Translation of independent auditor's report and separate financial statements originally issued in Spanish - Note 19

Intercorp Perú Ltd.

Separate financial statements as of December 31, 2019 and 2018, together with the Independent Auditor's Report

Translation of independent auditor's report and separate financial statements originally issued in Spanish – Note 19

Intercorp Perú Ltd.

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Content

Translation of independent auditor's report and separate financial statements originally issued in Spanish – Note 19

Independent Auditor's Report

To the Shareholders and Board of Directors of Intercorp Perú Ltd.

We have audited the accompanying separate financial statements of Intercorp Perú Ltd. (a holding company incorporated in The Bahamas) which comprise the separate statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. Our audits were conducted in accordance with International Standards on Auditing as adopted for use in Peru by the Board of Peruvian Associations of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatements.

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

Building a better
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Translation of independent auditor's report and separate financial statements originally issued in Spanish – Note 19

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

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, 2019 and 2018, as well as the results of their operations and their cash flows for each of the years ended on December 31, 2019 and 2018, in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Use of the separate financial statements

The accompanying separate financial statements of Intercorp Perú Ltd. were prepared to comply with Peruvian requirements for the presentation of financial information to shareholders and regulatory entities, and they reflect the investment in its Subsidiaries at their equity values as of December 31, 2019 and 2018, 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 13, 2020.

Lima, Peru
March 13, 2020

Paredes, Burga & Asoc.

Countersigned by:

V. Tanaka

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

Intercorp Perú Ltd.

Separate statements of financial position

As of December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Assets			
Current assets			
Cash and due from banks	15(a)	217,450	7,468
Accounts receivable from Subsidiaries and related entities	5(a)	9,497	1,260
Financial investments at fair value through profit or loss	6(a)	153,403	105,885
Total current assets		380,350	114,613
Investment property	7	162,782	141,492
Investment in Subsidiaries	8	11,534,417	9,879,979
Other assets		13,338	1,696
Total non-current assets		11,710,537	10,023,167
Total assets		12,090,887	10,137,780
Liabilities and equity			
Current liabilities			
Accounts payable to Subsidiaries	15(b)	3,202	71,310
Loans payable	9(a)	-	153,000
Interest, provisions and other accounts payable	9(b)	62,796	72,045
Total current liabilities		65,998	296,355
Corporate bonds	10	1,604,447	1,129,224
Total liabilities		1,670,445	1,425,579
Equity, net	11		
Capital stock		4,502,155	4,010,690
Reserves		3,868,659	3,740,123
Unrealized results		113,207	(102,476)
Retained earnings		1,936,421	1,063,864
Total equity, net		10,420,442	8,712,201
Total liabilities and equity, net		12,090,887	10,137,780

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

Intercorp Perú Ltd.

Separate income statements

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Participation in income of Subsidiaries	8(c)	1,405,047	942,795
Income (expenses)			
Gain on sale of shares of Subsidiary	2.1 and 3.2 (iv)	207,454	540
Financial income	13	3,709	3,008
Financial expenses	13	(102,723)	(85,577)
General expenses	14.1	(60,074)	(23,168)
Net loss on trading derivative financial instruments	18(c)(i)	(1,685)	(2,092)
(Loss) gain on valuation of investments at fair value through profit or loss	6(f)	(24,106)	41,508
Other expenses, net	14.2	(15,537)	(31,121)
Exchange difference, net	18(c)(i)	18,241	(28,659)
Net profit for the year		1,430,326	817,234
Earnings per share basic and diluted (stated in Soles) – Shares A and B classes	16	9.60	5.48
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, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Net profit for the year		1,430,326	817,234
Other comprehensive income that will not be reclassified to the separate income statements in subsequent periods:			
Unrealized gain on equity instruments at fair value through other comprehensive income of Subsidiaries	8(c)	56,779	(13,973)
Other comprehensive income to be reclassified to the separate income statements in subsequent periods			
Transfer of realized gain from instruments at fair value through other comprehensive income to separate income statements		-	(132)
Unrealized results on financial instruments of Subsidiaries	8(c)	173,558	212,433
Exchange difference on translation of foreign operations of Subsidiaries	8(c)	(14,654)	19,324
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods		158,904	231,625
Total other comprehensive income for the year		1,646,009	1,034,886

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, 2019 and 2018

	Number of shares			Unrealized results, net					
				Instruments that will not be reclassified to the separate income statements	Instruments that will be reclassified to the separate income statements				
	Issued (in thousands)	Capital stock S/(000)	Reserves S/(000)	Equity instruments at fair value of subsidiaries S/(000)	Financial instruments at fair value S/(000)	Financial instruments of Subsidiaries S/(000)	Foreign currency translation S/(000)	Retained earnings S/(000)	Total S/(000)
Restated balances as of January 1, 2018	149,019	3,524,799	2,626,014	56,942	132	(379,781)	2,579	1,572,803	7,403,488
Net profit for the year	-	-	-	-	-	-	-	817,234	817,234
Other comprehensive income	-	-	-	(15,011)	(132)	219,353	20,945	-	225,155
Effect of participation changes in Subsidiaries	-	-	-	1,038	-	(6,920)	(1,621)	-	(7,503)
Total other comprehensive income	-	-	-	(13,973)	(132)	212,433	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)(iii)	-	-	-	-	-	-	-	293,368	293,368
Others, net	-	-	-	-	-	-	-	(62,610)	(62,610)
Balances as of December 31, 2018	149,019	4,010,690	3,740,123	42,969	-	(167,348)	21,903	1,063,864	8,712,201
Net profit for the year	-	-	-	-	-	-	-	1,430,326	1,430,326
Other comprehensive income	-	-	-	56,328	-	179,008	(10,197)	-	225,139
Effect of participation changes in Subsidiaries	-	-	-	451	-	(5,450)	(4,457)	-	(9,456)
Total other comprehensive income	-	-	-	56,779	-	173,558	(14,654)	1,430,326	1,646,009
Declared dividends, Note 11(a)	-	-	-	-	-	-	-	(98,940)	(98,940)
Capitalization of profits, Note 11(a)	-	491,465	-	-		-	-	(491,465)	-
Constitution of reserves, Note 11(c)	-	-	128,536	-	-	-	-	(128,536)	-
Acquisition of non- controlling interest, Note 8(c)(iii)	-	-	-	-	-	-	-	(131,819)	(131,819)
Initial Public Offering of Subsidiary, Note 2.1	-	-	-	-	-	-	-	287,559	287,559
Others, net	-	-	-	-	-	-	-	5,432	5,432
Balances as of December 31, 2019	149,019	4,502,155	3,868,659	99,748	-	6,210	7,249	1,936,421	10,420,442

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, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Reconciliation of net profit for the year with cash used in operating activities			
Net profit for the year		1,430,326	817,234
Plus (minus) adjustments to net income			
Gain from participation in income of Subsidiaries, net	8 (c)	(1,405,047)	(942,795)
Net loss on trading derivative financial instruments	18(c)(i)	1,685	2,092
Loss (gain) on valuation of investments at fair value through profit or loss	6(f)	24,106	(41,508)
Changes in fair value of investment property	14.2	(21,556)	(4,550)
Exchange difference from corporate bonds and others		(3,985)	32,349
Gain on sale of shares of Subsidiaries	2.1 and 3.2(iv)	(207,454)	(540)
Net changes in other assets and liabilities			
Increase of other assets		(26,437)	(2,403)
Decrease of sundry accounts payable		(70,205)	(1,621)
Net cash used in operating activities		(278,567)	(141,742)
Investing activities			
Dividends received	8(c)	559,806	389,912
Sale of Subsidiary shares, net of commissions	2.1	368,256	-
Subscription and purchase of investments, net of capital withdrawal		(71,624)	-
Capital contribution to Subsidiaries, net of capital reductions	8(c)	(589,199)	(233,441)
Sale of investment at fair value through other comprehensive income		-	16,344
Net cash provided by investing activities		267,239	172,815
Financing activities			
Loans (paid to) received from Subsidiaries, net		(64,083)	19,022
Loans received from (paid to) third parties	9(a)	(153,000)	43,000
Corporate bond issuance	10	1,371,525	-
Amortization of bonds		(833,017)	-
Payment of dividends		(100,115)	(99,121)
Net cash provided by (used in) financing activities		221,310	(37,099)
Net increase (decrease) in cash		209,982	(6,026)
Balance of cash at the beginning of year		7,468	13,494
Balance of cash at the end of year		217,450	7,468

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, 2019 and 2018

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, Ecuador, Colombia, Bolivia, Mexico and Spain. The activities and the most important information about the Subsidiaries as of December 31, 2019 and 2018, 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") issued by the International Accounting Standards Board (henceforth "IASB").

The table below presents a summary of the consolidated financial statements of Intercorp Perú Ltd. and Subsidiaries as of December 31, 2019 and 2018:

	2019 S/(000) (Unaudited)	2018 S/(000) (Audited)
Consolidated statements of financial position		
Total assets	93,409,041	82,124,842
Total liabilities	78,225,913	69,724,258
Equity attributable to Intercorp Perú's shareholders	10,420,442	8,712,201
Non-controlling interest	4,762,686	3,688,383
Consolidated income statements		
Net profit attributable to Intercorp Perú's shareholders	1,222,872	817,234
Net profit attributable to non-controlling interest	656,085	409,895

The separate financial statements as of December 31, 2018, and for the year then ended were approved by the General Shareholders' Meeting held on April 1, 2019. The separate financial statements as of December 31, 2019 have been approved by Management on March 13, 2020 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. Initial Public Offering of Intercorp Financial Services Inc. and Business combinations

2.1. Initial Public Offering of Intercorp Financial Services Inc. -

On July 3, 2019, the Board of Intercorp Financial Services Inc. (henceforth "IFS") approved the filing with the Securities and Exchange Commission of the United States of America (henceforth "SEC"), of a Registration Statement under Form F-1 of the Securities Exchange Act of 1933 of the United States of America, in relation with a proposal of an Initial Public Offering (henceforth "Offering") of IFS's common shares.

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

As result of said Offering, IFS sold 2,418,754 common shares held as treasury stock (including shares sold by Interbank), as well as approximately 1,150,000 new common shares to be issued. Intercorp Perú sold 2,531,246 shares, and the non-related shareholder sold 3,000,000 shares. Additionally, the placers exercised the call option regarding 1,186,841 new common shares.

In this sense, Intercorp Perú and Subsidiaries combined, sold, 7,286,841 shares at US$46.00 per share. The sale value amounted to approximately US$335,195,000 (before issuance expenses).

The total impact of the Offering on the Company's net equity, after discounting the issuance expenses, amounted to S/495,013,000, mainly explained by:

- Effects recorded in the separate statements of changes in equity of the Company for S/287,559,000 recognized through the application of the equity method in the Subsidiaries explained by:

  (i) Issuance of 2,336,841 shares by IFS for an amount of S/336,950,000, whose effect through the equity method amounts to S/237,964,000 and was recorded by increasing the caption "Retained earnings".

(ii) Sale of 2,418,754 shares by IFS held as treasury stock, including shares sold by Interbank, for a total amount of S/347,175,000, whose effect through the equity method amounts to S/245,185,000 and was recorded by increasing the caption "Retained earnings".

(iii) Dilution of Intercorp Perú Ltd.'s direct and indirect participation in IFS (see Note 3) due to effects resulting from the Offering, whose recognized effect through the equity method amounts to S/195,590,000 and was recorded by reducing the caption "Retained earnings".

- Effects on the separate income statements from the sale of IFS shares by Intercorp Perú:

(iv) Sale of 2,531,246 shares, which generated a net profit of S/207,454,000 (over the investment cost of S/160,802,000) and was recorded in the caption "Gains from sale of shares of Subsidiary" in the separate income statements.

2.2. Business combinations -

(a) Acquisition of Corporación Educativa Hispanoamericana S.C. -
In June 2019, Intercorp's Subsidiaries Transformando la Educación de México S.A de C.V. and Servicios Administrativos Transformando la Educación de México S.C. acquired 100 percent of the shares of Corporación Educativa Hispanoamericana S.C., a Mexican entity that operates the private educational institution "Comunidad Educativa Hispanoamericana".

The value of this operation was approximately S/6,283,000 (equivalent to MXN 35,800,000), out of which approximately 80 percent has been paid off. The remaining balance will be paid in the following three years. As of December 31, 2019, adjustments to the price initially established have been made according to the clauses provided for in the agreement for S/468,000 (equivalent to MXN 2,670,000). As a result, the purchase price amounts to S/5,815,000 (equivalent to MXN 33,130,000).

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

(b) Acquisition of Quicorp S.A. and Subsidiaries -

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.

Furthermore, between March and July 2018, various merging processes between the acquired entities were performed, through which Mifarma S.A.C. absorbed Farmacias Peruanas S.A.C., Droguería La Victoria S.A.C. and Boticas Torres de Limatambo S.A.C., while Quicorp S.A.C. absorbed Química Suiza Comercial S.A.C.

The acquisition of Quicorp Group was recorded in accordance with IFRS 3 "Business Combinations", applying the purchase accounting method. Under this method, assets and liabilities were recorded at their estimated fair values at the date of purchase, including identified intangible assets not recorded in the statements of financial position of each acquired entity.

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

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, 2019, after the Public Offering of IFS (see Note 2.1), the Company holds directly and indirectly 70.62 percent of the issued capital stock and outstanding capital stock of IFS (76.46 percent of the issued capital stock of IFS and 75.94 percent of the outstanding capital stock of IFS, as of December 31, 2018). It is worth mentioning that the indirect participation over IFS is held by Intercorp Perú through its Subsidiaries IFH Capital Corp. and Intercorp Capital Investments Inc., of which Intercorp Perú holds 100 percent of both their capital stock and, at the same time, each of these Subsidiaries hold 8.44 percent of IFS' issued capital stock as of December 31, 2019 (8.62 percent, as of December 31, 2018).

As of December 31, 2019 and 2018, IFS holds 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "Interbank"), 99.84 percent of the outstanding capital stock of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), and 100 percent of Inteligo Group Corp. (henceforth "Inteligo"). In addition, as of December 31, 2018, IFS held 99.42 percent of the capital stock of Hipotecaria Sura Empresa Administradora Hipotecaria S.A. (henceforth "Hipotecaria Sura"), which was liquidated and extinguished during 2019. 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., Inteligo Bank Ltd. and Interfondos) are concentrated in Peru and Panama.

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

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

Interbank is incorporated in Peru and is authorized to operate as a universal bank by the SBS, in accordance with Peruvian legislation. Interbank's operations are governed by the General Act of the Financial and Insurance System and Organic Act of SBS – Act No. 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, 2019 and 2018, Interbank had 255 and 269 offices, respectively, and a branch established in the Republic of Panama. Regarding said branch, on April 23, 2019, Interbank's Board approved its voluntary closing. As of the date of this report, there is no specific date for the completion of said process.

Additionally, "Interbank" holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	Manages securitization funds.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand "American Express".
Inversiones Huancavelica S.A.	Real estate activities. As of December 31, 2019, the entity was absorbed by Interbank. through a process of merging by absorption, which was authorized by the SBS in September 2019.
Contacto Servicios Integrales de Créditos y Cobranzas S.A.	Collection services. As of December 31, 2019, the entity was absorbed by Interbank through a process of merging by absorption, which was authorized by the SBS in September 2019.

(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, 2019 and 2018, Interseguro controls the following Subsidiaries:

Entity	Activity
Centro Comercial Estación Central S.A.	Company dedicated to the administration of "Centro Comercial Estación Central". As of December 31, 2017, Interseguro held 75 percent ownership in this Subsidiary. On January 19, 2018, Interseguro sold said ownership to a related company, "Real Plaza", for an amount of S/2,086,000, generating a profit of S/1,526,000, which was eliminated in the consolidation process.
Empresa Administradora Hipotecaria I.S. S.A.	It was incorporated in February 2014 in Peru. In April 2018, this company was extinguished.

Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú -
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. The fair values of the properties contributed by Interseguro, which were included in this structured entity as of December 31, 2019 and 2018, amounted to S/114,058,000 and S/430,030,000, respectively. Interseguro has ownership and decision-making power over these properties and Interseguro has the exposure or rights to their returns; therefore, Interseguro consolidates the silos containing the investment properties that it controls.

(c) Inteligo Group Corp. and Subsidiaries –
Inteligo is an entity incorporated in the Republic of Panama. As of December 31, 2019 and 2018, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services, mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Inteligo Perú Holding S.A.C.	Financial holding company incorporated in Peru in December 2018. As of December 31, 2019, it holds 99.99 percent interest in Interfondos S.A. Sociedad Administradora de Fondos. Interfondos S.A. Sociedad Administradora de Fondos Manages mutual funds and investment funds. Until December 31, 2018, it was Subsidiary of Interbank, and subsequently was sold to Inteligo Perú Holdings S.A.C.
Inteligo USA, Inc.	Incorporated in the United States of America in January 2019 and provides investment consultancy and related services.

(d) Negocios e Inmuebles S.A. and Holding Retail Perú S.A. -
These entities were acquired by IFS as part of the acquisition of Seguros Sura and Hipotecaria Sura; see Note 2. As of December 31, 2019 and 2018, as a result of the merger between Interseguro and Seguros Sura, both companies hold 8.50 percent of Interseguro's capital stock. Likewise, as of December 31, 2018, these entities held collectively 30.0 percent of the capital stock of Hipotecaria Sura, which was extinguished in October 2019, see paragraph (f) below.

(e) San Borja Global Opportunities S.A.C. -
Company whose corporate purpose is the marketing of products and services through the Internet, telephone or related.

(f) Hipotecaria Sura Empresa Administradora Hipotecaria S.A. –
As of December 31, 2019, the Company has been extinguished. This Company was incorporated in Peru and regulated by the SBS. It was mainly dedicated to granting mortgage loans. Since 2015, it has not disbursed new credits.

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, 2019 and 2018, the Company holds 100 percent of its capital stock.

As of December 31, 2019 and 2018, Intercorp Retail Inc. mainly holds the following Subsidiaries:

Entity	Activity
InRetail Perú Corp. (As of December 31, 2019 and 2018, Intercorp Retail Inc. holds 59.04, of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 70.80 and 70.98 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);

Entity	Activity
	(b) Patrimonio en Fideicomiso Inretail Consumer: Equity trust incorporated in August 2014, which develops the following retail businesses: (i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of December 31, 2019 and 2018, operates stores under the trademarks "Plaza Vea", "Plaza Vea Súper", "Vivanda", "Mass" and "Economax". (ii) Drugstore: Developed by InRetail Pharma S.A. (formerly Eckerd Perú) and Subsidiaries, a company that, as of December 31, 2019 and 2018, operates under the trademark "Inkafarma". In January 2018, InRetail Pharma S.A. through its Subsidiary IR Pharma S.A.C. (currently merged with InRetail Pharma) acquired 100 percent of Quicorp S.A. and Subsidiaries, which operate under the trademarks "Mifarma" and "BTL", see Note 2.2. (c) IR Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.
IFH Retail Corp. (As of December 31, 2019 and 2018, Intercorp Retail Inc. holds 84.28 percent and 78.35 percent, respectively of its capital stock, see Note 8(c)(iii)).	Holding incorporated in the Republic of Panama in September 2006. As of December 31, 2019 and 2018, holds 22.63 percent 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., as of December 2019 and 2018, which provides financial support to the companies of Intercorp Group dedicated to the retail business.
HPSA Corp. (As of December 31, 2019 and 2018, Intercorp Retail Inc. holds 74.99 percent and 64.99 percent, respectively of its capital stock, see Note 8(c)(iii)).	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".

Entity	Activity
Lince Global Opportunities Corp. (As of December 31, 2019 and 2018, 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 31,2019 and 2018, it holds 76.18, of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.

On the other hand, as indicated in Note 3.2(i), as of December 31, 2019 and 2018, Intercorp Perú holds 84.28 and 78.35 percent of IFH Retail Corp., through Intercorp Retail, respectively; which, in turn, holds 22.63 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 98.81 percent of its capital stock as of December 31, 2019 and 2018.

(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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, Urbi holds 100 percent of the following Subsidiaries:

Entity	Activity
Alameda Colonial S.A.	Incorporated in Lima in May 2006, to build apartments under the Government's program "Mi Vivienda".
Domus Hogares del Norte S.A.	Incorporated in Lima in June 2009, to develop real estate projects.
Urbi Solutions S.A.C.	Incorporated in Lima in June 2014, to engage in the construction of real estate projects.

Entity	Activity
Club de Socios S.A.	Company dedicated to engage in the management, administration and organization of recreational activities. In April 2018, Intercorp Perú and Urbi Propiedades sold their participation in this company to non-related third parties.

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

In September 2011 and May 2012, Patrimonio en Fideicomiso – D.S. No. 093-2002-EF, Interproperties Holding and Patrimonio en Fideicomiso – D.S. No. 093-2002-EF, Interproperties Holding II (henceforth and collectively "Interproperties Holding") were incorporated with the purpose of creating autonomous equity trusts, independent from each investor constituted as originator. Through these equity trusts, several Subsidiaries of Intercorp Perú perform investments in real estate projects whose returns back (i) the certificates of participation issued, and (ii) the compliance with other obligations assumed directly or through third parties in order to obtain the resources that are necessary to perform said investments.

Through these equity trusts, Intercorp Group holds the ownership of the property where "Real Plaza" shopping malls operate. As of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, Intercorp Perú holds 100 percent of Class A shares and 51.47 percent of Class B shares of NG Education Holdings Corp.'s capital stock.

NG Education Holdings Corp. mainly holds the following Subsidiaries:

Entity	Activity
Colegios Peruanos S.A. (As of December 31, 2019 and 2018, NG Education Holdings Corp. holds 33.99 of its capital stock).	As of December 31, 2019, it operates 54 schools under the trademark "Innova Schools" (49 schools as of December 31, 2018).
NG Education S.A.C (As of December 31, 2019 and 2018, NG Education Holdings Corp. holds 48.67 percent of its capital stock)	Holding incorporated in Peru in November 2011. As of December 31, 2019 and 2018, NG Education S.A.C. holds 100 percent of the following Subsidiaries: (a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 2 business units: UTP University and Post-Graduate School. As of December 31, 2019, 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 was not operating. (iii) IDAT S.A.C.: Institute that offers professional technical degrees, with 8 premises located in Lima and other Peruvian provinces, as of December 31, 2019 and 2018. (b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 31,2019 and 2018, NG Education Holdings II Corp. holds 100 percent of its capital stock)	Company incorporated in Perú in October 2013. As of December 31, 2019 and 2018, 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, 2019, operates 9 premises under the trademark "Zegel-IPAE" and 2 premises in construction located in Arequipa and Lima (5 operating premises and 2 premises in construction in Arequipa and Ica as of December 31, 2018).

(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, 2019 and 2018, Intercorp Perú holds 85.31 percent of its capital stock and, in turn, holds 16.52 percent of the capital stock of Colegios Peruanos S.A.

(iv) Intercorp Education Services, S.L. -
It is a limited liability holding company incorporated in November 2017 in Spain. As of December 31, 2019 and 2018, Intercorp Perú holds 100 percent of its capital stock. This Subsidiary holds 55 percent of the capital stock of Transformando la Educación en México S.L. de C.V., which, at the same time, holds 99.99 percent of the capital stock of Servicios Administrativos Transformando la Educación en México, S.C. The latter operates under the brand "Innova Schools" and is headquartered in Mexico.

In June 2019, Transformando la Educación en México S.L. de C.V. and Servicios Administrativos Transformando la Educación en México S.C. acquired 100 percent of the shares of Corporación Educativa Hispanoamericana S.C., a company established in Mexico and dedicated to the educational sector. See Note 2.2 (a).

3.4. Other entities -

As of December 31, 2019 and 2018, the Company holds 100 percent of the capital stock of the following Subsidiaries:

Entity	Activity	Country
San Miguel Global Opportunities S.A.C.	Real estate business	Peru
Intercorp Management S.A.C.	Administrative services	Peru
Puente de San Miguel Arcángel S.A.	Holding	Republic of Panama
Centro Cívico S.A.	Real estate business	Peru
La Punta Global Opportunities Corp.	Specialized investments	Republic of Panama
Urbi Proyectos S.A.	Real estate projects	Peru
Beacon Healthcare S.A.C.	Holding	Peru
Centros de Salud Peruanos S.A.C.	Health sector	Peru
Escuela Peruana de Educación	Education	Peru
Colectivo 23 S.A.C.	Education	Peru
IFH Capital Corp.	Financial intermediation	Republic of Panama
Intercorp Capital Investment Inc.	Financial intermediation	Republic of Panama
Inversiones Río Nuevo S.A.C. . - In liquidation (i)	Real estate business	Peru
Ronepeto S.A. (i)	Real estate business	Peru

(i) As of December 31, 2019, it is in the process of liquidation.

Certain 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 accompanying separate financial statements have been prepared based on accounting records of Intercorp Perú, in accordance with the IFRS as issued by the "IASB".

In accordance with these standards, 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, 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 Adoption of new standards and disclosures –
In these separate financial statements, Intercorp Perú has adopted for the first time IFRS 16 "Leases", effective for annual periods beginning on or after January 1, 2019.
Additionally, Intercorp Perú adopted in advance the amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", and IFRS 7 "Financial Instruments: Disclosures" referred to the Interest rate benchmark reform, in effect for annual periods beginning on or after January 1, 2020. The application of these amendments implied additional disclosures as described below in this note.

Other standards, interpretations or amendments have also been adopted for the first time in 2019 but, as of December 31, 2019, they have not had a significant impact on Intercorp Perú separate financial statements as described further on this note. Intercorp Perú has not adopted any standard, interpretation or amendment that has been issued but is not effective, except for the amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform", as explained below.

- **First adoption of IFRS 16 "Leases"**
  IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases-incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the statements of financial position.

  Lessor accounting under this new standard is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where Intercorp Perú and Subsidiaries is the lessor.

IFRS 16 has had not impact on Intercorp Perú separate financial statements; however, Intercorp´s Subsidiaries do keeping leases subject to the requirements of IFRS 16. In accordingly, such Subsidiaries has adopted IFRS 16 under the retrospective modified approach, throughout an adjustment of the cumulative effect as of January 1, 2019, and not restating amounts from previous periods. The result of the first adoption of IFRS 16 for Intercorp Perú's Subsidiaries was an increase in assets and liabilities by S/2,183,555,000; however, it has had not effect on the equity value of its Subsidiaries.

As of January 1, 2019, the adoption of IFRS 16 has not had any impact neither on the separate income statements nor on the separate statements of changes in equity.

- **Interpretation of IFRIC 23 "Uncertainty over Income Tax Treatments"**

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

  The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately.
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities.
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
  - How an entity considers changes in facts and circumstances.

  Companies have to determine whether they consider a separate tax treatment uncertain or in conjunction with one or more other uncertain tax treatments. The approach that best predicts the resolution of uncertainty should be followed

  Because Intercorp Perú domiciled in the Bahamas is not subject to any income tax or capital gains tax, see Note 12(a), this interpretation had no effect on its separate financial statements. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**
  Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The early termination may be the result of a contractual term or from an event out of control of the contract parties, such as a change in legislation or regulation that leads to the early termination of the contract. When the advance payment is made at the current fair value or at an amount that includes the fair value of the cost of terminating the associated hedging instruments, Intercorp Perú assesses the specific contractual cash flows for the relevant debt instruments with the purpose of determining whether they comply with the SPPI criterion.

  Intercorp Perú has performed the analysis of these amendments and has concluded that they did not have a significant effect on its separate financial statements. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures**
  The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying IFRS 9, an entity does not take account of losses of the associate or joint venture, or impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 "Investments in Associates and Joint Ventures".

  Because Intercorp Perú does not maintain associates and joint ventures the amendments had no impact on its separate financial statements. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**
  The amendments to IAS 19 "Employee Benefits" address the accounting when a benefits plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a benefits plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the cost of current services for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. It is also required that an entity determines the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure the net liability (asset) defined benefit.

  As Intercorp Perú has no defined benefit plans, these modifications had no impact on its separate financial statements. Likewise, according to Management's assessment, these modifications have no significant impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the Company to apply the equity method.

- **Improvements to the IFRS (2015 – 2017 cycle)**

  - IFRS 3 "Business Combinations", the amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    In Management's opinion, these modifications will have no impact on the Intercorp Perú's separate financial statements. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

  - IFRS 11 "Joint Arrangements", a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined by IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

In Management's opinion, these modifications will have no impact on the Intercorp Perú's separate financial statements. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

- IAS 12 "Income Taxes", the amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  Although Intercorp Perú is domiciled in The Bahamas and is not subject to any income tax or capital gains tax, see Note 12 (a); legal entities or natural persons not domiciled in Perú are subject to an additional tax on dividends received from entities domiciled in Peru. In this sense, the application of the interpretation does not affect the separate financial statements of Intercorp Perú. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

- IAS 23 "Borrowing Costs", the amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are completed.

  In Management's opinion, these modifications had no significant impact on the Intercorp Perú's separate financial statements because they do not develop qualified assets or obtain financing for these purposes. Likewise, from Management's evaluation, these modifications did not have an impact on the financial statements of Intercorp Perú's Subsidiaries, which are the basis for the application of the equity method by the Company.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"**
  After the worldwide regulation change, the inter-bank offering rates (IBOR) will be replaced by new interest rate benchmarks by 2021. The amendments originated by the Interest rate benchmark reform with impact on IFRS 9, IAS 39 and IFRS 7 add a series of exemptions that apply to all affected hedging relationships. A hedging relationship will be affected if the reform generates uncertainty about the moment or the amount of the cash flows related to the hedged account of the hedging instrument in the period prior to the replacement of the rate benchmark with the alternate rate benchmark, given that this rate can be almost risk free.

  The exceptions provided by the amendments are:

  - "Highly probable" requirement for cash flow hedges: If the hedged item is a forecast transaction, it will be determined that the forecast transaction is highly probable by assuming that the interest rate benchmark upon which the hedged cash flows are based is not altered as result of the interest rate benchmark reform.

  - Reclassification to income statements of the cash flow hedge reserve: In order to determine if it is not expected that the hedged cash flows occur, it is assumed that the interest rate benchmark upon which the hedged cash flows are based is not altered as result of the interest rate benchmark reform.

  - Economic relationship between the hedged item and the hedge instrument: It is assumed that the interest rate benchmark upon which the hedged cash flows are based, and/or the interest rate benchmark upon which the cash flows of the hedge instrument are based, is not altered as result of the interest rate benchmark reform.

  The amendments have the intention of avoiding any disruption in the existing relationships in the hedge accounting of cash flows and the fair value of interest rate risk which, in the absence of said amendments, would result in the ineffectiveness of the hedge and potential inconsistencies in the hedge accounting as result of the interest rate benchmark reform.

  Specific impacts are expected on the hedge accounting as result of the interest rate benchmark reform for future accounting periods once the second phase of IASB's project, which is centered on the financial report, is finished.

In that sense, Intercorp Perú and its Subsidiaries have started a transition process of these operations, a process that has started by collecting information of the relevant positions.

At the end of the period 2019, the Group has exposure to mainly US$-Libor rates; thus, the impact will be the potential change into another interest rate benchmark.

The main affected items within the Subsidiaries of Intercorp Perú will be derivative positions (interest rate swaps – IRS, and cross currency swaps – CCS, outstanding as of the transition date which accrue US$-Libor interest).

Additionally the subsidiaries of Intercorp Perú hold some financial instruments with exposure to the inter-bank Euribor rate (Euro Interbank Offered Rate). The calculation methodology of Euribor changed during the year 2019 through the adoption of a hybrid methodology based mainly, to the extent possible, on observable market data and, in case they are not sufficient, on other market price sources, in order to assure the strength of the Euribor inter-bank rate. In July 2019, the Belgian Authority of Financial Services and Markets granted an authorization regarding the applicability of the Euribor inter-bank rate under the European Union Benchmark Regulation, thus allowing market participants to continue using this rate after January 1, 2020, for both existing and new contracts. The Company expects that the Euribor inter-bank rate will continue existing as rate benchmark in the foreseeable future. Because of this, the Group does not consider that this index benchmark may be directly affected as result of the interest rate benchmark reform.

4.3. Summary of significant accounting policies -

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

(i) Financial assets -

Recognition and initial measurement -

Financial assets are classified based on the business model and the characteristics of the contractual flows, measured by:

- 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, 2019 and 2018, 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 and related entities.

These financial assets are measured at amortized cost through the use of the effective interest rate (EIR) method, minus 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" and the losses resulting from impairment were recognized in the caption "Other expenses, net" of the separate income statements.

In this sense, the Company measures the cash and due from banks and accounts receivable from Subsidiaries and related entities, 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 -
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 statements 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 assets held for trading -

Intercorp Perú classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the separate statements of financial position at fair value. Changes in fair value are recognized in the income statements. Interest income or interest expenses and dividends are recorded in the income statements according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities and short positions that have been acquired mainly for the purpose of selling them in the short term.

(i.4) Financial instruments at fair value through profit or loss –

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by Management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVPL upon initial recognition when one of the following criteria is met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at FVPL are recorded in the separate statements of financial position at fair value. Changes in fair value are recorded in the separate income statements with the exception of movements in fair value of liabilities designated at FVPL due to changes in Intercorp´s own credit risk. Such changes in fair value are recorded in OCI and do not get reclassified to profit or loss. Interest accrued on assets that must be measured at FVPL is recorded using the contractual interest rate.

As of December 31, 2019, the Company holds in this category the assets that comprise the caption "Investments at fair value through profit or loss". Dividend income from equity instruments measured at FVPL is recorded in the separate income statements as "Financial income", when the right to the payment has been established.

(i.5) 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 participation 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.6) Impairment of financial assets -
Impairment of financial assets is determined under the expected loss approach. The Company does not hold financial assets with significant expected loss considering the nature of its operations, unlike its Subsidiaries, which do hold financial assets subject to expected loss.

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 12-month expected credit loss.

The 12-month expected credit losses are the portion of the lifetime expected credit losses resulting from default events on a financial instrument that could occur within 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 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, 2019 and 2018, 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, 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, 2019 and 2018, 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 –
At each reporting date, 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 in 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 and 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) Investment 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 income from shareholding in profit or loss reflects the Company's shareholding in the profit or loss of the Subsidiaries' operations. When a change is directly recognized in the Subsidiary's equity, the Company recognizes this change and records it, if applicable, in the separate statements of changes in equity. Unrealized profit or loss that result from common transactions are eliminated.

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.

As for the (total or partial) disposition of shares in a subsidiary, the effect of the difference between the payment received and the book value of such shares is recorded in the separate income statements. However, if such disposition does not mean the loss of control, the transaction is recorded in the consolidated financial statements as an equity transaction.

(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.

During the years 2019 and 2018, Intercorp Perú performed currency forwards; however, at such dates, it does not hold derivative instruments for current trading purposes. The derivatives agreed in 2019 and 2018 generated net losses of approximately S/1,685,000 and S/2,092,000, respectively, which are presented in the caption "Net loss on trading derivate financial instruments"; see 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, 2019 and 2018, 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.

(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 discount 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, 2019 and 2018, 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

Following is the description of the new and amended standards and interpretations issued, but which are not yet in force at the date of issuance of these separate financial statements. Intercorp Perú intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- IFRS 17 "Insurance Contracts"

  In May 2017, the IASB issued IFRS 17 "Insurance Contracts", a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 "Insurance Contracts", issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are based to a large extent on the compliance of previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is a general model which is complemented by:

  (i) A specific adaptation for contracts with direct participation features (the variable fee approach).
  (ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

  IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with the presentation of comparative figures required; notwithstanding the aforementioned, in June 2019 the IASB published a draft of amendments to IFRS 17, that includes the delay of IFRS 17 adoption up until the year 2022. Early adoption is allowed, provided that the entity also adopts IFRS 9 and IFRS 15 on the date that it adopts IFRS 17 for the first time or earlier.

Management is assessing the impact of said standard on the separate financial statements as a result of the indirect equity interest that the Company owns in Interseguro, through IFS.

- Amendments to IFRS 3 "Business Combinations": Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

  Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": related to the definition of "Material Information". In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users make on the financial statements of general purpose".

  The amendments to the definition of material is not expected to have a significant impact on the Intercorp´s separate financial statements.

5. Accounts receivable from Subsidiaries and related entities

(a) This caption is made up as follows:

	2019 S/(000)	2018 S/(000)
Subsidiaries	7,930	511
Related entity	1,567	749
	9,497	1,260

As of December 31, 2019, it mainly corresponds to loans denominated in US Dollars, which accrue interest at market rates, with short-term maturities and without specific guarantees. See Note 15(f).

6. Financial investments at fair value through profit or loss

(a) This caption is made up as follows:

	Fair value	
	2019 S/(000)	2018 S/(000)
Equity instruments		
LendUp – Non-listed shares (b)	56,631	-
Credit Karma (c)	43,082	-
Arias Resource Capital Fund II L.P.– Foreign mutual fund (d)	33,973	59,719
NG Capital Partners I – Investment fund (e)	19,717	46,166
	153,403	105,885

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

(c) Corresponds to the participation in Credit Karma, a company dedicated to personalized financial advice.

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

(e) It corresponds to the interest in NG Capital Partners I, an investment fund domiciled in Canada and dedicated to investing particularly in related entities established in Peru. During 2019, the fund paid S/29,293,000 to the Company as capital reimbursement.

(f) The effect of the portfolio's valuation in 2019 meant a loss of S/24,106,000 (gain of S/41,508,000 in 2018), which is presented in the separate income statements under "(Loss) gain from investment valuation at fair value through profit or loss".

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, 2019 and 2018, the price per square meter of the land lot amounted to US$800 and US$683, respectively.

8. Investments in Subsidiaries

(a) As of December 31, 2019 and 2018, the detail of the investments in Subsidiaries is as follows:

Entity	Ownership		Equity value	
	2019 %	2018 %	2019 S/(000)	2018 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	70.62%	75.94%	6,010,887	5,129,134
Intercorp Retail Inc. and Subsidiaries	100.00%	100.00%	4,031,460	3,566,578
Urbi Propiedades S.A. and Subsidiaries	100.00%	100.00%	357,994	172,767
La Punta Global Opportunities Corp.	100.00%	100.00%	322,679	291,477
NG Education Holdings Corp. and Subsidiaries	68.51%	68.51%	246,324	228,461
Callao Global Opportunities Corp.	100.00%	100.00%	116,234	134,705
Intercorp Investments Perú Inc. and Subsidiaries	100.00%	100.00%	100,153	100,530
San Miguel Global Opportunities S.A.C.	100.00%	100.00%	97,885	66,743
NG Education Holdings II Corp. and Subsidiaries	50.00%	50.00%	60,445	37,470
Beacon Healthcare S.A.C. and Subsidiary	100.00%	100.00%	60,119	41,518
Intercorp Education Services, S.L. and Subsidiaries	100.00%	100.00%	48,494	33,104
NG Education Holdings III Corp.	85.31%	85.31%	48,198	49,623
Other minor Subsidiaries	-	-	33,545	27,869
			11,534,417	9,879,979

(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, 2019 and 2018:

Entity	Total assets		Total liabilities		Net equity		Net profit (loss)	
	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)	2019 S/(000)	2018 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	71,562,293	63,744,409	62,658,845	56,655,933	8,903,448	7,088,476	1,450,115	1,091,394
Intercorp Retail Inc. and Subsidiaries	19,451,980	16,787,509	13,768,195	11,666,986	5,683,785	5,120,523	585,705	142,499
NG Education Holdings Corp. and Subsidiaries	2,698,950	2,087,676	1,831,630	1,277,490	867,320	810,186	78,246	28,770
Urbi Propiedades S.A. and Subsidiaries	533,551	458,851	119,326	234,128	414,225	224,723	(7,997)	(25,906)
La Punta Global Opportunities Corp.	322,680	291,477	-	-	322,680	291,477	31,202	42,151
NG Education Holdings II Corp. and Subsidiaries	232,322	95,990	111,433	21,050	120,889	74,940	(7,832)	(2,347)
Beacon Healthcare S.A.C. and Subsidiary	139,573	64,388	79,453	22,870	60,120	41,518	(10,845)	(3,952)
Intercorp Investments Perú Inc. and Subsidiaries	134,402	133,602	34,249	33,072	100,153	100,530	(12,649)	(21,222)
San Miguel Global Opportunities S.A.C.	134,054	47,268	32,652	7,654	101,402	39,614	61,358	(142)
Callao Global Opportunities Corp.	116,234	134,705	-	-	116,234	134,705	(17,210)	(17,633)
Intercorp Education Services S.L. and Subsidiaries	96,958	51,370	8,494	2,654	88,464	48,716	(8,697)	(6,215)
NG Education Holdings III Corp.	56,886	58,553	6	3	56,880	58,550	(1,682)	(513)

(c) The table below presents the movement of the investments in Subsidiaries for the years 2019 and 2018:

	2019 S/(000)	2018 S/(000)
Balances as of January 1	9,879,979	8,461,327
Participation in income of Subsidiaries, net	1,405,047	942,795
Dividends declared and received in cash from Subsidiaries (i)	(559,806)	(389,912)
Net variation of unrealized results in equity instruments at fair value of Subsidiaries	56,779	(13,973)
Net variation of unrealized results on debt instruments of Subsidiaries	173,558	212,433
Capital contribution in Subsidiaries (ii)	589,199	233,441
Debt capitalization in Subsidiaries	-	41,213
Exchange difference on translation of foreign operations	(14,654)	19,324
Net variation of treasury stock held by Subsidiaries, net of dividends received.	-	219,128
Acquisition of non-controlling interest (iii)	(131,819)	293,368
Effect of participation changes in Subsidiaries	-	(78,241)
Effect of Public Offering of IFS shares, Note 2.1 (i)	287,559	-
Sale of IFS shares in Public Offering of Shares, Note 2.1 (ii)	(160,802)	-
Others	9,377	(60,924)
Balances as of December 31	11,534,417	9,879,979

(i) During the years 2019 and 2018, the Company recorded dividends from the following Subsidiaries:

	2019 S/(000)	2018 S/(000)
Intercorp Financial Services Inc.	488,264	380,999
Intercorp Retail Inc.	60,084	-
InRetail Perú Corp.	11,458	-
Others	-	8,913
	559,806	389,912

(ii) During the years ended December 31, 2019 and 2018, the Company made capital contributions, in cash, to the following Subsidiaries:

	2019	2018
	S/(000)	S/(000)
Intercorp Retail Inc.	262,186	-
Urbi Propiedades S.A.	194,063	24,354
Intercorp Management S.A.C.	33,684	14,981
Beacon Healthcare S.A.C.	29,447	36,683
Intercorp Education Services, S.L.	25,756	26,923
NG Education Holdings II Corp.	19,957	20,000
Intercorp Investments Perú Inc.	12,416	16,502
La Punta Global Opportunities Corp.	-	56,192
Callao Global Opportunities Corp.	-	30,000
Other Subsidiaries	11,690	7,806
	589,199	233,441

(iii) In June 2019, Intercorp Retail Inc., a Subsidiary of Intercorp Perú, acquired shares from HPSA Corp. for approximately US$24,000,000 and from IFH Retail Corp. for approximately US$34,000,000. After these acquisitions, Intercorp Retail Inc. increased its shareholding from 65.01 percent to 74.99 percent in HPSA Corp., and from 78.35 percent to 84.28 percent in IFH Retail Corp. It is worth mentioning that Intercorp Retail Inc. increased the participation in IFH Retail Corp. type A shares from 63.54 percent to 73.53 percent. As of December 31, 2018, correspond to the acquisition of Quicorp's non-controlling interest, net of changes in interest in Subsidiaries; see Note 2.2 (b).

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

(a) As of December 31, 2018, loans payable included mainly promissory notes in Soles granted by several mutual funds managed by Interfondos SAFM, a related entity, which accrued interest at market rates, with maturity in May 2019 and without specific guarantees.

As of December 31, 2019 and 2018, loans accrued interests for S/3,910,000 and S/ 7,354,000 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, 2019 and 2018, is presented below:

	2019 S/(000)	2018 S/(000)
Interest payable on corporate bonds, Note 10(b)	34,098	28,152
Dividends payable (c)	24,893	25,275
Board of Directors' compensation	-	10,437
Other accounts payable and provisions	3,805	8,181
	62,796	72,045

(c) As of December 31, 2019 and 2018, correspond to the balance of dividends declared in each year, paid quarterly until March of the following year; see Note 11(a).

10. Corporate bonds

(a) This caption is made up as follows:

Issuance	Annual interest rate	Interest payment	Maturity	Issuance amount (000)	2019 S/(000)	2018 S/(000)
Senior Bonds (i)	3.875	Semiannually	2029	US$325,000	1,010,137	-
Senior Bonds (i)	5.781	Semiannually	2029	S/300,000	296,045	-
Senior Bonds (ii)	7.656	Semiannually	2030	S/301,000	298,265	297,952
Senior Bonds (ii)	5.875	Semiannually	2025	US$250,000	-	831,272
					1,604,447	1,129,224

(i) In July 2019, Intercorp Perú performed a private offering of corporate bonds named "3.875 Senior Notes due 2029" and "5.78125 Senior Notes due 2029," for US$325,000,000 and S/300,000,000, respectively, on the foreign and national market. The bonds were issued in accordance with Rule 144A and Regulation S of the Securities Act of 1993 of the United States of America. The issuance expenses (structuring costs, exchange premium, among others) amounted approximately to S/73,411,000, which are presented by reducing the nominal value of the issued bonds; as of December 31, 2019, S/918,000 were approximately accrued. The proceeds obtained from these issuances were mainly used for:

- Repurchase and redemption of the corporate bonds called "5.875 Senior Notes due 2025," issued by Intercorp Perú, and payment of the repurchase premium for said bonds.
- Payment of other financial obligations

- General corporate purposes

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

Intercorp Perú concluded that the aforementioned exchange did not generate a substantial modification in the terms and conditions of the financial liability; therefore, it did not recognize a new financial liability. In addition, in accordance with the IFRS 9, Intercorp Perú recognized gains of approximately US$7,037,000 (equivalent to S/23,304,000) as a result of the difference between the present values of both obligations, which were discounted at the effective interest rate of the original financial liability and are included in "Financial expenses" of the separate income statements, decreasing the interest expenses generated by these issuances; see paragraph (b).

(ii) In February 2015, the Company performed a private offering of "Senior Notes due 2025" and "Senior Notes due 2030" for US$250,000,000 and S/301,500,000, respectively, on the foreign and national market. The issuance expenses amounted approximately to S/18,800,000, which are presented by reducing the nominal value of the issued bonds; as of December 31, 2019 and 2018, approximately S/3,235,000 and S/5,411,000, respectively, were accrued. The funds obtained from these issuances were mainly used for:

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

As indicated in (i), in July 2019, Intercorp Perú performed the repurchase and redemption of the corporate bonds named "5.875 Senior Notes due 2025", which gave rise to the payment of a premium of US$11,400,000 (equivalent to S/37,586,000), of which US$8,595,000 (equivalent to S/28,191,000) are presented in "Financial expenses" of the separate income statements, see Note 13(a), and US$2,805,000 (equivalent to S/9,297,000) are presented as part of the corporate bonds named "3.7875 Senior Notes due 2029", as stated above.

(b) In the year 2019, the Company recorded interest expenses for approximately S/89,390,000 (approximately S/72,869,000 in 2018), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 13(a). Likewise, as of December 31, 2019 and 2018, 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, 2019 and 2018.

11. Equity

(a) Capital stock -

As of December 31, 2019 and 2018, 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, 2019 and 2018, is presented below:

Shareholder	**Participation** %
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 Sessions held on February 21, May 21, August 20 and November 19, 2019, agreed to commit earnings for the 2019 fiscal year and retained earnings for future capitalization for the amount of S/320,000,000, S/420,000,000, S/200,000,000 and S/430,000,000, respectively.

The General Shareholders' Meeting held on April 1, 2019, agreed to capitalize approximately S/491,465,000 with charge to retained earnings. As a result of said agreement, the nominal value per share was modified from US$9 to US$10, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to S/98,940,000), which will be paid in four equal installments (US$7,500,000) from June 2019 to March 2020. As of December 31, 2019, the payment of the last installment is pending.

The General Shareholders' Meeting held on April 2, 2018, agreed to capitalize approximately S/485,891,000 with charge to retained earnings. As a result of said agreement, the nominal value per share was modified from US$8 to US$9, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to S/97,818,000), which were paid in four equal installments (US$7,500,000) from June 2018 to March 2019.

(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, 2019 and 2018, the Company has met the aforementioned requirements and complementary provisions established by the SBS at those times.

(c) Reserves -
The Board session held on November 19, 2019 approved the constitution of reserves with charge to retained earnings for up to S/ 70,000,000.

The General Shareholders' Meeting held on April 1, 2019, agreed to constitute a reserve for S/58,536,000 charged to retained earnings.

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 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.

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

12. Tax situation

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

On the other hand, Peruvian life insurance companies are exempted from income taxes when it comes to income from assets related to technical reserves for the payment of Annuities and Retirement, disability and survival annuities of the Private Pension Fund Management System.

In Peru, all gains from Peruvian sources are subject to income tax, which is directly obtained by the direct or indirect sale of shares or participations representing the capital of legal entities domiciled in the country.

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

In this sense, the Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the twelve (12) months prior to the sale, the market value of the shares or ownership interests of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or ownership interests of the non-domiciled legal entity. In addition, as a concurrent condition, it is also established that an indirect transfer occurs when, in any 12-month period, shares or ownership interests that represent 10 percent or more of the capital stock of a non-domiciled legal entity are transferred.

(b) Intercorp Perú's Subsidiaries established in Peru are subject to Peruvian taxes, therefore, they must evaluate its tax burden based on their separate financial statements. The income tax rate as of December 31, 2019 and 2018, was 29.5 percent on the taxable income.

(c) The Company's Subsidiaries are subject to the tax regime of the country in which they operate; and pay taxes on the basis of their separate financial statements. As of December 31, 2019 and 2018, 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
	2019 - 2018
	%
Peru	29.50
Ecuador	25.00
Colombia	33.00
Bolivia	25.00
Spain	25.00
Mexico	30.00

According to current legislation in some countries as of December 31, 2019 and 2018, cash dividends for non-domiciled shareholders are taxable for Income Tax with the following rates:

	Tax rates	
	2019	2018
	%	%
Peru	5.00	5.00
Ecuador	10.00	10.00
Colombia	7.50	5.00
Bolivia	12.50	12.50
Spain (*)	-	-

(*) The distribution from Spain to The Bahamas is not affected by this tax.

(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.

As of December 31, 2019, the following tax periods of the main Subsidiaries are pending review by the Tax Authority.

	Income Tax	Value Added Tax
Albis S.A.C.	2015 to 2019	2016 to 2019
Banco Internacional del Perú S.A.A. – Interbank	2014 to 2019	2014 to 2019
Cifarma S.A.C.	2014 to 2019	2016 to 2019
Colegios Peruanos S.A.	2012 to 2019	2012 to 2019
Desarrolladora Strip Centers S.A.C.	2013 to 2019	2016 to 2019
Financiera Oh! S.A.	2015 to 2019	2016 to 2019
Hipotecaria Sura – In liquidation	2014 to 2018	2014 to 2018
Homecenter Peruanos S.A.C.	2015 to 2019	2016 to 2019
Inmobiliaria Milenia S.A.	2015 to 2019	2016 to 2019
Inretail Pharma S.A.	2015 to 2019	2016 to 2019
IR Management S.R.L.	2015 to 2019	2016 to 2019
Interseguro Compañía de Seguros S.A.	2014 to 2019	2015 to 2019
Jorsa de la Selva S.A.C.	2014 to 2019	2014 to 2019
Mifarma S.A.C.	2015 to 2019	2016 to 2019
Mifarma S.A. (Bolivia)	2010 to 2019	2010 to 2018
Quicorp S.A.	2014 to 2019	2014 to 2019
Quideca S.A. (Colombia)	2013 to 2019	2017 to 2019
Quifatex S.A. (Ecuador)	2015 to 2019	2015 to 2019
Quimiza Ltda (Bolivia)	2013 to 2019	2013 to 2019
Química Suiza S.A.C.	2016 to 2019	2014 to 2019
Real Plaza S.R.L.	2015 and 2017 to 2019	2016 to 2019
Seguros Sura S.A.	2014 to 2018	2014 to 2018
Superfarma Mayorista S.A.C.	2016 to 2019	2016 to 2019
Supermercados Peruanos S.A.	2014 to 2019	2016 to 2019
Tiendas Peruanas S.A.C.	2015 to 2019	2016 to 2019
Universidad Tecnológica del Perú S.A.C.	2015 to 2019	2015 to 2019
Urbi Propiedades S.A.	2013 to 2019	2015 to 2019
Vanttive S.A.C.	2014 to 2019	2014 to 2019
Vanttive Cía. Ltda (Ecuador)	2015 to 2019	2015 to 2019

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, 2019 and 2018.

(d) Financial and insurance entities -

Interbank –

In April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbak 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 of resolution by the Tax Court.

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, the most relevant matter subject to discrepancy with 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. Subsequently, in June 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court, in a case followed by another financial entity, ruled in favor of the tax treatment over the interest in suspense followed by said entity; which is consistent with the tax treatment followed by Interbank. Lastly, on March 12, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court published on the website of the Judiciary its ruling regarding Interbank's Income Tax for the year 2003, declaring groundless the cassation appeals filed by SUNAT and the Ministry of Economy and Finance ("MEF", by its Spanish acronym), thus reaffirming the position held by the Bank regarding that interest in suspense does not constitute taxable income.

From the tax and legal analysis performed, reinforced by the aforementioned recent ruling by the Permanent Chamber of Constitutional and Social Law of the Supreme Court, Interbank's Management and its external legal advisors consider that it exists sufficient technical support for the prevalence of Interbank's position, in relation with the tax periods under resolution process; thus, it has not been recorded any provision for this contingency as of December 31, 2019 and 2018.

The tax liability requested for this concept and other minor contingencies as of December 31, 2019, without considering the effects of the ruling by the Permanent Chamber of Constitutional and Social Law of the Supreme Court published on March 12, 2020, amounted to approximately S/303,000,000, out of which S/34,000,000 corresponded to taxes and the difference to fines and interest arrears. However, it is estimated that once SUNAT performs the resettlements of the Income Tax, including the effects of said ruling, the requested amount will diminish significantly.

On the other hand, on February 3, 2017, SUNAT closed the audit process corresponding to the Income Tax for the year 2010. The Bank paid the debt under protest and filed a claim procedure. Subsequently, on November 6, 2018, SUNAT closed again the audit process corresponding to the Income Tax 2010, which had been reopened due to invalidity; Interbank filed a claim procedure and afterwards a tax appeal. Currently, the appeal is pending resolution by the Tax Court.

On February 14, 2018, SUNAT notified Interbank of the beginning of the partial audit process for the third category Income Tax corresponding to the year 2014. Subsequently, on September 7, 2018, SUNAT closed said partial audit process and did not determine any additional settlement of said tax.

On January 14, 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. As of December 31, 2019, the tax debt requested by SUNAT amounts to approximately S/50,000,000 (including taxes, penalties and moratorium interest). The main concept observed was the deduction of loan write-offs without proof by the SBS.

To date, Interbank's Management has submitted the respective complaints to the resolutions indicated above. In the opinion of Management and its legal advisors, any eventual additional tax would not be significant for the financial statements as of December 31, 2019 and 2018.

On April 26, 2019, SUNAT notified Interbank about the commencement of the definitive audit process on Income Tax withholdings of non-domiciled entities corresponding to the year 2018. To date, said audit is under process.

On September 11, 2019, SUNAT notified Interbank about the commencement of the definitive audit process on the Income Tax corresponding to the year 2014. To date, said audit is under process.

On December 12, 2019, SUNAT notified Interbank about the commencement of the definitive audit process on the Income Tax corresponding to the year 2015. To date, said audit is under process.

Lastly, to date, SUNAT is auditing Interbank's 2012 taxable period. In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2019 and 2018.

Interseguro –
On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial audit of the Income Tax for non-domiciled entities for Sura corresponding to January 2015. The tax debt requested by SUNAT amounts to approximately S/19,000,000. On January 30, 2019, the Company filed an appeal against the Resolution of Determination claimed by SUNAT. Considering that this debt corresponds to a period prior to the acquisition of Seguros Sura by the Group and according to the conditions of the purchase and sale agreement of this entity, this debt, if confirmed after the legal actions that Management is to file, would be assumed by the sellers.

On August 28, 2019, Interseguro was notified by SUNAT through requirement letter related to the Income Tax of the taxable period 2008 as definitive tax audit commenced regarding Seguros Sura.

(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 2013. Said audits resulted in Determination Resolutions generating higher tax payments, fines and interest for an approximate total of S/139,000,000 as of December 31, 2019 (S/175,000,000 as of December 31, 2018). The resolutions issued for the years 2004 to 2013 have been challenged and these cases are pending resolution by the Tax Court.

Eckerd Amazonía S.A.C., during 2005 and 2006, was audited on its monthly IGV for taxable years from January 2003 to June 2005. The main objections are related to the lack of knowledge of the exoneration of the IGV provided by the Act of Promotion and Investment of the Amazon Region. In the opinion of Management and its legal advisors, the Company expects to obtain a favorable result in the appeal procedures it has filed. As of December 31, 2019, the total contingency of the Company amounts to S/17,568,000 (S/20,536,000 as of December 31, 2018).

Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.) filed an appeal against SUNAT for resolutions with alleged omissions in the determination of the tax base for the profits of 2001, 2003, 2008, 2009, 2011, 2012, 2013, 2014 and 2015, as well as the IGV of the year 2001, for a total of approximately S/9,122,000 (S/15,385,000 as of December 31, 2018). Management and its legal advisors do not consider it necessary to constitute additional provisions to those that are already recorded as of December 31, 2019, for these processes.

(f) Educational business
As of December 31, 2019 and 2018, 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, 2019 and 2018, the approximate amount of such proceedings and procedures amounts to S/3,188,000 and S/5,006,000, respectively. 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 Subsidiaries domiciled in Peru as of December 31, 2019 and 2018.

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

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

In this regard, it is important to emphasize that, at present, Interbank maintains a branch in Panama, a country that is considered "non-cooperating", in accordance with the Legislative Decree No. 1381. Notwithstanding the aforementioned, as detailed in Note 3.1(a) to the date of this report, said branch is under voluntary closing and liquidation process.

(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 with the purpose of providing with more assurance to taxpayers regarding the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code), as well as to provide SUNAT with tools for its effective implementation (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 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:

	2019 S/(000)	2018 S/(000)
Financial income		
Interest on term deposits	1,759	-
Interest on current account deposits	1,602	17
Interest and dividends on investments	226	577
Interest from loans granted to Subsidiaries and shareholder, Note 15(d)	122	2,267
Interest from Global bonds of the Republic of Peru	-	147
Total financial income	3,709	3,008
Financial expenses		
Interest on corporate bonds, Notes 10(a) and 10(b)	(66,086)	(72,869)
Premium for repurchase and redemption of bonds, Note 10(a)(ii)	(28,191)	-
Interest on loans, Notes 9(a) and 15(b)	(7,208)	(11,468)
Others	(1,238)	(1,240)
Total financial expenses	(102,723)	(85,577)

14. General expenses and other expenses, net

14.1 General expenses

(a) Below is the detail of general expenses:

	2019 S/(000)	2018 S/(000)
Services provided by third parties (b)	(25,927)	(5,500)
Operating expenses	(24,192)	(16,854)
Miscellaneous provisions	(8,339)	(542)
Others	(1,616)	(272)
	(60,074)	(23,168)

(b) As of December 31, 2019 and 2018, corresponds mainly to expenses for consulting, financial audit, regulatory entities, legal advice, custody services, among others.

14.2 Other expenses, net

(a) Below is the detail of this caption:

	2019 S/(000)	2018 S/(000)
Other income		
Valuation of investment property, Note 7	21,556	4,550
Other income	5,139	-
Total other income	26,695	4,550
Board compensation	(42,232)	(35,671)
Total other expenses	(42,232)	(35,671)
Other expenses, net	(15,537)	(31,121)

15. Transactions with Subsidiaries, related entities and shareholder

(a) As of December 31, 2019 and 2018, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	2019 S/(000)	2018 S/(000)
Cash and due from banks		
Current accounts - Banco Internacional del Perú S.A.A. – Interbank	128,808	6,616
Current accounts - Inteligo Bank Ltd.	5,792	852
Short-term deposits - Inteligo Bank Ltd.	82,850	-
	217,450	7,468

(b) As of December 31, 2019 and 2018, the balance of accounts payable to Subsidiaries are the following:

	2019 S/(000)	2018 S/(000)
Accounts payable to Subsidiaries		
Indigital S.A.C.	1,991	-
Banco Internacional del Perú S.A.A. – Interbank (i)	-	65,257
Other Subsidiaries	1,211	6,053
	3,202	71,310

(i) As of December 31, 2018, it corresponded to promissory notes in soles which accrued interest at market rates, with current maturity and did not have specific guarantees. In May 2019, said promissory notes were fully canceled.

During the years 2019 and 2018, interests of S/3,298,000 and S/4,114,000 were recognized, respectively, which are presented as part of the item "Financial expenses" in the separate income statements, see Note 13(a).

(c) As of December 31, 2019 and 2018, the Company holds participations in the investment fund NG Capital Partners I, classified as investments at fair value through profit or loss for S/19,717,000 and S/46,166,000; respectively, see Note 6(a).

(d) For the years ended December 31, 2019 and 2018, the Company recorded the following income (expenses) from operations with its Subsidiaries and related entities:

	2019 S/(000)	2018 S/(000)
Loss on derivative financial instruments		
Banco Internacional del Perú S.A.A. – Interbank, Note 18(c)(i)	(1,685)	(2,092)
Financial income		
Banco Internacional del Perú S.A.A. – Interbank	1,832	17
Inteligo Bank Ltd.	1,574	-
Other Subsidiaries and related parties, Note 13(a)	122	2,267
Financial expenses		
Banco Internacional del Perú S.A.A. – Interbank (b), Note 13(a)	(3,298)	(4,114)
Other Subsidiaries	(25)	(1,239)
General expenses		
Inteligo Sociedad Agente de Bolsa S.A.	(1,651)	(806)
Inteligo Bank Ltd.	(517)	(460)
Other expenses, net		
Board of Directors' compensation, Note 14	(42,232)	(35,671)

(e) As of December 31, 2019 and 2018, the Company had no employees, and therefore its operations and administration are carried out through its Subsidiaries.

(f) As of December 31, 2019 and 2018, the balances of account receivable from Subsidiaries and related entities are the following:

	2019 S/(000)	2018 S/(000)
Accounts receivable from Subsidiary and related entities		
Indigital S.A.C.	6,748	-
Others	2,749	1,260
Total	9,497	1,260

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 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
Year 2019				
Balance as of January 1	149,019	149,019	365	149,019
Balance as of December 31, 2019	149,019	149,019		149,019
Net profit for the year S/(000)				1,430,326
Earnings per share A and B, in Soles				9.60

17. Financial instruments classification

The financial assets and liabilities of the separate statements of financial position as of December 31, 2019 and 2018 are presented below:

	As of December 31, 2019			
	At fair value through profit or loss S/(000)	Amortized cost S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets				
Cash and due from banks	-	217,450	-	217,450
Accounts receivable from Subsidiary and related entity	-	9,497	-	9,497
Investments at fair value through profit or loss	153,403	-	-	153,403
	153,403	226,947	-	380,350
Financial liabilities				
Accounts payable to Subsidiaries	-	-	3,202	3,202
Interest, provisions and other accounts payable	-	-	62,796	62,796
Corporate bonds	-	-	1,604,447	1,604,447
	-	-	1,670,445	1,670,445

	As of December 31, 2018			
	At fair value through profit or 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 Subsidiary and related entity	-	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

18. Risk assessment

It comprises the management of the main risks, that due to the nature of its operations, Intercorp Perú 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, 2019 and 2018, the assets that are potentially exposed to concentrations of credit risk correspond to cash, due from banks, accounts receivable from Subsidiaries and related entities, and investments at fair value through profit or loss; however, Management deems that said financial instruments are not exposed in a significant manner to credit risk due to the following reasons:

- Cash and due from banks correspond to time deposits and current accounts maintained in Interbank and Inteligo Bank, both Subsidiaries of the Company.
- Accounts receivable are mainly from Subsidiaries.
- Investments at fair value through profit or loss in instruments are very quick to carry out and correspond to entities of recognized prestige.

(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, 2019 and 2018, the Company is exposed mainly to payment requirements of interest and principal of loans, corporate bonds, and other accounts payable. In order to pay said financial obligations, the Company solely depends on the distribution of dividends from its Subsidiaries.

The following table presents the cash flows payable of the Company as of December 31, 2019 and 2018, according to contractual terms agreed upon. Likewise, the amounts disclosed are undiscounted but include the respective interest to be accrued:

	2019					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	More than 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Accounts payable to Subsidiaries	-	30	1,991	1,181	-	3,202
Interest, provisions and other accounts payable	320	25,164	582	2,458	174	28,698
Corporate bonds	8,672	34,299	41,113	328,904	2,102,847	2,515,835
Total liabilities	8,992	59,493	43,686	332,543	2,103,021	2,547,735

	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)	Over 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	4,628	36,552	-	2,713	-	43,893
Corporate bonds	-	36,290	36,290	290,322	1,368,289	1,731,191
Total liabilities	4,628	76,292	265,500	294,216	1,368,289	2,008,925

The following table shows the changes in liabilities arising from financing activities according to IAS 7, as of December 31, 2019 and 2018:

	2019				
	Balance as of January 1 S/(000)	Dividends payable S/(000)	Cash flow S/(000)	Others S/(000)	Balance as of December 31 S/(000)
Accounts payable to Subsidiaries	71,310	-	(64,083)	(4,025)	3,202
Loans from third parties	153,000	-	(153,000)	-	-
Dividends payable	25,275	98,940	(100,115)	793	24,893
Corporate bonds	1,129,224	-	538,508	(63,285)	1,604,447
Total liabilities for financing activities	1,378,809	98,940	221,310	(66,517)	1,632,542

	2018				
	Balance as of January 1 S/(000)	Dividends payable S/(000)	Cash flow S/(000)	Others S/(000)	Balance as of December 31 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
Corporate bonds	1,096,875	-	-	32,349	1,129,224
Total liabilities for financing activities	1,279,926	97,818	(37,099)	38,164	1,378,809

(c) Market risk-

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

(i) Foreign exchange risk-

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

The foreign currency transactions are conducted using the exchange rates of the free market. As of December 31, 2019, the free market's weighted average exchange rate was S/3.314 per US$1 bid and S/3.319 per US$1 ask (S/3.363 and S/3.370 as of December 31, 2018, respectively).

As of December 31, 2019, the exchange rate established by the SBS to record the asset and liability accounts in foreign currency was S/3.314 per US$1 (S/3.373 as of December 31, 2018).

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

	2019 US$(000)	2018 US$(000)
Assets		
Cash and due from banks	26,861	523
Accounts receivable from Subsidiary and related entity	2,669	196
Investments at fair value through profit or loss	46,289	31,485
	75,819	32,204
Liabilities		
Accounts payable to Subsidiaries and related entities	609	-
Interest, provisions and other accounts payable	13,106	13,440
Corporate bonds	325,000	250,000
	338,715	263,440
Net position (liability)	(262,896)	(231,236)

As of December 31, 2019 and 2018, 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 passive position generated a gain of S/18,241,000 due to exchange difference for the year 2019 and a loss of S/28,659,000 due to exchange difference for the year 2018.

During the years 2019 and 2018, the Company signed currency forward agreements designated as financial instruments for trading with its Subsidiary Interbank, with maturity in May 2019 and May 2018, and for nominal amounts of approximately US$105,000,000 and US$71,500,000, respectively. As result of the holding of these financial instruments, the Company recorded losses for approximately S/1,685,000 and S/2,092,000 as of December 31, 2019 and 2018, respectively.

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

Sensitivity analysis	**Changes in exchange rates** %	**2019** S/(000)	**2018** S/(000)
Devaluation			
US Dollar	5	51,317	44,269
US Dollar	10	102,633	88,537
US Dollar	15	153,950	132,806
Revaluation			
US Dollar	5	(51,317)	(44,269)
US Dollar	10	(102,633)	(88,537)
US Dollar	15	(153,950)	(132,806)

(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 due to the issuance of corporate bonds (Note 10), as they were issued at a fixed interest rate.

(iii) Price risk -
The Company's exposure to this risk is caused by price changes of investments classified in the separate statements of financial position as investments at fair value through profit or loss.

As of December 31, 2019 and 2018, Management has performed sensitivity tests on the market prices of such financial instruments. The effect in the separate income statement would be as follows:

Sensitivity analysis	Price change %	2019 S/(000)	2018 S/(000)
Mutual funds	+/-10	3,397	5,972
Mutual funds	+/-25	8,493	14,930
Mutual funds	+/-30	10,192	17,916
Investment funds	+/-10	6,280	4,616
Investment funds	+/-25	15,700	11,541
Investment funds	+/-30	18,840	13,849
Shares	+/-10	5,663	-
Shares	+/-25	14,158	-
Shares	+/-30	16,989	-

Management considers that future fluctuations in exchange rates, interest rates and prices of its 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, 2019 and 2018, corresponds to investments at fair value through profit or loss that are presented at their fair value; where "3" is its level of fair value hierarchy, see Note 6.

	Hierarchy level	
	2019	2018
Foreign mutual funds	3	3
Foreign investment funds	3	3
Shares	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) listed 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, 2019, the valuation of investments at fair value with change in Level 3 results (participations in mutual and foreign investment funds and shares) generated a loss of S/24,106,000 (gain of S/41,508,000 as of December 31, 2018), see Note 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 2019 and 2018, 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	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/687,000.

(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:

	2019		2018	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Financial liabilities				
Corporate bonds	1,604,447	1,716,616	1,129,224	1,156,646

19. Additional explanation for English translation

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

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