**	**Balance as of December 31**
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Accounts payable to Subsidiaries	48,713	-	19,022	3,575	71,310
Loans from third parties	110,000	-	43,000	-	153,000
Dividends payable	24,338	97,818	(99,121)	2,240	25,275
Total liabilities for financing activities	183,051	97,818	(37,099)	5,815	249,585

	2017				
	Balance as of January 1	**Dividends payable**	**Cash flow**	**Others**	**Balance as of December 31**
	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 from third parties	-	-	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) Foreign exchange risk-

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

The foreign currency transactions are conducted using the exchange rates of the free market. As of December 31, 2018, the free market's weighted average exchange rate was S/3.363 per US$1 bid and S/3.370 per US$1 ask (S/3.238 and S/3.245 as of December 31, 2017, respectively).

As of December 31, 2018, the exchange rate established by SBS to record the asset and liability accounts in foreign currency was S/3.373 per US$1 (S/3.241 as of December 31, 2017).

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

	2018 US$(000)	2017 US$(000)
Assets		
Cash and due from banks	523	494
Accounts receivable from Subsidiary, related entities and others	196	4,032
Investments at fair value through profit or loss	31,485	-
Available-for-sale investments (Under IAS 39)	-	24,739
	32,204	29,265
Liabilities		
Accounts payable to Subsidiaries	-	301
Interest, provisions and other accounts payable	13,440	13,171
Corporate bonds	246,661	246,246
	260,101	259,718
Monetary position, net	(227,897)	(230,453)

As of December 31, 2018 and 2017, the Company does not have operations with derivatives for hedging purposes; as a result, it assumes the foreign exchange risk as of those dates caused by that position. As of those dates, the Company's borrowing position generated a loss of S/28,659,000 due to exchange differences in 2018 and a profit of S/32,580,000 due to exchange differences in 2017.

In 2018 and 2017, the Company signed sale forward currency agreements designated as financial instruments for trade purposes with its Subsidiary Interbank, with maturity in May 2018 and May 2017, and for nominal values of approximately US$71,500,000 and US$100,000,000, respectively. As result of the holding of these financial instruments, the Company recorded a loss for approximately S/2,092,000 and S/3,150,000 as of December 31, 2018 and 2017, respectively.

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

Sensitivity analysis	Changes in exchange rates %	2018 S/(000)	2017 S/(000)
Devaluation			
US Dollar	5	38,413	40,588
US Dollar	10	76,826	81,176
US Dollar	15	115,239	121,765
Revaluation			
US Dollar	5	(38,413)	(40,588)
US Dollar	10	(76,826)	(81,176)
US Dollar	15	(115,239)	(121,765)

(ii) Interest rate risk

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

The Company's exposure to this risk comes from value changes in interest rates of its current accounts in banks, which, according to Management, do not represent any risk because the impacts would not be significant. Likewise, Management does not consider that the Company is exposed to this risk for the issuance of corporate bonds (Note 10), as they were issued at a fixed interest rate.

(iii) **Share price risk -**
The Company's exposure to this risk is caused by price changes in Global Bonds, mutual funds and investment funds classified as investments at fair value through profit or loss (available-for-sale investments in 2017) in the separate statements of financial position.

As of December 31, 2018 and 2017, Management has performed sensitivity tests on the market prices of such financial instruments. The effect on the separate statements of changes in equity would be the following:

Sensitivity analysis	Price %	2018 S/(000)	2017 S/(000)
Mutual funds	+/-10	5,972	2,476
Mutual funds	+/-25	14,930	6,190
Mutual funds	+/-30	17,916	7,427
Investment funds	+/-10	4,616	3,895
Investment funds	+/-25	11,541	9,738
Investment funds	+/-30	13,849	11,686

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

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

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

(d) Fair value of financial instruments –

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

As of December 31, 2018, correspond to investments at fair value through profit or loss (available-for-sale investments as of December 31, 2017) which are presented at their fair value; see Notes 6(a) and 6(e), respectively; being "1", "2" and "3", respectively, their fair value hierarchy level.

	Fair Value Hierarchy level	
	2018	2017
Global Bonds of the Republic of Peru	-	1
Foreign mutual funds	2	2
Foreign investment funds	3	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 (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2018 and 2017, the gain on valuation of investments at fair value through profit or loss of Level 3 (participations in foreign investment funds) amounts to S/7,214,000 (S/21,150,000 from net unrealized gain from available-for-sale investments as of December 31,2017); see Notes 6(a) and 6(e).

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

During the years 2018 and 2017, 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
Participation in foreign investment funds	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 fair value of S/888,000.
	EBITDA multiple	Total company value / EBITDA of the last 12 months	Depends on the company's sector	500 basis points of increase (decrease) in the price to average sales ratio would result in an increase (decrease) in fair value of S/819,000.

(ii) Financial instruments not measured at their fair value -
Cash and due from banks are not exposed to significant credit risk or interest rates risk, so it is estimated that their book value does not differ from their estimated market value.

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

Considering that the interest rate of loans payable does not significantly differ from the market interest rate for this type of financial instruments, Management considers that their fair value is equivalent to their book value as of each date of the separate statements of financial position. Regarding corporate bonds, taking into account that they have long-term maturities, Management has estimated that their fair value is not equivalent to their book value as presented below:

	2018		2017	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Financial liabilities				
Corporate bonds	1,129,224	1,156,646	1,096,875	1,168,795

19. Subsequent events

(a) On December 18, 2018, the Board of Directors of Interbank approved the sale of 100 percent of the shares representing the capital stock of Interfondos S.A., Sociedad Administradora de Fondos in favor of Inteligo Perú Holding S.A.C., a Subsidiary of Inteligo Group Corp. The transaction was performed through the signing of a purchase and sale contract dated January 8, 2019, between Interbank and Inteligo Perú Holding S.A.C. for 100 percent of the shares of Interfondos S.A. The purchase value amounted to US$30,000,000.

(b) On January 28, 2019, Interseguro issued the First, Single Series, of the Third Program of Subordinated Bonds on the local market by US$20,000,000 (equivalent to S/67,060,000). This bond matures in January 2029, and the annual interest rate was 6 percent.

20. 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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