

Translation of separate financial statements originally issued in Spanish – Note 18

Intercorp Perú Ltd.

Interim separate financial statements as of September 30, 2019 and December 31, 2018, and for the nine-month periods ended September 30, 2019 and 2018

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Intercorp Perú Ltd.

Separate statements of financial position

As of September 30, 2019, and December 31, 2018

	Note	30.09.2019 S/(000)	31.12.2018 S/(000)
Assets			
Cash and due from banks	14(a)	406,705	7,468
Accounts receivable from Shareholders, Subsidiaries and related entities	5	19,273	1,260
Investments at fair value through profit or loss	6	158,058	105,885
Total current assets		584,036	114,613
Investment property	7	141,890	141,492
Investments in Subsidiaries	8	10,904,381	9,879,979
Other assets		1,146	1,696
Total no current assets		11,047,417	10,023,167
Total assets		11,631,453	10,137,780
Liabilities and equity			
Liabilities			
Accounts payable to Subsidiaries	14(b)	1,203	71,310
Loans payable	9(a)	-	153,000
Interest, provisions and other accounts payable	9(b)	76,734	72,045
Total current liabilities		77,937	296,355
Corporate bonds	10	1,646,421	1,129,224
Total liabilities		1,724,358	1,425,579
Equity, net			
Capital stock	11	4,502,155	4,010,690
Reserves		3,798,659	3,740,123
Unrealized results		72,963	(102,476)
Retained earnings		1,533,318	1,063,864
Total equity, net		9,907,095	8,712,201
Total liabilities and equity, net		11,631,453	10,137,780

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

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Intercorp Perú Ltd.

Separate income statements

For the nine-month periods ended September 30, 2019 and 2018

	Note	30.09.2019 S/(000)	30.09.2018 S/(000)
Participation in Income of Subsidiaries	8(b)	943,261	641,782
Income (expenses)			
Gain on Initial Public Offering of Subsidiary	1.2	207,454	-
Gain on sale of investments		-	741
Financial income	13	2,012	3,008
Financial expenses	13	(99,364)	(62,853)
General expenses		(39,456)	(18,570)
Loss on derivative financial instruments	17(c)(i)	(1,685)	(2,092)
Valuation (loss) gain from investments at fair value through profit or loss	6(e)	(17,297)	15,276
Other expenses, net		(28,628)	(24,776)
Exchange difference, net		<u>(3,233)</u>	<u>(10,037)</u>
		<u>19,803</u>	<u>(99,303)</u>
Net profit for the period		<u>963,064</u>	<u>542,479</u>
Earnings per share basic and diluted (stated in Soles) – Shares A and B classes	15	<u>6.46</u>	<u>3.64</u>
Weighted average number of outstanding shares (A and B classes) (in thousand)	15	<u>149,019</u>	<u>149,019</u>

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Intercorp Perú Ltd.

Separate statements of other comprehensive income

For the nine-month periods ended September 30, 2019 and 2018

	30.09.2019	30.09.2018
	S/(000)	S/(000)
Net profit for the period	963,064	542,479
Other comprehensive income to be reclassified to the separate income statements in subsequent periods		
Valuation of investments at fair value through other comprehensive income	-	(132)
Unrealized results in financial instruments of Subsidiaries, Note 8(b)	180,820	405,089
Exchange difference on translation of foreign operations, Note 8(b)	<u>(5,381)</u>	<u>5,236</u>
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	<u>175,439</u>	<u>410,193</u>
Total other comprehensive income for the period	<u>1,138,503</u>	<u>952,672</u>

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Intercorp Perú Ltd.

Separate statements of changes in equity

For the nine-month periods ended September 30, 2019 and 2018

	<u>Number of shares</u>			<u>Unrealized results, net</u>				<u>Total</u> S/(000)
	<u>Issued</u> (in thousands)	<u>Capital stock</u> S/(000)	<u>Reserves</u> S/(000)	<u>Instruments that will be reclassified to the separate income statements</u>			<u>Retained earnings</u> S/(000)	
				<u>Financial instruments</u> <u>at fair value</u> S/(000)	<u>Financial instruments</u> <u>of Subsidiaries</u> S/(000)	<u>Exchange difference on</u> <u>translation of foreign</u> <u>operations</u> S/(000)		
Balances as of January 1, 2018	149,019	3,524,799	2,626,014	132	(322,839)	2,579	1,572,803	7,403,488
Net profit for the period	-	-	-	-	-	-	542,479	542,479
Other comprehensive income	-	-	-	(132)	405,089	5,236	-	410,193
Total other comprehensive income	-	-	-	(132)	405,089	5,236	542,479	952,672
Capitalization of profits, Note 11(a)	-	485,891	-	-	-	-	(485,891)	-
Constitution of reserves, Note 11(c)	-	-	1,114,109	-	-	-	(1,114,109)	-
Dividends declared, Note 11(a)	-	-	-	-	-	-	(97,818)	(97,818)
Net variation of treasury stock held by Subsidiaries, net of dividends received	-	-	-	-	-	-	230,328	230,328
Effect of business combinations, Note 2.2	-	-	-	-	-	-	293,368	293,368
Effect of participation changes in Subsidiaries	-	-	-	-	-	-	(83,394)	(83,394)
Others	-	-	-	-	-	-	(71,218)	(71,218)
Balances as of September 30, 2018	149,019	4,010,690	3,740,123	-	82,250	7,815	786,548	8,627,426
Balances as of January 1, 2019	149,019	4,010,690	3,740,123	-	(124,379)	21,903	1,063,864	8,712,201
Net profit for the period	-	-	-	-	-	-	963,064	963,064
Other comprehensive income	-	-	-	-	180,820	(5,381)	-	175,439
Total other comprehensive income	-	-	-	-	180,820	(5,381)	963,064	1,138,503
Capitalization of profits, Note 11(a)	-	491,465	-	-	-	-	(491,465)	-
Constitution of reserves, Note 11(c)	-	-	58,536	-	-	-	(58,536)	-
Declared Dividends, Note 11(a)	-	-	-	-	-	-	(98,940)	(98,940)
Acquisition of non- controlling interest, Note 8(b)	-	-	-	-	-	-	(131,819)	(131,819)
Initial Public Offering of Subsidiary, Note 1.2	-	-	-	-	-	-	287,995	287,995
Others	-	-	-	-	-	-	(845)	(845)
Balances as of September 30, 2019	149,019	4,502,155	3,798,659	-	56,441	16,522	1,533,318	9,907,095

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Intercorp Perú Ltd.

Separate statements of cash flows

For the nine-month periods ended September 30, 2019 and 2018

	30.09.2019	30.09.2018
	S/(000)	S/(000)
Reconciliation of net profit for the period with cash used in operating activities		
Net profit for the period	963,064	542,479
Plus (minus) adjustments to net income		
Net gain from participation in income of Subsidiaries	(943,261)	(641,782)
Gain on Initial Public Offering of Subsidiary	(207,454)	-
Loss on valuation of trading derivative financial instruments	1,685	2,092
Loss (gain) on valuation of financial investments	17,297	(15,276)
Changes in fair value of investment property	(743)	263
Exchange difference and other cost related to Bonds	22,367	15,209
Net changes in asset and liability accounts		
(Increase) decrease of other accounts receivable	(18,803)	52,878
Decrease of interest, provisions and other accounts payable	<u>(66,886)</u>	<u>(66,389)</u>
Net cash used in operating activities	<u>(232,734)</u>	<u>(110,526)</u>
Investing activities		
Dividends received	559,806	389,912
Sale of subsidiary shares, net of commissions paid	368,256	-
Subscription and purchase of investment, net of return of capital	(69,470)	-
Capital contribution to Subsidiaries	<u>(472,174)</u>	<u>(192,142)</u>
Net cash provided by investing activities	<u>386,418</u>	<u>197,770</u>
Financing activities		
Issuance of corporate bonds	1,371,525	-
Repurchase and redemption of corporate bonds	(833,017)	-
Loans paid to Subsidiaries, net of loans received	(65,264)	(45,978)
Loans (paid) received from third parties	(153,000)	23,000
Payment of dividends	<u>(74,691)</u>	<u>(73,887)</u>
Net cash used in financing activities	<u>245,553</u>	<u>(96,865)</u>
Net increase (decrease) in cash	399,237	(9,621)
Balance of cash at the beginning of period	<u>7,468</u>	<u>13,494</u>
Balance of cash at the end of period	<u>406,705</u>	<u>3,873</u>

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Intercorp Perú Ltd.

Notes to the separate financial statements

As of September 30, 2019 and December 31, 2018

1. Business activity and Initial public offering of Subsidiary shares

1.1 Business activity

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

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

The Company holds investments in a variety of entities domiciled mainly in Peru, in the Bahamas and in the Republic of Panama. The activities and the relevant information about the Subsidiaries as of September 30, 2019 and December 31, 2018, are disclosed in Notes 3 and 8.

These separate financial statements were approved by Management on November 04, 2019, and the audited separate financial statements as of December 31, 2018, were approved by the General Shareholders’ Meeting held on April 1, 2019.

These separate financial statements have been prepared in order to comply with the legal requirements in force in Peru regarding the presentation of financial information and reflect the investment in its Subsidiaries at their equity values as of September 30, 2019 and December 31, 2018, and not on a consolidated basis. These separate financial statements must be read together with the consolidated financial statements of Intercorp Perú and Subsidiaries, which will be reported separately and within the legal deadlines.

1.2 Initial Public Offering of Intercorp Financial Services Inc.

On July 3, 2019, following the approval by the Board, Intercorp Financial Services, Subsidiary of Intercorp, filed with the Securities and Exchange Commission of the United States of America (“SEC”), 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 of IFS’s common shares.

On July 18, 2019, IFS announced the Initial Public Offering of approximately 9,000,000 common shares at a price of US\$46.00 per share with sellers being: (i) IFS, (ii) Interbank, (iii) Intercorp Perú Ltd., and (iv) a non-related shareholder. Also, IFS granted the underwriters an option for a period of 30 days to purchase up to an aggregate of 1,350,000 additional new common shares.

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As part of the Offering, IFS sold 2,418,754 common shares held as treasury stock (including shares sold by Interbank), and 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. Also, the underwriters exercised the purchase option over 1,186,841 new common shares.

In this sense, Intercorp Perú and Subsidiaries jointly 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 over Intercorp Perú's net equity, after discounting the issuance expenses, amounted to S/495,449,000, which is mainly explained by:

- (i) Issuance of 2,336,841 shares and sale of shares held as treasury stock by IFS (2,418,754 shares) with a total impact of S/287,995,000 recorded as retained earnings.
- (ii) Sale of shares held by Intercorp Perú (2,531,246 shares), which generated gains, net of cost (S/160,802,000) amounting to S/207,454,000 which is presented in the caption "Gain from Initial Public Offering of Subsidiary" in the statements of income.

2. Business combinations

2.1 Acquisition of Corporación Educativa Hispanoamericana, S.C.

In January 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., an entity incorporated in Mexico which operates a private educational institution "Comunidad Educativa Hispanoamericana".

The value of the acquisition amounted to approximately S/6,156,000, equivalent to \$35,800,000 (Mexican pesos), of which approximately 80 percent has been cancelled. The pending balance will be cancelled for the next 3 years.

2.2 Quicorp S.A. and Subsidiaries

In January 2018, InRetail Pharma S.A. (formerly Eckerd Perú S.A.) 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 constituting 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 of the following companies: Química Suiza Comercial S.A.C., Química Suiza S.A.C., Cifarma S.A.C., Mifarma S.A.C., Empresa Comercializadora Mifarma S.A. (Bolivia), Botica Torres de Limatambo S.A.C., BTL Amazonía S.A.C., Vanttive S.A.C., Farmacias Peruanas S.A.C., Droguería La Victoria S.A.C., Vanttive Cía. Ltda. (Ecuador), Quifatex S.A. (Ecuador), Quimiza Ltda. (Bolivia), Quideca S.A. (Colombia), Albis S.A.C., Jorsa de la Selva S.A.C. and Superfarma Mayorista S.A.C. These entities operate in manufacturing, distribution and retail segments within the pharmaceutical sector in Peru, Ecuador, Bolivia and Colombia.

The acquisition of Quicorp Group closed 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 paid in full in September 2018, principally with proceeds from issuances of "Senior Unsecured Notes" by InRetail Pharma S.A.

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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 financial statements position of each entity acquired.

2.3 Acquisition of Seguros Sura and Hipotecaria Sura

In May 2017, IFS entered into an agreement with Sura Asset Management S.A. (Colombia), Sura Asset Management Perú S.A. (Peru) and Grupo Wiese (Peru) for the purchase of shares, which resulted in the direct and indirect acquisition of up to 100 percent of Seguros Sura S.A. (henceforth "Seguros Sura") and up to 100 percent of Hipotecaria Sura. The acquisition was approved by Peru's Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS", by its Spanish acronym) on September 28, 2017.

As a consequence, in November 2017, IFS acquired directly and indirectly 99.39 percent of Seguros Sura's capital stock and 99.40 percent of Hipotecaria Sura's capital stock.

The acquisition was recorded in accordance with the "Acquisition method" established by IFRS 3 "Business Combinations".

3. Organization of Intercorp Perú Group

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

3.1. Financial and insurance entities

Intercorp Financial Services Inc.- IFS (henceforth "IFS") .-

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

As of September 30, 2019, after the Initial Public Offering of IFS (see Note 1.2), the Company holds directly and indirectly 70.62 percent of the issued capital stock and the 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). The percentage of indirect participation over IFS' issued capital stock is held by Intercorp Perú through its Subsidiaries IFH Capital Corp. and Intercorp Capital Investments Inc., in which Intercorp Perú holds 100 percent of both their capital stock and, at the same time, each of these Subsidiaries hold 8.62 percent of IFS' capital stock as of September 30, 2019 and December 31, 2018.

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As of September 30, 2019 and December 31, 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"), San Borja Global Opportunities S.A.C. In addition, as of December 31, 2018, it holds 99.42 percent of the outstanding capital stock of Hipotecaria Sura Empresa Administradora Hipotecaria S.A. (henceforth "Hipotecaria Sura"), which was liquidated on February 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 the SBS – Act No. 26702 (henceforth "Banking and Insurance Act"), which establishes the requirements, rights, obligations, restrictions and other operating conditions that Peruvian financial and insurance entities must comply with in Peru.

As of September 30, 2019 and December 31, 2018, Interbank operates 264 and 269 offices, respectively, and a branch established in the Republic of Panama. Additionally, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	Management of securitization funds.
Inversiones Huancavelica S.A.	Real estate activities. In september 2019, the company was absorbed by Interbank.
Contacto Servicios Integrales de Créditos y Cobranzas S.A.	Collection services. In september 2019, the company was absorbed by Interbank. At the time of the merger, the absorbed assets amounted to approximately S/305,000.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand "American Express".

In January 2019, Interbank signed a purchase agreement for the total of its participation in Interfondos S.A., Sociedad Administradora de Fondos (henceforth "Interfondos") with Inteligo Perú Holdings, a related company, subsidiary of Inteligo Group. This operation had no effect on the separate financial statements of Intercorp Perú Ltd.

- (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.

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Likewise, Interseguro holds contributions in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth "Patrimonio Fideicometido – Interproperties Perú"), a structured entity incorporated in April 2008, and in which several investors (related parties to the Intercorp Group) contributed investment properties; each investor or investors have ownership of and specific control over the contributed investment property. Interseguro has ownership of and decision making power over these properties, and the Group has the exposure or rights to their returns; therefore, Interseguro has consolidated the silos containing the investment properties that it controls.

(c) **Inteligo Group Corp. and Subsidiaries –**

Inteligo Group Corp. is an entity incorporated in the Republic of Panama. As of September 30, 2019 and December 31, 2018, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It was incorporated in the Commonwealth of The Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Inteligo Perú Holding S.A.C	It was incorporated in Peru in December 2018. As of September 30, 2019, it holds 100 percent of the shares in: Interfondos S.A. Sociedad Administradora de Fondos: management of mutual funds and investment funds.
Inteligo USA	It was incorporated in United States of America and its corporate purpose is provide investment advisory services to fund managers.

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

As of September 30, 2019, the company has been liquidated, by virtue of the agreement adopted in the Universal Shareholders' Meeting held on February 20, 2019. This company was incorporated in Peru, was regulated by the SBS and its main activity was to grant mortgage loans. Since 2015, it had not granted new mortgage loans.

(e) **San Borja Global Opportunities S.A.C. -**

Its corporate purpose is the marketing of products and services through Internet, telephony or related. As of September 30, 2019 and December 31, 2018, it maintains a paid-in capital of S/1,461,000.

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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 September 30, 2019 and December 31, 2018, the Company holds 100 percent of the capital stock of Intercorp Retail Inc., which holds the following Subsidiaries:

Entity	Activity
InRetail Perú Corp. (As of September 30, 2019 and December 31, 2018, Intercorp Retail Inc. holds 59.04 percent 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); (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 September 30, 2019 and December 31, 2018, operates stores under the trademarks "Plaza Veá", "Plaza Veá Súper", "Vivanda", "Mass" and "Economax"; (ii) Drugstores: Developed by InRetail Pharma S.A. (formerly Eckerd Perú) and Subsidiaries, a company that, as of September 30, 2019 and December 31, 2018, operates under the trademark "Inkafarma". In January 2018, InRetail Pharma S.A. through its Subsidiary IR Pharma S.A.C. acquired the 100 percent of Quicorp S.A. and Subsidiaries, which operate under the trademarks "Mifarma" and "BTL", see Note 2.2. (c) InRetail Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.

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Entity	Activity
IFH Retail Corp. (As of September 30, 2019 and December 31, 2018, Intercorp Retail Inc. holds 84.28 percent and 78.35 percent, respectively, of its capital stock, see Note 8(b)(iv))	Holding incorporated in the Republic of Panama in September 2006. As of September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 2018, provides financial support to the companies of Intercorp Group dedicated to the retail business.
HPSA Corp. (As of September 30, 2019 and December 31, 2018, Intercorp Retail Inc. holds 74.99 and 65.00 percent, respectively, of its capital stock, see Note 8(b)(iv))	Holding incorporated in the Republic of Panama, owner of Homecenters Peruanos S.A. and Subsidiary, a company engaged in the operation of the business of home improvement stores under the trademark “Promart”.
Lince Global Opportunities Corp. (As of September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 2018, it holds 76.18 percent of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.	
	On the other hand, as indicated in Note 3.2(i), IFH Retail Corp., as of September 30, 2019 and December 31, 2018, holds 22.63 percent of Tiendas Peruanas S.A., 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.
(iii) Intercorp Investments Perú Inc. - It is a limited liability holding company incorporated in September 2006 in the Republic of Panama. As of September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 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.	

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Notes to the separate financial statements (continued)

As of September 30, 2019 and December 31, 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 September 2009, to develop a real estate project called "Domus Hogares del Norte".
Urbi Solutions S.A.C.	Incorporated in Lima in September 2014 to engage in the construction of real estate projects.

In April 2018, Intercorp Perú and Urbi Propiedades sold their participation in Club de Socios S.A. 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, investments in real estate projects are made, and their yields back (i) the certificates of participation issued, and (ii) the compliance with other obligations assumed directly or through third parties in order to obtain the resources that are necessary to make said investments. As of September 30, 2019, and December 31, 2018, the company that consolidates financial information with Intercorp Perú and that holds 100 percent of the participations in Interproperties Holding is InRetail Perú Corp.

Through these equity trusts, Intercorp Group holds the ownership of the property where the shopping malls called "Real Plaza" operate. As of September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 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.

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Notes to the separate financial statements (continued)

As of September 30, 2019 and December 31, 2018, Intercorp Perú holds 100 percent of its participation of Class A shares and 51.47 percent of Class B shares of NG Education Holdings Corp.'s capital stock, that holds the following Subsidiaries:

Entity	Activity
<p>Colegios Peruanos S.A. (As of September 30, 2019 and December 31, 2018, NG Education Holdings Corp. holds 33.99 percent of its capital stock).</p>	<p>As of September 30, 2019, it operates 54 schools under the trademark "Innova Schools" (49 schools as of December 31, 2018).</p>
<p>NG Education S.A.C (As of September 30, 2019 and December 31, 2018, NG Education Holdings Corp. holds 48.67 percent of its capital stock)</p>	<p>Holding incorporated in Peru in November 2011. As of September 30, 2019 and December 31, 2018, NG Education S.A.C. holds 100 percent of the following Subsidiaries:</p> <p>(a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 3 business units: UTP University, IDAT Institute and Post-Graduate School. As of September 30, 2019, UTP holds 100 percent of the following Subsidiaries:</p> <p style="margin-left: 40px;">(i) Corriente Alterna S.A.C.: School of artistic education that provides the career of Visual Arts and has 1 premise in Lima.</p> <p style="margin-left: 40px;">(ii) Instituto Superior Tecnológico Corriente Alterna S.A.C.: As of the date of this report, it is not operating.</p> <p>(b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of September 30, 2019 and December 31, 2018, has 1 premise.</p>

(ii) NG Education Holdings II Corp.-

It is a limited liability holding company incorporated in October 2013 in the Republic of Panama. As of September 30, 2019 and December 31, 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
<p>Servicios Educativos Perú S.A.C. (As of September 30, 2019 and December 31, 2018, NG Education Holdings II Corp. holds 100 percent of its capital stock)</p>	<p>Company incorporated in Perú in October 2013. As of September 30, 2019 and December 31, 2018, it holds 100 percent of the capital stock of Servicios Educativos Empresariales S.A.C., incorporated in Lima in February 2012. As of September 30, 2019, operates 8 premises under the trademark "Zegel-IPAE" and 2 premises in construction located</p>

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Notes to the separate financial statements (continued)

- | Entity | Activity |
|---|---|
| | in Arequipa and Lima (as of December 31, 2018, operates 5 premises and 2 premises in construction located in Arequipa and Ica). |
| (iii) NG Education Holdings III Corp. - | |
| | It is a limited liability holding company incorporated in July 2013 in the Republic of Panama. As of September 30, 2019 and December 31, 2018, Intercorp Perú holds 85.31 percent of its capital stock and, in turn, at the same dates, it 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 September 30, 2019, Intercorp Perú holds 100 percent of its capital stock. This Subsidiary has 55 percent of the capital stock of Transformando la Educación en México S.L. de C.V., which, at the same time, holds 99.99 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 September 2019, Transformando la Educación en México, S.L. de C.V. and Servicios Administrativos Transformando la Educación en México, S.C. entered into an agreement for the purchase of shares of Corporación Educativa Hispanoamericana, S.C., an entity incorporated in Mexico and dedicated to the education sector. See Note 2.1.

3.4. Other entities -

As of September 30, 2019 and December 31, 2018, the Company holds 100 percent of the capital stock of the following Subsidiaries:

Entity	Activity	Constitution
Inversiones Río Nuevo S.A.C.	Real estate business	Peru
San Miguel Global Opportunities S.A.C.	Real estate business	Peru
Intercorp Management S.A.C.	Administrative services	Peru
Puente de San Miguel Arcángel S.A.	Holding	Republic of Panama
Centro Cívico S.A.	Real estate business	Peru
Ronepeto S.A.	Real estate business	Peru
La Punta Global Opportunities Corp.	Specialized investments	Republic of Panama
Urbi Proyectos S.A.	Real estate projects	Peru
Beacon Healthcare S.A.C.	Holding	Peru
Centros de Salud Peruanos S.A.C.	Health sector	Peru

4. Significant accounting principles and practices

4.1 Basis of presentation -

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

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Notes to the separate financial statements (continued)

The interim separate financial statements do not include all the information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's consolidated audited financial statements as of December 31, 2018 and 2017, and as of January 1, 2017, issued on March 18, 2019 (Annual Separate Financial Statements).

The interim separate financial statements have been prepared on a historical cost basis, except for investment property, derivative financial instruments, financial investments at fair value through profit or loss and through other comprehensive income, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Soles, which is the functional currency of the Group, and all values are rounded to the nearest thousand (S/ (000)), except when otherwise indicated.

The preparation of the interim separate financial statements, in conformity with the IFRS, requires Management to make estimations and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of significant events in the notes to the interim separate financial statements. The final results may differ from these estimates.

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

4.2.1 Changes in accounting policies -

As of December 31, 2017, the Subsidiary Interseguro recognized in its income statements the effect of the change in the value of liabilities coming from retirement, disability and survival pensions, caused by the variations in the market interest rates used to discount these liabilities. In the first quarter of 2018, Management decided to modify its accounting policy in order to show the effect of the change in market interest rates on the interim condensed consolidated statements of other comprehensive income. This change was made to reduce volatility in the profits or losses associated with the effect of changes in market interest rates, as the financial assets supporting such insurance liabilities are measured at fair value through other comprehensive income. According to IAS 8, as the aforementioned change constitutes a voluntary change in the accounting policy of the Company and, in compliance with said the standard, was applied retrospectively; see Note 4.2.1 of the 2018 Annual Separate Financial Statements.

4.2.2. New standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations have been adopted for the first time in 2019, but do not have an impact on the interim financial statements of the Group.

- 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

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Notes to the separate financial statements (continued)

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 account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from the one under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for the Company.

- **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 Taxes”. 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.
- **Amendments to IFRS 9 “Financial Instruments”: Prepayment features with negative compensation Under IFRS 9**
The International Accounting Standards Board has proposed minor amendments to IFRS 9 to allow the companies to measure the amortized cost of certain pre-payable financial assets with the so-called negative compensation.
- **Amendments to IAS 19 “Employee Benefits”: Plan amendment, curtailment or settlement**
The amendments are related to: (i) the cost of passed service (or the gain or loss in settlement), and (ii) the cost of the current service and net interest of the net defined benefit liability (asset).
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”: Long-term interests in associates and joint ventures**
IAS clarify that an entity applies IFRS 9, including the impairment, to long-term interests. In addition, in applying IFRS 9 to long-term interests, the entity does not take account the adjustment to its book value required by IASB 28 (i.e. adjustments of the carrying value of long-term interest arising from the allocation of losses of the entity where it is invested or the valuation of impairment in accordance with IAS 28).

4.3 Changes in significant accounting judgments, estimates and assumptions

During 2018, the Group made the following changes in the accounting estimate related to the determination of insurance contracts liabilities, as detailed below:

4.3.1 Adoption of new mortality tables (SPP 2017)

Through SBS Resolution No.886-2018 dated March 7, 2018, the SBS published the new Peruvian mortality and morbidity tables “SPP-S-2017” and “SPP-I-2017” (for men and women) to be used in mathematical reserve calculations of pensions from the Private Pension System (“SPP”, by its Spanish acronym) and the Complementary Insurance of Hazardous Work. These tables gather updated information from Peru’s SPP and show the recent changes in life expectancy. The population used for the analysis and study were those affiliated to the SPP. From June 1, 2018, the Group decided to use these new tables for its pension reserve calculation.

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Notes to the separate financial statements (continued)

4.3.2 Changes in the assumptions used in calculating interest rates to discount pension reserves

Until May 31, 2018, in order to discount claim reserves, Interseguro used the average market rate of its financial assets portfolio for the matching currency pension flows and a reinvestment rate of 3 percent for non-matching currency pension flows. From the second quarter 2018, Interseguro modified the estimation of these assumptions, using the risk-free rate due to the currency of Peruvian government's sovereign yield curves plus an illiquidity premium as a portion of the corporate bonds spread to loss given default or the cost of credit rating downgrade. These corporate bonds spread is calculated based on the performance of the asset portfolio designated by Interseguro to cover its pension obligations.

In accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" as the changes above result from new information or events and are not error corrections nor related to previous periods, they are considered changes in accounting estimations and the effects were recognized prospectively.

As a consequence, Management considers that the changes in the mortality and morbidity tables and in the method for determining the discount interest rate reflect a better accounting estimation of insurance contracts liabilities.

The changes detailed in the preceding paragraphs have been made by the Interseguro and are reflected in the Company's financial statements, as a result for the application of the equity method.

4.4 Summary of main accounting policies

As of September 30, 2019, the accounting policies are consistent with respect to the standards applied as of December 31, 2018, which are included in the annual financial statements.

5. Accounts receivable from Subsidiaries, related entities and others

This caption is made up as follows:

	30.09.2019 S/(000)	31.12.2018 S/(000)
Shareholder	4,481	-
Subsidiaries	7,445	511
Related entity	7,347	749
	<u>19,273</u>	<u>1,260</u>

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Notes to the separate financial statements (continued)

6. Financial investments at fair value through profit or loss

(a) The table below presents the movement of the period:

	Balance as of January 01, 2019 S/(000)	Subscription S/(000)	Amortization of capital S/(000)	Fair value adjustment S/(000) (e)	Balance as of September 30, 2019 S/(000)
Foreign investment funds participations (b)	46,166	42,809	(30,299)	4,667	63,343
Foreign mutual funds participations (c)	59,719	688	-	(23,519)	36,888
Unquoted shares (d)	-	56,272	-	1,555	57,827
	<u>105,885</u>	<u>99,769</u>	<u>(30,299)</u>	<u>(17,297)</u>	<u>158,058</u>

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

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

(d) Private financial technology company offering loans and credit cards, financial education, as well as financial education, access to credit reports, among others.

(e) As a result of the of the valuation of financial investment measured at fair value through profit or loss, the Company has recognized, as of September 30, 2019, losses amounting to S/17,297,000, presented in the caption "Valuation (loss) gain from investments at fair value through profit or loss" in the separate income statements (income amounting to S/15,276,000 as of September 30, 2018).

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 September 30, 2019 and 2018, Intercorp had recognized a gain for the change in fair value amounting to S/743,000 and a loss amounting to S/263,000, respectively, which is presented in the caption "Other expenses, net" of the separate income statements.

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Notes to the separate financial statements (continued)

8. Investments in Subsidiaries

(a) As of September 30, 2019 and December 31, 2018, the detail of the investments in Subsidiaries is as follows:

Entity	Equity value	
	30.09.2019 S/(000)	31.12.2018 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	5,699,344	5,129,134
Intercorp Retail Inc. and Subsidiaries	3,781,210	3,566,578
La Punta Global Opportunities Corp.	322,809	291,477
NG Education Holdings Corp. and Subsidiaries	241,057	228,461
Urbi Propiedades S.A. and Subsidiaries	352,170	172,767
Callao Global Opportunities Corp.	111,862	134,705
Intercorp Investments Perú Inc. and Subsidiaries	102,797	100,530
San Miguel Global Opportunies S.A.C	63,443	66,743
NG Education Holdings III Corp.	48,168	49,623
NG Education Holdings II Corp. and Subsidiaries	60,049	37,470
Beacon Healthcare S.A.C. and Subsidiary	58,949	41,518
Intercorp Education Services, S.L. and Subsidiaries	36,308	33,104
Others	26,215	27,869
	<u>10,904,381</u>	<u>9,879,979</u>

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Notes to the separate financial statements (continued)

- (b) The table below presents the movement of the investments in Subsidiaries for the nine-month periods ended September 30, 2019 and 2018:

	30.09.2019	30.09.2018
	S/(000)	S/(000)
Balances as of January 1	9,879,979	8,461,327
Net gain arising from participation in income of Subsidiaries	943,261	641,782
Dividends declared and received in cash from Subsidiaries (i)	(559,806)	(389,912)
Capital contribution in Subsidiaries (ii)	472,174	192,142
Net variation of treasury stock held by Subsidiaries, net of dividends received	-	230,328
Initial Public Offering of Subsidiary, Note 1.2(i)	287,995	-
Net variation of unrealized results on financial instruments of Subsidiaries	180,820	405,089
Effect of participation changes in Subsidiaries	-	(83,394)
Sale of shares of Subsidiary, Note 1.2(ii), (iii)	(160,802)	-
Acquisition of non-controlling interest (iv)	(131,819)	-
Effect of business combinations	-	293,368
Capitalization of debts in Subsidiaries	-	35,713
Capital reduction in Subsidiary	(1,200)	-
Exchange difference on translation of foreign operations	(5,381)	5,236
Others, net	(840)	(69,536)
Balances as of September 30	10,904,381	9,722,143

- (i) As of September 30, 2019 and 2018, the Company recorded dividends from the following subsidiaries:

	30.09.2019	30.09.2018
	S/(000)	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

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Notes to the separate financial statements (continued)

- (ii) As of September 30, 2019 and 2018, the Company made capital contributions, in cash, to the following subsidiaries:

	30.09.2019	30.09.2018
	S/(000)	S/(000)
Urbi Propiedades S.A.	193,541	9,910
Intercorp Retail Inc.	177,936	-
Intercorp Management S.A.C.	24,402	8,481
Beacon Healthcare S.A.C.	23,563	28,209
NG Education Holdings II Corp.	19,957	20,000
Intercorp Education Services, S.L.	14,482	25,639
Intercorp Investments Perú Inc.	11,239	5,839
La Punta Global Opportunities Corp.	-	56,192
Callao Global Opportunities Corp.	-	30,000
Others	7,054	7,872
	<u>472,174</u>	<u>192,142</u>

- (iii) Cost of IFS shares sold as part of the Initial Public Offering; see Note 1.2(ii).

- (iv) In June 2019, Intercorp Retail Inc. (a wholly owned subsidiary of Intercorp Peru) purchase shares in HPSA Corp. for approximately US\$24.0 million and in IFH Retail Corp. for approximately US\$34.0 million. After these acquisitions, Intercorp Retail Inc. increased its ownership from 65.01% to 74.99% (in the case of HPSA Corp) and from 78.35% to 84.28% (in the case of IFH Retail Corp.). It is worth mentioning that Intercorp Retail Inc. increased participation in Class A shares of IFH Retail Corp. 63.54% to 73.53%.

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

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

During the nine-month period ended September 30, 2019 and 2018, loans accrued interests for S/3,910,000 and S/3,858,000 respectively, which are presented in the caption "Financial expenses" of the separate income statements; see Note 13.

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Notes to the separate financial statements (continued)

- (b) The composition of interest, provisions and other accounts payable as of September 30, 2019 and December 31, 2018, is presented below:

	30.09.2019 S/(000)	31.12.2018 S/(000)
Dividends payable (c)	50,925	25,275
Interest payable on corporate bonds, Note 10	13,705	28,152
Other accounts payable and provisions	12,104	18,618
	<u>76,734</u>	<u>72,045</u>

- (c) As of September 30, 2019 and December 31, 2018, correspond to the balance of dividends declared in each year, paid quarterly until the next year; see Note 11(a).

10. Corporate bonds

- (a) This caption is made up as follows:

Issuances	Annual interest rate %	Interest payment (*)	Maturity	Issuance amount (000)	30.09.2019 S/(000)	31.12.2018 S/(000)
Senior bonds (i)	3.875	Semiannually	July 29, 2029	US\$ 325,000	1,052,223	-
Senior bonds (i)	5.781	Semiannually	July 25, 2029	S/ 300,000	295,985	-
Senior bonds (ii)	5.875	Semiannually	February 12, 2025	US\$ 250,000	-	831,272
Senior bonds (ii)	7.656	Semiannually	February 10, 2030	S/ 301,500	<u>298,213</u>	<u>297,952</u>
					<u>1,646,421</u>	<u>1,129,224</u>

- (*) January and July of each year / February and August of each year.

- (i) In July 2019, the Company performed a private offering abroad and on the local market of bonds denominated “3.875 Senior Notes due 2029” and “5.78125 Senior Notes due 2029” for US\$325,000,000 and S/300,000,000, respectively. The bonds were issued under Rule 114A and Regulation S of the U.S. Securities Act of 1993 of the United States of America. The proceeds from these issuances were used mainly for:

- The repurchase and redemption of corporate bonds “5.875% Secured Notes due 2025” issued by Intercorp Perú and payment of the premium for the repurchase of said bonds.
- Payment of other financial obligations.
- The remaining balance for general corporate purposes.

Issuance expenses amounted to approximately S/39,000,000, which are presented as an issued bonds deduction; as of September 30, 2019, have accrued as part of the interest rate approximately S/542,000.

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Notes to the separate financial statements (continued)

(ii) In February 2015, the Company performed a private offering abroad and on the local market of bonds denominated "Senior Notes due 2025" and "Senior Notes due 2030" for US\$250,000,000 and S/301,500,000, respectively. The proceeds from these issuances were used mainly for:

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

Issuance expenses amounted to approximately S/18,800,000, which are presented by deducting the issued bonds. As of September 30, 2019, the accrual as part of the effective interest rate of approximately S/3,287,000 corresponding to the issuance of "Senior Notes due 2030" is pending.

In July 2019, Intercorp Perú performed the repurchase of corporate bonds denominated "5.875% Senior Notes due 2025"; which originated the premium payment for approximately US\$11,400,000 (equivalent to S/37,586,000) which is presented in the caption "Financial expenses" in the statements of income; see Nota 13.

- (b) As of September 30, 2019, the Company recorded interest expenses for approximately S/56,104,000 (approximately S/54,176,000 as of September 30, 2018), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 13. Likewise, as of September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 2018.

11. Equity

(a) Capital stock -

As of September 30, 2019 and December 31, 2018, the 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.

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Notes to the separate financial statements (continued)

The shareholding structure of the Company as of September 30, 2019 and December 31, 2018, is presented below:

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

The Board of Directors' session, held on August 20, 2019, agreed to capitalize retained earnings and earnings generated in the year for future capitalizations for the amount of S/200,000,000.

The Board of Directors' session, held on May 21, 2019, agreed to capitalize the earnings generated in the year for future capitalizations for the amount of S/420,000,000.

The General Shareholders' Meeting held on April 1, 2019, agreed to capitalize approximately S/491,464,000 over retained earnings. 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. In the same meeting, the nominal value per share was modified from US\$9 to US\$10, while the number of shares was kept the same.

The Board of Directors' session, held on February 27, 2019, agreed to capitalize the retained earnings for the amount of S/320,000,000.

The General Shareholders' Meeting held on April 2, 2018, agreed to capitalize approximately S/485,891,000. Likewise, it was agreed to distribute dividends for US\$30,000,000 (equivalent to 97,818,000), which will be paid in four quarterly and equal installments (US\$7,500,000) from June 2018 to March 2019. In the same meeting, the nominal value per share was modified from US\$8 to US\$9, while the number of shares was kept the same.

The Board of Directors' Meeting held on May 22, 2018, agreed to capitalize the earnings to be generated in 2018 up to the amount of S/250,000,000, delegating in the general manager the decision of the exact amount to be capitalized.

(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

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the SBS through Resolution No. 11823-2010, as amended. As of September 30, 2019 and December 31, 2018, the Company has met the aforementioned requirements.

(c) Reserves

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.

12. Tax situation

- (a) Intercorp Perú and its Subsidiaries incorporated and domiciled in The Bahamas and Republic of Panama (see Note 3), are not subject to any Income Tax or any taxes on capital gains, equity or property. The Subsidiaries of the Company incorporated and domiciled in countries different to the mentioned before are subject to the Tax legislation of the country where they operate; see paragraph (b).

Peruvian life insurance companies are exempted from Income Tax regarding the income derived from assets linked to technical reserves for pension insurance (retirement, disability and survival pensions) and annuities from the Private Pension Fund Administration System.

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

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

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

- (b) The Company's Subsidiaries are subject to the tax regime of the country in which they operate; and pay taxes on the basis of their separate financial statements. As of September 30, 2019 and December 31, 2018, the applicable Income Tax rates on the taxable income in the main countries where the Company and its Subsidiaries operate are presented below.

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	Tax rates	
	2019 %	2018 %
Spain	25.00	25.00
Peru	29.50	29.50
Ecuador	25.00	25.00
Colombia	33.00	33.00
Bolivia	25.00	25.00
Mexico	30.00	30.00

According to existing legislation in some countries as of September 30, 2019 and December 31, 2018, cash dividends for non-domiciled shareholders are taxable for Income Tax with to the following rates:

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

(*) The distribution of dividends from Spain to The Bahamas is not subjected to this tax.

(**) The distribution of dividends from Mexico to Spain is not subjected to 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. It also has the legally entitled to challenge the income tax calculated for subsidiaries on their tax return.

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 the 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.

- (c.1) Financial and insurance entities -
Interbank -

In the case of Interbank, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, it 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 in the Tax Court.

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Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, the most relevant matter subject to discrepancy with SUNAT corresponds to whether the “interests in suspense” are subject to Income Tax or not. In this sense, Interbank considers that the interests in suspense do not constitute accrued income, in accordance with the SBS and the IFRS, which is also supported by a ruling of the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009.

Notwithstanding the foregoing, in February 2018, Interbank 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 Interbank’s original estimation regarding the degree of contingency indicated in the previous paragraph; which, based on this new circumstance and in compliance with the IFRS, Interbank estimates as possible as of the date of this report.

Afterwards, in September 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court of Justice of the Republic, in an identical case, has resolved in favor of the taxing treatment on the suspended interest followed by the financial institution; which based on this new circumstance and in compliance with the IFRS, Interbank deems as remote.

The tax liability requested for this concept and other minor matters by SUNAT as of September 30, 2019, amounts to approximately S/300,000,000 of which S/34,000,000 correspond to taxes and the difference to fines and default interests.

From the tax and legal analysis carried out, Interbank's Management and its external legal advisors consider that there is sufficient technical support for the prevalence of Interbank's position; as a result, it has not recorded any provision for this contingency as of September 30, 2019 and December 31, 2018.

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

On January 11, 2016, SUNAT closed the partial audit corresponding to the fiscal year 2013 for withholding of Income Tax from non-domiciled beneficiaries, issuing a series of Final Assessment Resolutions without any additional levying of the tax in question.

On February 3, 2017, SUNAT closed the inspection corresponding to the fiscal year 2010 related to Income Tax. The Bank paid the amount of the deficiency under protest and filed a complaint. On November 6, 2018, the Tax Authority closed again the inspection corresponding to the fiscal year 2010 in relation to the Income Tax. Interbank paid the amount indebted under protest and files a tax complaint and later on, a fiscal appeal. Currently, the appeal is pending resolution by the Tax Court.

On February 14, 2018, SUNAT notified Interbank of the beginning of the partial inspection process for the Income Tax for the year 2014.

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On September 7, 2018, SUNAT closed the partial inspection process for the income tax for the year 2014; without additional tax request.

On January 14, 2019, Interbank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. The tax debt sought by SUNAT amounts to approximately S/56,000,000. In February and October 2019, Interbank Management has submitted the respective complaint to the resolutions indicated above. In Management opinion and its legal advisors, any additional tax assessment would not be significant for the interim condensed consolidated financial statements as of September 30, 2019 and December 31, 2018.

On April 26, 2019, SUNAT notified of the beginning of the definitive inspection process for withholding of Income Tax from non-domiciled beneficiaries for the year 2018.

Interseguro -

On January 4, 2019, Interseguro was notified through a Tax Determination notice about the partial auditing of the Income Tax for non-domiciled entities for Sura corresponding to January 2015. The tax debt claimed by SUNAT amounts to approximately S/19,000,000. 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 tax assessment, if confirmed after the legal actions that Management is to file, would be assumed by the sellers. On January 30, 2019, the Company filed an appeal against the determination decision with the Tax Authority.

On August 28, 2019, Interseguro was notified by the Tax Authority through official letter and requirement in relation to the Income Tax of the fiscal year 2008, as definitive inspection to Seguros Sura.

Finally, as of the date of this report, SUNAT is reviewing the 2012 tax return of Interbank. In the opinion of Management, any eventual additional tax assessment would not be significant for the interim condensed consolidated financial statements as of September 30, 2019 and December 31, 2018.

(c.2) Retail and real estate -

Supermercados Peruanos S.A. has been audited by SUNAT on its Income Tax returns and its monthly IGV returns for the years 2004 to 2010. Said audits resulted in Determination Resolutions generating higher tax payments, fines and interest for an approximate total of S/167,666,000 as of September 30, 2019 (S/175,000,000 as of December 31, 2018).

The resolutions issued for the years 2004 to 2010 have been challenged and these cases are pending resolution by the Tax Court. In the opinion of Management and its legal advisors, Supermercados Peruanos S.A. has sufficient arguments that defend its position.

Eckerd Amazonia S.A.C. filed claims against several Determination and Fine Resolutions on alleged omissions of the payment of IGV for the period between September 2013 and September 2015 for approximately S/17,431,000. In the opinion of Management and its legal advisors, these contingencies are considered as possible and significant liabilities will not arise as result as of September 30, 2019, and December 31, 2018.

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Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.) filed an appeal against SUNAT for resolutions with alleged omissions in the determination of 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 approximately S/9,037,000 as of September 30, 2019. Management and its legal advisors do not consider it necessary to create additional provisions to those that are already recorded as of September 30, 2019, for these processes.

(c.3) Educational business -

As of September 30, 2019 and December 31, 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 September 30, 2019, the approximate amount of such proceedings and procedures amounts to approximately S/6,778,000. In the opinion of Management and its legal advisors, these legal actions will not generate liabilities of importance to the financial statements.

- (d) Regarding the determination of the Income Tax, transfer prices of transactions with related companies and companies located in non-cooperating countries or territories or with low or zero taxation, or with legal persons or permanent establishments whose profits, income or earnings from such contracts are subject to a preferential fiscal regime, must be supported with documentation and information about valuation methods and criteria considered for its determination.

Based on the analysis of the Company's and its Subsidiaries' operations, Management and its legal advisors believe that, as a result of the application of these standards, there will not be significant contingencies for the Company and its Subsidiaries as of September 30, 2019, and December 31, 2018.

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

- (e) 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 Legislative Decree No. 1381.

- (f) 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

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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 report, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by Superintendence Resolution issued by SUNAT.
- (iii) The Tax Code was amended regarding the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code - Legislative Decree No. 1422).

As part of this amendment, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of 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 and its Subsidiaries have approved the aforementioned actions, situations and economic relations.

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

- (iv) Amendments to the Income Tax Act were included, effective as of January 1, 2019, to improve the tax treatment applicable to the following (Legislative Decree No. 1424):
 - Income obtained from the indirect transfer of shares of stock or capital representing participations of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new indirect sale assumption, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or higher than 40,000 Tax Units.
 - Permanent establishments of sole proprietorship, companies and entities of any nature

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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 the double economic imposition.
- The deduction of interest expenses for the determination of corporate Income Tax. In the years 2019 and 2020, it shall be applicable the debt limit set at up to three times the net equity as of December 31 of the previous year 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.

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13. Financial income and expenses

This caption is comprised by the following:

	30.09.2019	30.09.2018
	S/(000)	S/(000)
Financial income		
Interest from time deposit	1,048	-
Interest and dividends from financial investments	226	724
Interest from loans granted to Subsidiaries	37	2,267
Other financial income	701	17
	<u>2,012</u>	<u>3,008</u>
Financial expenses		
Interest on corporate bonds, Note 10(b)	(56,104)	(54,176)
Bond premium expenses and fees for early bond redemption, Note 10(a)	(36,027)	-
Interest on loans, Note 9(a) and Note 14(b)(i)	(7,208)	(8,613)
Others	(25)	(64)
	<u>(99,364)</u>	<u>(62,853)</u>
Financial expenses, net	<u>(97,352)</u>	<u>(59,845)</u>

14. Transactions with Subsidiaries and related entities

(a) As of September 30, 2019 and December 31, 2018, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	30.09.2019	31.12.2018
	S/(000)	S/(000)
Banco Internacional del Perú S.A.A. – Interbank	155,402	6,616
Inteligo Bank Ltd. (i)	251,303	852
	<u>406,705</u>	<u>7,468</u>

As of September 30, 2019 and December 31, 2018, includes current account, denominated in soles and US Dollars, they are freely available and accrue interests at market rates.

(i) As of September 30, 2019, corresponds mainly a time deposits amounting to US\$65,000,000 equivalent to S/219,960,000, wich accrue interests at market rates.

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- (b) As of September 30, 2019 and December 31, 2018, the balance of accounts payable to Subsidiaries are the following:

	30.09.2019	31.12.2018
	S/(000)	S/(000)
Banco Internacional del Perú S.A. – Interbank (i)	-	65,257
Inversiones Río Nuevo S.A.C.	-	1,422
Intercorp Retail Inc.	1,181	1,181
InRetail Pharma S.A.	-	3,450
Others	22	-
	<u>1,203</u>	<u>71,310</u>

- (i) As of December 31, 2018, it corresponds to promissory notes in Soles, which accrue interest at market rates, with current maturity and do not have specific guarantees. In May 2019, they were cancelled in full.

For the nine-month periods ended September 30, 2019 and 2018, interest was recognized for S/3,298,000 and S/4,755,000, respectively, which are presented as part of the "Financial expenses" caption of the separate income statements, see Note 13.

- (c) As of September 30, 2019 and December 31, 2018, the Company holds participations in NG Capital Partners I investment fund, which are classified as investments at fair value through profit, see Note 6(a).
- (d) As of September 30, 2019, and December 31, 2018, balances receivable from Subsidiaries and related entities amounted to S/7,445,000 and S/511,000, respectively. They correspond mainly to loans in US Dollars that accrue interest at market rates, with current maturity and without specific guarantees.

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- (e) For the nine-month periods ended September 30, 2019 and 2018, the Company recorded the following income (expenses) from operations with its Subsidiaries and related entities:

	30.09.2019 S/(000)	30.09.2018 S/(000)
Loss (net) on derivative financial instruments		
Banco Internacional del Perú S.A.A. - Interbank	(1,685)	(2,092)
Financial income		
Other Subsidiaries and related entities	37	2,267
General expenses		
Inteligo Sociedad Agente de Bolsa S.A.	(697)	(602)
Inteligo Bank	(517)	(460)
Financial expenses		
Banco Internacional del Perú S.A.A. - Interbank	(3,298)	(4,755)
Inversiones Rio Nuevo S.A.C.	(25)	(62)
HGO Perú S.A.C.	-	(3)

- (f) As of September 30, 2019 and December 31, 2018, the Company had no employees, and therefore its operations and administration are carried out through its Subsidiaries.

15. Earnings per share

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

	Outstanding shares (in thousand)	Shares considered in computation (in thousand)	Effective days in the year	Weighted average number of shares (in thousand)
Period 2018				
Balance as of January 1	<u>149,019</u>	<u>149,019</u>	270	<u>149,019</u>
Balance as of September 30, 2018	<u>149,019</u>	<u>149,019</u>		<u>149,019</u>
Net profit for the period S/(000)				<u>542,479</u>
Earnings per share, in Soles				<u>3.64</u>
Period 2019				
Balance as of January 1	<u>149,019</u>	<u>149,019</u>	270	<u>149,019</u>
Balance as of September 30, 2019	<u>149,019</u>	<u>149,019</u>		<u>149,019</u>
Net profit for the period S/(000)				<u>963,064</u>
Earnings per share, in Soles				<u>6.46</u>

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16. Financial Instruments classification

The financial assets and liabilities of the separate statements of financial position as of September 30, 2019 and December 31, 2018:

	As of September 30, 2019			
	At fair value through profit and loss S/(000)	Amortized Cost S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets				
Cash and due from banks	-	406,705	-	406,705
Accounts receivable from Subsidiaries, related entities and others	-	19,273	-	19,273
Investments at fair value through profit or loss	158,058	-	-	158,058
	<u>158,058</u>	<u>425,978</u>	<u>-</u>	<u>584,036</u>
Financial liabilities				
Accounts payable to Subsidiaries	-	-	1,203	1,203
Interest, provisions and other accounts payable	-	-	74,351	74,351
Corporate bonds	-	-	1,646,421	1,646,421
	<u>-</u>	<u>-</u>	<u>1,721,975</u>	<u>1,721,975</u>
As of December 31, 2018				
	At fair value through profit and loss S/(000)	Amortized Cost S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets				
Cash and due from banks	-	7,468	-	7,468
Accounts receivable from Subsidiaries, related entities and others	-	1,260	-	1,260
Investments at fair value through profit or loss	105,885	-	-	105,885
	<u>105,885</u>	<u>8,728</u>	<u>-</u>	<u>114,613</u>
Financial liabilities				
Accounts payable to Subsidiaries	-	-	71,310	71,310
Loans payable	-	-	153,000	153,000
Interest, provisions and other accounts payable	-	-	69,937	69,937
Corporate bonds	-	-	1,129,224	1,129,224
	<u>-</u>	<u>-</u>	<u>1,423,471</u>	<u>1,423,471</u>

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17. Risk management

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

(a) Credit risk -

Credit risk arises from the inability of debtors to comply with the payment of their obligations as they mature. As of September 30, 2019 and December 31, 2018, the assets that are potentially exposed to concentrations of credit risk correspond to cash, due from banks, accounts receivable from Subsidiaries, related entities and others, and investments at fair value through profit or loss; however, Management deems that said financial instruments are not exposed in a significant manner to credit risk due to the following reasons:

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

(b) Liquidity risk -

Liquidity risk arises from the inability to obtain the funds needed to comply with the commitments agreed upon. As of September 30, 2019 and December 31, 2018, the Company is exposed mainly to payment requirements of interest and principal of loans, issued corporate bonds, and accounts payable to Subsidiaries. In order to pay said financial obligations, the Company solely depends on the distribution of dividends from its Subsidiaries or on the obtaining of credit lines.

(c) Market risk-

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

(i) Foreign exchange risk-

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

The foreign currency transactions are conducted using the exchange rates of the free market. As of September 30, 2019, the free market's weighted average exchange rate was S/3.384 per US\$1 bid and S/3.395 per US\$1 ask (S/3.363 and S/3.370 as of December 31, 2018, respectively).

As of September 30, 2019, the exchange rate established by SBS to record the asset and liability accounts in foreign currency was S/3.383 per US\$1 (S/3.373 as of December 31, 2018).

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

	30.09.2019 US\$(000)	31.12.2018 US\$(000)
Assets		
Cash and due from banks	74,437	523
Accounts receivable from subsidiaries and others	5,504	196
Investments at fair value through profit or loss	<u>46,708</u>	<u>31,485</u>
	<u>126,649</u>	<u>32,204</u>
Liabilities		
Accounts payable to Subsidiaries and related entities	7	-
Interest, provisions and other accounts payable	19,940	13,440
Corporate bonds	<u>309,884</u>	<u>246,661</u>
	<u>329,831</u>	<u>260,101</u>
Liability position, net	<u>(203,182)</u>	<u>(227,897)</u>

As of September 30, 2019 and December 31, 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.

During the year 2019 and 2018, the Company signed sale forward currency agreements designated as financial instruments for trade purposes with its Subsidiary Interbank, with maturity in May 2019 and May 2018, and for nominal values of approximately US\$105,000,000 and US\$71,500,000, respectively. As result of the holding of these financial instruments, the Company recorded a loss for approximately S/1,685,000 and S/2,092,000, as of September 30, 2019 and 2018, respectively.

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

Sensitivity analysis	Changes in exchange rates %	30.09.2019 S/(000)	31.12.2018 S/(000)
Devaluation			
US Dollar	5	34,568	38,413
US Dollar	10	69,136	76,826
US Dollar	15	103,704	115,239
Revaluation			
US Dollar	5	(34,568)	(38,413)
US Dollar	10	(69,136)	(76,826)
US Dollar	15	(103,704)	(115,239)

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(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 consider that the Company is not exposed to this risk for the issuance of corporate bonds (Note 10), as they were issued at a fixed interest rate.

(iii) Share price risk -

The Company's exposure to this risk is caused by price changes in Global Bonds, mutual funds and investment funds classified as investments at fair value through profit or loss in the separate statements of financial position.

As of September 30, 2019 and December 31, 2018, Management has performed sensitivity tests on the market prices of such financial instruments. The effect on the separate statements of changes in equity would be the following:

Sensitivity analysis	Price	2019	2018
	%	S/(000)	S/(000)
Mutual funds	+/-10	3,689	5,972
Mutual funds	+/-25	9,222	14,930
Mutual funds	+/-30	11,066	17,916
Investment funds	+/-10	6,334	4,616
Investment funds	+/-25	15,836	11,541
Investment funds	+/-30	19,003	13,849
Shares	+/-10	5,783	-
Shares	+/-25	14,457	-
Shares	+/-30	17,348	-

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

Structure and organization of risk management -

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

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

Translation of separate financial statements originally issued in Spanish – Note 18

Notes to the separate financial statements (continued)

(d) Fair value of financial instruments –

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

As of September 30, 2019, correspond to investments at fair value through profit or loss which are presented at their fair value; see Note 6; being “2” and “3”, respectively, their fair value hierarchy level.

	Hierarchy level	
	2019	2018
Foreign mutual funds	2	2
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) 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 September 30, 2019, the gain on valuation of investments at fair value through profit or loss of Level 3 amounts to S/ 6,222,000; see Note 6.

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.

As of September 30, 2019, there were no transfers of financial instruments from Level 3, to Level 1 or to Level 2.

(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.

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Notes to the separate financial statements (continued)

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	1,646,421	1,745,868	1,129,224	1,156,646

18. Additional explanation for English translation

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