

Intercorp Perú Ltd.

Separate financial statements as of March 31, 2018, January 1, 2018,
December 31, 2017 and for the three-month periods ended March 31, 2018
and 2017

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

Intercorp Perú Ltd.

Separate financial statements as of March 31, 2018, January 1, 2018, December 31, 2017 and for the three-month periods ended March 31, 2018 and 2017

Contents

Separate financial statements

Separate statements of financial position

Separate income statements

Separate statements of other comprehensive income

Separate statements of changes in equity

Separate statements of cash flows

Notes to the separate financial statements

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

Intercorp Perú Ltd.

Separate statements of financial position

As of March 31, 2018, January 1, 2018 and December 31, 2017 (restated)

	Note	31.03.2018 S/(000)	01.01.2018 S/(000) (Note 3.2)	Restated 31.12.2017 S/(000) (Note 3.1)
Assets				
Current assets				
Cash and due from banks	15(a)	2,791	13,494	13,494
Accounts receivable from Subsidiaries, related entities and others	5	66,245	44,520	44,520
Investments at fair value through profit or loss	6	64,680	63,710	-
Total current assets		<u>133,716</u>	<u>121,724</u>	<u>58,014</u>
Available-for-sale investments	6 and 7	-	-	80,378
Investments at fair value through other comprehensive income	7	16,581	16,668	-
Investment property	8	136,947	137,468	137,468
Investments in Subsidiaries	9	8,870,678	8,448,261	8,534,306
Other assets		<u>1,003</u>	<u>431</u>	<u>431</u>
Total assets		<u>9,158,925</u>	<u>8,724,552</u>	<u>8,810,597</u>
Liabilities and equity				
Current liabilities				
Accounts payable to Subsidiaries	15(b)	232,791	48,713	48,713
Loans payable	10(a)	110,000	110,000	110,000
Interest, provisions and other accounts payable	10(b)	<u>42,921</u>	<u>78,542</u>	<u>78,542</u>
Total current liabilities		385,712	237,255	237,255
Corporate bonds	11	<u>1,093,045</u>	<u>1,096,875</u>	<u>1,096,875</u>
Total liabilities		<u>1,478,757</u>	<u>1,334,130</u>	<u>1,334,130</u>
Equity, net				
Capital stock	12	3,524,799	3,524,799	3,524,799
Reserves		2,626,014	2,626,014	2,626,014
Unrealized results		(310,734)	(334,095)	(219,351)
Retained earnings		<u>1,840,089</u>	<u>1,573,704</u>	<u>1,545,005</u>
Total equity, net		<u>7,680,168</u>	<u>7,390,422</u>	<u>7,476,467</u>
Total liabilities and equity, net		<u>9,158,925</u>	<u>8,724,552</u>	<u>8,810,597</u>

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

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

Intercorp Perú Ltd.

Separate income statements

For the three-month periods ended March 31, 2018 and 2017 (restated)

	Note	31.03.2018 S/(000)	Restated 31.03.2017 S/(000) (Note 3.1)
Participation in income of Subsidiaries	9(b)	192,185	248,462
Income (expenses)			
Financial income	14	1,008	104
Financial expenses	14	(21,960)	(22,783)
General expenses		(5,718)	(3,851)
Other expenses, net	4	1,256	-
Gain on derivate financial instruments		1,246	-
Net gain on financial assets at fair value through profit or loss		(8,234)	(7,042)
Exchange difference, net	4	<u>3,845</u>	<u>27,262</u>
Total expenses, net		<u>(28,557)</u>	<u>(6,310)</u>
Net profit for the period		<u>163,628</u>	<u>242,152</u>
Earnings per share (A and B classes) basic and diluted, in Soles	16	<u>1.10</u>	<u>1.62</u>
Weighted average number of outstanding shares (A and B classes), (in thousands)	16	<u>149,019</u>	<u>149,019</u>

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

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

Intercorp Perú Ltd.

Separate statements of other comprehensive income

For the three-month periods ended March 31, 2018 and 2017 (restated)

	31.03.2018 S/(000)	Restated 31.03.2017 S/(000) (Note 3.1)
Net profit for the period	163,623	242,152
Other comprehensive income to be reclassified to the separate income statements in subsequent periods		
Investments at fair value through other comprehensive income:		
Net valuation from investments at fair value through other comprehensive income	(114)	1,567
Financial instruments of Subsidiaries:		
Net variation of unrealized results in financial instruments of Subsidiaries, Note 9(b)	27,566	123,082
Exchange difference on translation of foreign operations, Note 9(b)	(4,091)	(16,319)
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	23,361	108,330
Total other comprehensive income for the period	186,984	350,482

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

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

Intercorp Perú Ltd.

Separate statements of changes in equity

For the three-month periods ended March 31, 2018 and 2017 (restated)

	<u>Number of shares</u>		<u>Unrealized results, net</u>					<u>Total</u>
	<u>Issued</u>	<u>Capital stock</u>	<u>Reserves</u>	<u>Financial Instruments at fair value through other comprehensive income</u>	<u>Financial instruments of Subsidiaries</u>	<u>Exchange difference on translation of foreign currency operations</u>	<u>Retained earnings</u>	
	(in thousands)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	
Balances as of January 1, 2017 - Reported	149,019	3,041,307	2,336,014	44,015	(109,637)	20,974	996,324	6,328,997
Change in accounting policy (Note 3.1)	-	-	-	-	(376,938)	-	376,938	-
Balances as of January 1, 2017 - Restated	<u>149,019</u>	<u>3,041,307</u>	<u>2,336,014</u>	<u>44,015</u>	<u>(486,575)</u>	<u>20,974</u>	<u>1,373,262</u>	<u>6,328,997</u>
Net profit for the period - Restated (Note 3.2)	-	-	-	-	-	-	242,152	242,152
Other comprehensive income – Restated (Note 3.2)	-	-	-	1,567	123,082	(16,319)	-	108,330
Total comprehensive income - Restated (Note 3.2)	-	-	-	1,567	123,082	(16,319)	242,152	350,482
Others	-	-	-	-	-	-	(4,221)	(4,221)
Balances as of March 31, 2017- Restated	<u>149,019</u>	<u>3,041,307</u>	<u>2,336,014</u>	<u>45,582</u>	<u>(363,493)</u>	<u>4,655</u>	<u>1,611,193</u>	<u>6,675,258</u>
Balances as of January 1, 2018	149,019	3,524,799	2,626,014	41,083	264,007	2,580	1,017,984	7,476,467
Change in accounting policy (Note 3.1)	-	-	-	-	(527,021)	-	527,021	-
Balances as of January 1, 2018- Restated	<u>149,019</u>	<u>3,524,799</u>	<u>2,626,014</u>	<u>41,083</u>	<u>(263,014)</u>	<u>2,580</u>	<u>1,545,005</u>	<u>7,476,467</u>
Effect of first adoption of IFRS 9 (Note 3.2)	-	-	-	(40,951)	(73,793)	-	28,699	(86,045)
Balances as of January 1, 2018 after IFRS 9	<u>149,019</u>	<u>3,524,799</u>	<u>2,626,014</u>	<u>132</u>	<u>(336,807)</u>	<u>2,580</u>	<u>1,573,704</u>	<u>7,390,422</u>
Net profit for the period	-	-	-	-	-	-	163,628	163,628
Other comprehensive income	-	-	-	(114)	27,566	(4,091)	-	23,361
Total comprehensive income	-	-	-	(114)	27,566	(4,091)	163,628	186,989
Net change of treasury stock held by Subsidiaries, net of dividends received, Note 9(b)	-	-	-	-	-	-	294,189	294,189
Effect of change in Subsidiaries' shareholding	-	-	-	-	-	-	(110,972)	(110,972)
Others	-	-	-	-	-	-	(80,455)	(80,455)
Balances as of March 31, 2018	<u>149,019</u>	<u>3,524,799</u>	<u>2,626,014</u>	<u>18</u>	<u>(309,241)</u>	<u>(1,511)</u>	<u>1,840,094</u>	<u>7,680,173</u>

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

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

Intercorp Perú Ltd.

Separate statements of cash flows

For the three-month periods ended March 31, 2018 and 2017 (restated)

	2018 S/(000)	Restated 2017 S/(000)
Reconciliation of net profit with cash used in operating activities		
Net profit for the period	163,623	242,152
Plus (less)		
Participation in income of Subsidiaries	(192,185)	(248,462)
Gain on derivate financial instruments	(1,246)	-
Impairment loss on financial assets at fair value through profit or loss	(1,256)	-
Net changes in asset and liability accounts		
Increase of other accounts receivable	(21,332)	(14,113)
(Decrease) increase of interest, provisions and other accounts payable	<u>(13,057)</u>	<u>44,878</u>
Net cash (used in) provided by operating activities	<u>(65,453)</u>	<u>24,455</u>
Investing activities		
Dividends received	1,605	-
Capital contribution to Subsidiaries	<u>(104,539)</u>	<u>(104,120)</u>
Net cash used in investing activities	<u>(102,934)</u>	<u>(104,120)</u>
Financing activities		
Loans received from Subsidiaries, net	182,022	116,022
Payment of dividends	<u>(24,338)</u>	<u>(25,200)</u>
Net cash provided by financing activities	<u>157,684</u>	<u>90,822</u>
Net cash (decrease) increase	(10,703)	11,157
Balance of cash at the beginning of period	<u>13,494</u>	<u>1,826</u>
Balance of cash at the end of period	<u>2,791</u>	<u>12,983</u>

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

Intercorp Perú Ltd.

Notes to the separate financial statements

As of March 31, 2018, January 1, 2018 and March 31, 2018 (restated)

1. Business activity and relevant events

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 most important information about the Subsidiaries as of March 31, 2018 and December 31, 2017, are disclosed in Notes 2 and 9.

These separated financial statements were approved by Management on April 30, 2018 and the audited separated financial statements as of December 31, 2017, were approved by the General Shareholders’ Meeting held on April 2, 2018.

The separate financial statements of Intercorp Perú have been prepared to comply with legal requirements related to presentation of financial information applicable to Peru, and reflect its investment in its Subsidiaries at their respective equity values as of March 31, 2018, January 1, 2018, and December 31, 2017, and not on a consolidated basis. These separate financial statements must be read together with the consolidated financial statements of Intercorp Perú Ltd. and its Subsidiaries, which are presented separately and within the legal timeframe.

1.2 Acquisition of Subsidiaries

1.2.1 Acquisition of Quicorp.-

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

Notes to the separate financial statements (continued)

The consideration paid for the 100 percent of Quicorp's shares amounted to approximately US\$583 million and was partially funded with a bridge loan amounting to US\$1,000 million granted to Eckerd Perú S.A. by Citibank N.A. and J.P. Morgan Chase Bank N.A.

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

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

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

1.2.2 Acquisition of Seguros Sura and Hipotecaria Sura.-

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

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

The price of the overall transaction was US\$275,865,000 (equivalent to approximately S/891,911,000). The consideration transferred by IFS and Interseguro amounted to approximately S/811,238,000 and S/80,673,000, respectively, see Note6(c).

Seguros Sura was constituted in Peru and its operations were governed by the Bank and Insurance Act. It was authorized to issue life and general insurance policies. Hipotecaria Sura is constituted in Peru, is regulated by the SBS and is dedicated to mainly perform the granting of mortgage loans, and since 2015 has not performed any new mortgage loan placements.

Notes to the separate financial statements (continued)

As of the date of this report, the merging between Interseguro and Seguros Sura has concluded, pursuant to the approvals issued by the SBS and within the legal deadlines.

1.3 Relevant events –

1.3.1. Restatement of financial statements for previous periods.-

Until December 31, 2017, the Subsidiaries of Intercorp Financial Services Inc., Interseguro and Seguros Sura recognized in the results of the period the effect of changes in interest rates used to discount the pension liabilities of retirement, disability and survival coverage. In 2018, with the purpose of better reflecting the insurance business performance, said Subsidiaries have changed their accounting policy in order to recognize such effect as part of the unrealized results, within the net equity.

As consequence of this change in the accounting policy made by said Subsidiaries and by applying the equity method, to value the investment in Subsidiaries, the Company has restated its financial information corresponding to previous periods. See Note 3.1 for further detail on the restatement performed by the Company.

1.3.2. First adoption of the International Financial Reporting Standard 9 – “Financial Instruments” (henceforth IFRS 9).-

Starting on January 1, 2018, the Company and its Subsidiaries have adopted IFRS 9, which replaces IAS 39 “Financial Instruments: Recognition and Measurement”. Likewise, the Company has used the exception established by the standard that allows not restating the information of previous periods. In this sense, the difference in book values of financial assets and liabilities resulting from the adoption of IFRS 9, amounting to S/86,045,000, has been recognized in the initial balances as of January 1, 2018 (transition period) as a reduction in the retained earnings of the Company. See Note 3.2 for further detail.

2. Organization of Intercorp Perú Group

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

2.1. Financial and insurance entities

Intercorp Financial Services Inc. -

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

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

Notes to the separate financial statements (continued)

As of March 31, 2018 and December 31, 2017, IFS held 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth “Interbank”) and 100 percent of the outstanding capital stock of Interseguro Compañía de Seguros S.A. (henceforth “Interseguro”), Inteligo Group Corp. (henceforth “Inteligo”) and San Borja Global Opportunities S.A.C. In addition, as of December 31, 2017, it holds 99.39 percent and 99.40 percent of the capital stock of Seguros Sura S.A. and Hipotecaria Sura Empresa Administradora Hipotecaria S.A., respectively. The operations of Interbank, Interseguro, Seguros Sura and Hipotecaria Sura are concentrated in Peru, while the operations of Inteligo and Subsidiaries are concentrated in Peru and Panama.

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

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

As of March 31, 2018 and December 31, 2017, Interbank had 272 and 282 offices, respectively, and a branch established in the Republic of Panama. Additionally, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Interfondos S.A. Sociedad Administradora de Fondos	Management of mutual funds and investment funds.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	Management of securitization funds.
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Créditos y Cobranzas S.A.	Collection services.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand “American Express”.

- (b) Interseguro Compañía de Seguros S.A. and Subsidiaries
Interseguro is incorporated in Peru and its operations are governed by the Banking and Insurance Act. It is authorized by the SBS to issue life and general risk insurance contracts.

As of March 31, 2018 and December 31, 2017, Interseguro controls the following Subsidiaries:

Entity	Activity
Centro Comercial Estación Central S.A.	Administration of the “Estación Central” Shopping Mall, located in downtown Lima; as of March 31, 2018 and

Notes to the separate financial statements (continued)

Entity	Activity
	December 31, 2017, Interseguro holds 75 percent of its capital stock and Real Plaza S.R.L., a Subsidiary belonging to the retail and real estate business of the Group (see Note 3.2). Holds the remaining 25 percent.
Empresa Administradora Hipotecaria IS S.A.	Was incorporated in February 2014 in Peru. It does not have operations and is in the process of liquidation. As of March 31, 2018 and December 31, 2017, Interseguro holds 100 percent of its shares and has a paid in capital of S/1.

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

In this regard, as of December 31, 2016, Inteligo Real Estate (a Subsidiary of Intercorp Re Inc. – in turn Subsidiary of Intercorp Perú) and Interseguro held 27.17 percent and 72.83 percent, respectively, of an investment property located in San Isidro, Lima. In September 2017, Interseguro purchased the shareholding held by Inteligo Real Estate, thus obtaining the whole ownership of such investment property. The consideration transferred for the acquisition amounted to US\$20,542,000 (equivalent to S/66,577,000), which corresponds to the purchase of the non-controlling interest that is reflected as an increase in the cost of Interseguros’ investment; additionally, S/21,462,000 were recognized as equity transaction.

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

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

Notes to the separate financial statements (continued)

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

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

- (d) Seguros Sura S.A.
Seguros Sura merged with Interseguro as of March 30, 2018.
- (e) Hipotecaria Sura Empresa Administradora Hipotecaria S.A.
Hipotecaria Sura Empresa Administradora Hipotecaria S.A. is incorporated in Peru and its regulated by the SBS. Its main activity is to grant mortgage loans. Since 2015, it has not granted any new mortgage loans.
- (f) Negocios e Inmuebles S.A. and Holding Retail Perú S.A.
These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura. As of December 31, 2017, the only activity of these entities is to maintain collectively 30.7 percent of Seguros Sura’s capital stock and 30.0 percent of Hipotecaria Sura’s capital stock. As of March 31, 2018 and as a result of the merger of Interseguro with Seguros Sura, this subsidiary received shares of Interseguro in exchange for its shares in Seguros Sura, becoming a shareholder of 8.5 percent of Interseguro.
- (g) San Borja Global Opportunities S.A.C.
Its corporate purpose is the acquisition and holding of shares and securities. As of March 31, 2018 and December 31, 2017, it did not have operations and had a paid in capital of S/1,000.

2.2. 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.

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

Notes to the separate financial statements (continued)

As of March 31, 2018 and December 31, 2017, the Company holds 100 percent of the capital stock of Intercorp Retail Inc., which owns the following Subsidiaries:

Entity	Activity
InRetail Perú Corp. (As of March 31, 2018 and December 31, 2017, Intercorp Retail Inc. holds 58.33 of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 70.17 (directly and indirectly) of InRetail Peru Corp.'s outstanding capital stock).	<p>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:</p> <ul style="list-style-type: none">(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 2.2(v);(b) Patrimonio en Fideicomiso Inretail Consumer: Equity trust incorporated in August 2014, which develops the following retail businesses:<ul style="list-style-type: none">(i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of March 31, 2018 and December 31, 2017, operates stores under the trademarks “Plaza Veá”, “Plaza Veá Súper”, “Vivanda” and “Mass”.(ii) Drugstores: Developed by InRetail Pharma S.A. (before Eckerd Perú S.A.) and Subsidiaries, a company that, as of March 31, 2018 and December 31, 2017, operates 1,135 and 1,153 stores, respectively, under the trademark “Inkafarma”. In January 2018, InRetail Pharma S.A. acquired 100 percent of Quicorp and its Subsidiaries; see Note 1.2.1. Quicorp operates in the segments of pharmaceutical distribution, logistics and manufacturing, as well as the retail of an array of products. Also, it owns 8 distribution centers located in Peru, Colombia, Ecuador and Bolivia, as well as approximately 1,000 drugstores which operate under its main trademarks: Mifarma, BTL and Fasa.(c) InRetail Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.

Notes to the separate financial statements (continued)

Entity	Activity
<p>IFH Retail Corp. (As of March 31, 2018 and December 31, 2017, Intercorp Retail Inc. holds 78.35 percent of its capital stock)</p>	<p>Holding incorporated in the Republic of Panama in September 2006. As of March 31, 2018 and December 31, 2017, holds 26.06 percent of Tiendas Peruanas S.A. and Subsidiaries; see Note 2.2(ii), a company engaged in the retail business through department stores under the trademark “Oechsle” (23 premises as of March 31, 2018 and December 31, 2017, respectively) and 96 percent of Financiera Oh! S.A., a company that provides financial support to the companies of Intercorp Group dedicated to the retail business.</p>
<p>HPSA Corp. (As of March 31, 2018 and December 31, 2017, Intercorp Retail Inc. holds 64.99 percent of its capital stock)</p>	<p>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” (25 and 23 stores as of March 31, 2018 and December 31, 2017, respectively).</p>
<p>Lince Global Opportunities Corp. (As of March 31, 2018 and December 31, 2017, Intercorp Retail Inc. holds 100 percent of its capital stock)</p>	<p>Holding incorporated in the Republic of Panama in December 2010, which holds 98.71 percent of the capital stock of Inmobiliaria Milenia S.A., a company engaged in the real estate business.</p>
<p>(ii) Callao Global Opportunities Subsidiary of Intercorp Perú, incorporated in 2011 as a limited liability holding company in the Republic of Panama. As of March 31, 2018 and December 31, 2017, holds 72.56 percent of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.</p>	<p>On the other hand, as indicated in Note 2.2(i), Intercorp Perú holds 78.35 percent of IFH Retail Corp. as of March 31, 2018 and December 31, 2017, respectively; which, in turn, holds 26.06 percent of Tiendas Peruanas S.A., and therefore the joint shareholding of Intercorp Perú in Tiendas Peruanas, through IFH Retail corp. and Callao Global Opportunities, is equivalent to 82.39 percent of its capital stock as of March 31, 2018 and December 31, 2017.</p>
<p>(iii) Intercorp Investments Perú Inc. It is a limited liability holding company incorporated in September 2006 in the Republic of Panama. As of March 31, 2018 and December 31, 2017, the Company holds 100 percent of its capital stock. Intercorp Investments Perú Inc. is the sole shareholder of Horizonte Global Opportunities Corp., a holding company incorporated in the Republic of Panama, owner of Horizonte Global Opportunities Perú S.A.C., whose sole asset is a land lot located in the district of Independencia in Lima.</p>	
<p>(iv) Urbi Propiedades S.A. As of March 31, 2018 and December 31, 2017, the Company holds 100 percent of the capital stock of this entity, incorporated in Peru in 1998, engaged in real estate management and in the provision of structuring and real estate project management. In addition and through its Subsidiaries, it is developing a number of real estate projects.</p>	

Notes to the separate financial statements (continued)

As of March 31, 2018 and December 31, 2017, Urbi holds 100 percent of the following Subsidiaries:

Entity	Activity
Alameda Colonial S.A.	Incorporated in Lima in May 2006, to build apartments under the Government’s program “Mi Vivienda”.
Domus Hogares del Norte S.A.	Incorporated in Lima in June 2009, to develop a real estate project called “Domus Hogares del Norte”.
Club de Socios S.A.	Incorporated in Lima in August 2007 in order to engage in the management, administration and organization of recreational, sports and social activities, among others. As of March 31, 2018 and December 31, 2017, Urbi Propiedades S.A. and Intercorp Perú maintain 75.48 percent and 24.51 percent, respectively, of the capital stock of this entity.
Urbi Solutions S.A.C.	Incorporated in Lima in June 2014 to engage in the construction of real estate projects.

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

Through these equity trusts, investments in real estate projects are made, and their yields back (i) the certificates of participation issued, and (ii) the compliance with other obligations assumed directly or through third parties in order to obtain the resources that are necessary to make said investments. As of March 31, 2018 and December 31, 2017, the company that consolidates financial information with Intercorp Perú and that holds 100 percent of the participations in Interproperties Holding is InRetail Perú Corp.

Through these equity trusts, Intercorp Group holds the ownership of the property where the shopping malls called “Real Plaza” operate. As of March 31, 2018 and December 31, 2017, there were 19 and 21 shopping malls, respectively, located in the cities of Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca, Nuevo Chimbote, Huánuco, Cajamarca, Piura, Pucallpa, Cusco, Sullana and Lima.

- (vi) Intercorp Re Inc.
 It is a limited liability holding incorporated in August 2015 in the Republic of Panama. As of March 31, 2018 and December 31, 2017, the Company holds 100 percent of its capital stock and, in turn, Intercorp Re Inc. is the sole shareholder of Inteligo Real Estate Corp., a holding company incorporated in the Republic of Panama, owner of Inteligo Real Estate Perú S.A.C.

Notes to the separate financial statements (continued)

2.3. Educational business

- (i) NG Education Holdings Corp.
It is a limited liability holding company incorporated in January 2011 in the Republic of Panama, whose purpose is to group the Subsidiaries of Intercorp Group engaged in the educational business in Peru.

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

NG Education Holdings Corp. has the following Subsidiaries:

Entity	Activity
Colegios Peruanos S.A. (As of March 31, 2018 and December 31, 2017, NG Education Holdings Corp. holds 33.99 and 34.25 percent, respectively, of its capital stock)	As of March 31, 2018, it operates 49 schools under the trademark “Innova Schools” (41 schools as of December 31, 2017).
NG Education S.A.C. (As of March 31, 2018 and December 31, 2017, NG Education Holdings Corp. holds 48.67 of its capital stock)	Holding incorporated in Peru in November 2011. NG Education S.A.C. holds 100 percent as of March 31, 2018 and December 31, 2017 of the following Subsidiaries: <ul style="list-style-type: none"> (a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 3 business units: UTP University, IDAT Institute and Post-Graduate School. (b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of March 31, 2018 and December 31, 2017, has 1 premise.

Notes to the separate financial statements (continued)

(ii) NG Education Holdings II Corp.

It is a limited liability holding company incorporated in October 2013 in the Republic of Panama. As of March 31, 2018 and December 31, 2017, Intercorp Perú holds 50 percent of the capital stock of NG Education Holdings II Corp., which in turn owns the following Subsidiaries:

Entity	Activity
Servicios Educativos Perú S.A.C. (As of March 31, 2018 and December 31, 2017, NG Education Holdings II Corp. holds 100 percent of its capital stock)	Company incorporated in Peru in October 2013. As of March 31, 2018 and December 31, 2017, it holds 100 percent of the capital stock of Servicios Educativos Empresariales S.A.C., incorporated in Lima in February 2012, which operates 4 premises under the trademark “Zegel-IPAE” and 2 premises under construction in San Juan de Lurigancho (Lima) and Ica, respectively, which are set to begin operations in October 2018.

(iii) NG Education Holdings III Corp.

It is a limited liability holding company incorporated in July 2013 in the Republic of Panama. As of March 31, 2018 and December 31, 2017, Intercorp Perú holds 85.31 percent of its capital stock and, in turn, as of March 31, 2018 and December 31, 2017, it holds 16.64 percent of the capital stock of Colegios Peruanos S.A..

2.4. Other entities

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

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

Notes to the separate financial statements (continued)

3. Main accounting principles and practices

The accompanying separate financial statements have been prepared from the accounting records of Intercorp, in accordance with the IFRS issued by the International Accounting Standards Board (henceforth “IASB”). As of March 31, 2018, the accounting principles and practices are consistent with of standards applied as of December 31, 2017, which are included in the audited financial statements dated March 19, 2018, except for the following:

3.1 Restatement on financial statements of previous periods -

Until December 31, 2017, the Subsidiaries Interseguro and Seguros Sura recognized in their results the effect of changes in market interest rates used to discount the pension liabilities of retirement, disability and survival coverage.

In 2018, with the purpose of better reflecting the insurance business performance, said Subsidiaries have changed their accounting policy in order to recognize the effect of changes in market interest rates as part of the unrealized results, within the net equity. As consequence of this change in the accounting policy made by said Subsidiaries, the Company’s net equity has been restated in the following terms:

Equity, net	Balances as of December 31, 2017		
	Reported	Adjustments ^{1/}	Restated
	S/(000)	S/(000)	S/(000)
Capital stock	3,524,799	-	3,524,799
Reserves	2,626,014	-	2,626,014
Unrealized results, net	307,670	(527,021)	(219,351)
Retained earnings	1,017,984	527,021	1,545,005
Total equity, net	7,476,467	-	7,476,467

^{1/} Correspond to the cumulative effect as of December 31, 2017 (S/527,021,000), attributable to Intercorp Perú according to the participation on its Subsidiary.

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

Notes to the separate financial statements (continued)

Additionally, as a result of the change in the accounting policy, the net income has been restated, as shown below:

	For the three-month periods ended March 31, 2017		
Separate income statements	Reported	Adjustments ^{2/}	Restated
	S/(000)	S/(000)	S/(000)
Participation in income of Subsidiaries	<u>185,784</u>	<u>62,678</u>	<u>248,462</u>
Income (expenses)			
Financial expenses	(22,679)	-	(22,679)
General expenses	(10,893)	-	(10,893)
Exchange difference, net	<u>27,262</u>	<u>-</u>	<u>27,262</u>
Total other income	<u>(6,310)</u>	<u>-</u>	<u>(6,310)</u>
Net profit for the period	<u>179,474</u>	<u>62,678</u>	<u>242,152</u>

2/ Correspond to the first quarter of 2017 effect (S/62,678,000), attributable to Intercorp Perú according to the participation on its Subsidiary.

Notes to the separate financial statements (continued)

3.2 First adoption of IFRS 9 – “Financial Instruments” -

Starting on January 1, 2018, the Company and its Subsidiaries have adopted IFRS 9, which replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

The main impacts of said adoption are described below:

(a) Classification and Measurement – Financial Assets

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

A financial asset is recorded at amortized cost if it meets the following two conditions is not designated at fair value through profit or loss:

- The objective of the business model is to hold the financial asset in order to collect the contractual cash flows; and
- The contractual terms of the assets correspond to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount.

A financial asset must be measured at fair value through other comprehensive income only if it that meets the following two conditions and is not designated at fair value through profit or loss:

- The objective of the business model is to both obtain contractual cash flows and sell the financial assets; and
- The contractual terms of the assets give rise to cash flows that are SPPI on the outstanding principal amount.

At the initial recognition of an equity instrument that is not held for trading, the Group can make an irrevocable choice to present the posterior value changes in other comprehensive income. This decision is made per instrument.

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

(b) Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the model of incurred loss of IAS 39 with the model of expected credit loss (ECL). This new model requires the estimation of expected credit loss adjusted by the future changes in macroeconomic factors (forward-looking approach), which shall be determined based on probability weighting.

Notes to the separate financial statements (continued)

The new impairment model is applied to financial instruments that are not measured at fair value through profit or loss, such as:

- Financial assets that are debt instruments;
- Rent receivables;
- Loan commitments and issued financial guarantee contracts (formerly, impairment was measured under IAS 37 “Provisions, contingent liabilities and contingent assets”).

According to IFRS 9, equity instruments that are measured at fair value are not subject to credit loss due to impairment.

The credit-impaired financial assets defined by IFRS 9 in a similar way that impaired financial assets are defined by IAS 39.

Expected credit loss model

At each reporting date, the Company and its Subsidiaries measure the expected credit loss by classifying the financial assets as follows:

- “Stage” 1: 12-month expected credit loss is recognized in financial assets whose credit risk has not increased significantly since their initial recognition. The interest income is measured based on the gross carrying amount of the financial asset.
- “Stage” 2: lifetime expected credit loss is recognized in financial assets whose credit risk has increased significantly since their initial recognition. The interest income is measured based on the gross carrying amount of the financial asset.
- “Stage” 3: lifetime expected credit loss is recognized in credit-impaired financial assets. The interest income is measured based on the net carrying amount of the financial asset.

(c) Classification – Financial liabilities

IFRS 9 maintains most of the existing requirements of IAS 39 for the classification of financial liabilities.

(d) Contract derecognition and amendment

IFRS 9 includes the requirements of IAS 39 for the derecognition of financial asset and liability accounts without substantial modifications.

(e) Hedge accounting

IFRS 9 does not change the general principles on how an entity accounts for the effective hedges; therefore, its application has not had significant impact on the financial statement of IFS and its Subsidiaries.

Notes to the separate financial statements (continued)

(f) **Transition**

The Company has used the exception established by IFRS 9 that allows not restating information from previous periods. Consequently, the difference in the book value of financial assets and liabilities resulting from the adoption of IFRS 9 has been recognized in the initial balances as of January 1, 2018 (transition period).

The impact of the first adoption of IFRS 9 for the Company and its Subsidiaries amounted to S/86,045,000, has been recorded in retained earnings as of January 1, 2018, and is made up as follows:

	<u>Unrealized results, net</u>	<u>Retained earnings</u>	<u>Total equity</u>
	S/(000)	S/(000)	S/(000)
Higher loan provisions for calculation of expected loss in Subsidiaries	-	(86,045)	(86,045)
Accumulated valuation as of 01.01.2018 related to financial instruments of Intercorp Perú designated as investments at fair value through profit or loss	(40,951)	40,951	-
Accumulated valuation as of 01.01.2018 related to financial instruments of Subsidiaries	(73,793)	73,793	-
	<u>(114,744)</u>	<u>28,699</u>	<u>(86,045)</u>
Total	<u>(114,744)</u>	<u>28,699</u>	<u>(86,045)</u>

The reconciliation of the separate statements of financial position of the Company as of January 1, 2018, is presented below:

Notes to the separate financial statements (continued)

Reconciliation of the separate statements of financial position

The reconciliation of the separate statements of financial position under IAS 39 and IFRS 9 as of January 1, 2018, is presented below:

Reference	Balances according to IAS 39		Reclassifications	Adjustments/ adoption IFRS 9	Balances according to IFRS 9	
	Category	S/(000)	S/(000)	S/(000)	S/(000)	Category
Assets						
Cash and due from banks		13,494	-	-	13,494	Amortized cost
Accounts receivable from Subsidiaries, related entities and others		44,520	-	-	44,520	Amortized cost
Investments at fair value through profit or loss	A	-	63,710	-	63,710	Fair value through profit or loss
Total current assets		<u>58,014</u>	<u>63,710</u>	<u>-</u>	<u>121,724</u>	
Available-for-sale investments	A	80,378	(80,378)	-	-	N/A
Investments at fair value through other comprehensive income	A	-	16,668	-	16,668	Fair value through other comprehensive income
Investment property		137,468	-	-	137,468	
Investment in Subsidiaries	B	8,534,306	-	(86,045)	8,448,261	Equity value
Other assets		431	-	-	431	Amortized cost
Total non-current assets		<u>8,752,583</u>	<u>(63,710)</u>	<u>(86,045)</u>	<u>8,602,828</u>	
Total assets		<u>8,810,597</u>	<u>-</u>	<u>(86,045)</u>	<u>8,724,552</u>	
Liabilities						
Accounts payable to Subsidiaries		48,713	-	-	48,713	N/A
Loans payable		110,000	-	-	110,000	
Interest, provisions and other accounts payable		78,542	-	-	78,542	Amortized cost
Total current liabilities		<u>237,255</u>	<u>-</u>	<u>-</u>	<u>237,255</u>	
Corporate bonds		1,096,875	-	-	1,096,875	Amortized cost
Total liabilities		<u>1,334,130</u>	<u>-</u>	<u>-</u>	<u>1,334,130</u>	
Total equity, net		<u>7,476,467</u>	<u>-</u>	<u>(86,045)</u>	<u>7,390,422</u>	

A. As of January 1, 2018, Intercorp has opted to irrevocably designate some equity instruments of its portfolio as measured at fair value through profit or loss (S/63,710,000) and at fair value through other

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

Notes to the separate financial statements (continued)

comprehensive income (S/16,668,000), that previously were designated as available-for-sale.

- B. As of January 01, 2018, corresponds to Equity value in the effect of first adoption of IFRS 9 of Subsidiaries.

Reconciliation of the statements of other comprehensive income

The reconciliation of other comprehensive income under IAS 39 and IFRS 9 as of January 1, 2018, is detailed below:

	S/(000)
<u>Retained earnings</u>	
Balance according to IAS 39 (December 31, 2017) – Restated	1,545,005
<u>Adjustments or reclassifications related to adoption of IFRS 9</u>	
Equity value in the effect of first adoption of IFRS 9 of its Subsidiaries	<u>28,699</u>
Initial balance under IFRS 9 (as of January 1, 2018)	<u>1,573,704</u>
<u>Unrealized results</u>	
Balance under IAS 39 (as of December 31, 2017) – Restated	(219,351)
<u>Adjustments or reclassifications related to adoption of IFRS 9</u>	
Equity value in the effect of first adoption of IFRS 9 of its Subsidiaries	<u>(114,744)</u>
Initial balance under IFRS 9 (as of January 1, 2018)	<u>(334,095)</u>
Total impact on net equity due to adoption of IFRS 9	<u>(86,045)</u>

Notes to the separate financial statements (continued)

4. Foreign currency transactions and foreign exchange risk exposure

Transactions in foreign currency are performed using exchange rates prevailing in the free market. As of March 31, 2018, the weighted average exchange rate of free market per US Dollar was S/3.224 bid and S/3.229 ask (S/3.238 and S/3.245, as of December 31, 2017, respectively).

As of March 31, 2018, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.227 (S/3.241 as of December 31, 2017).

The table below presents the detail of the Company's foreign currency assets and liabilities, stated in US Dollars as of March 31, 2018, January 1, 2018 and December 31, 2017:

	31.03.2018 US\$(000)	01.01.2018 and 31.12.2017 US\$(000)
Assets		
Cash and due from banks	819	494
Accounts receivable from subsidiaries and others	4,100	3,947
Investments at fair value through profit or loss	20,062	19,676
Other assets	404	141
	<u>25,385</u>	<u>24,258</u>
Liabilities		
Accounts payable to Subsidiaries and related entities	-	301
Interest, provisions and other accounts payable	1,999	15,604
Corporate bonds	246,295	246,246
	<u>248,294</u>	<u>262,151</u>
Liability position, net	<u>(222,909)</u>	<u>(237,893)</u>

As of March 31, 2018 and December 31, 2017, the Company does not have operations with derivative financial instruments for hedging or trading purposes. Consequently, the exchange risk of this position at said dates is assumed by the Company.

During the year 2018, the Company signed foreign currency forward contracts, designated as financial instruments for trading purposes, with its subsidiary Interbank and with maturities in May 2018 for nominal amounts of approximately US\$71,500,000. As of March 31, 2018, as result of the holding of these financial instruments, the Company recorded a gain of approximately S/1,256,000, which is presented in the caption "Gain from valuation of derivative financial instruments" in the separate income statements.

Notes to the separate financial statements (continued)

5. Accounts receivable from Subsidiaries, related companies and others

(a) This caption is made up as follows:

	31.03.2018 S/(000)	01.01.2018 and 31.12.2017 S/(000)
Subsidiaries (b)	50,254	36,345
Related entity (c)	15,991	8,174
Others	-	1
	<u>66,245</u>	<u>44,520</u>

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

(c) As of March 31, 2018, the balance is mainly comprised of a loan granted to Transformando la Educación de México, S.A. de C.V., a related entity, for an amount of US\$4,827,000 (equivalent to approximately S/15,563,000), which bears interest at market rates, with short-term maturity and without specific guarantees.

6. Investments at fair value through profit or loss

(a) This caption is made up as follows as of March 31, 2018 and January 1, 2018:

	31.03.2018 S/(000)	01.01.2018 S/(000)
Foreign mutual funds participations	24,651	24,758
Foreign investment funds participations (b)	<u>40,029</u>	<u>38,952</u>
	<u>64,680</u>	<u>63,710</u>

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

(c) The balance of the financial investments at fair value through profit or loss includes the impact of the variation of the coupon value and the exchange rate leveling. As of March 31, 2018, the Company has recognized a gain amounting to S/1,246,000 that is presented in the caption “Income from valuation of financial investments” of the separate income statements.

(d) Until December 31, 2017, these investments were recorded as available-for-sale investments. As of January 1, 2018, as part of the adoption of IFRS 9, the Company designated these investments at fair value through profit or loss. See Note 3.2(f).

Notes to the separate financial statements (continued)

7. Investments at fair value through other comprehensive income

As of March 31, 2018, the Company held Global Bonds of the Republic of Peru denominated in US Dollars with maturity in March 2019 that accrued interest at an effective annual rate of 7.125 percent. As of March 31, 2018, these bonds accrued interests for approximately S/99,000, respectively, which are presented in the caption “Financial income” of the separate income statements; see Note 14.

As of March 31, 2018, these instruments have generated an unrealized gain of approximately S/18,000, which is presented in the caption “Unrealized results from investments at fair value through other comprehensive income” of the separate statements of changes in equity.

Until December 31, 2017, these investments were recorded as available-for-sale investments. As of January 1, 2018, as part of the adoption of IFRS 9, the Company designated these investments as investments at fair value through other comprehensive income. See Note 3.2(f).

8. Investment property

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

The fair value of the land lot is determined on the basis of the value assigned by an external appraiser. The external appraiser uses the comparable market method, whereby the fair value of a property is estimated on the basis of comparable transactions. The unit of comparison applied by the Company is the price per square meter.

9. Investments in Subsidiaries

(a) As of March 31, 2018, January 1, 2018 and December 31, 2017, the detail of the investments in Subsidiaries is as follows:

Entity	Equity value		
	2018 S/(000)	01.01.2018 S/(000)	31.12.2017 S/(000) (Restated)
Intercorp Financial Services Inc. and Subsidiaries	4,637,561	4,266,220	4,345,229
Intercorp Retail Inc. and Subsidiaries	3,177,250	3,192,426	3,199,462
NG Education Holdings Corp. and Subsidiaries	217,082	216,823	216,823
La Punta Global Opportunities Corp.	265,860	200,182	200,182
Urbi Propiedades S.A. and Subsidiaries	148,493	166,049	166,049
Callao Global Opportunities Corp.	142,299	124,357	124,357
Intercorp Investments Perú Inc. and Subsidiaries	105,461	106,857	106,857
San Miguel Global Opportunies S.A.C	64,792	64,802	64,802
NG Education Holdings III Corp.	49,342	50,394	50,394
Intercorp RE Inc. and Subsidiaries	22,110	22,129	22,129
NG Education Holdings II Corp. and Subsidiaries	18,759	19,736	19,736
Other minor Subsidiaries	21,669	18,286	18,286
	<u>8,870,678</u>	<u>8,448,261</u>	<u>8,534,306</u>

Notes to the separate financial statements (continued)

- (b) The table below presents the movement of the investments in Subsidiaries for the years March 31, 2018 and 2017:

	2018 S/(000)	Restated 2017 S/(000) (Note 3.1)
Balances as of January 1	8,448,261	7,433,752
Net gain arising from the participation in income of Subsidiaries	192,185	248,462
Dividends declared and received in cash from Subsidiaries (i)	(1,605)	(6,427)
Net variation of unrealized results in financial instruments of Subsidiaries	27,566	123,080
Capital contribution in Subsidiaries (ii)	104,539	104,120
Exchange difference on translation of foreign operations	(4,091)	(16,319)
Net variation of treasury stock held by Subsidiaries, net of dividends received	294,189	-
Effect of change in Subsidiaries' shareholding	(110,972)	-
Others, net	(79,394)	(4,219)
Balances as of March 31	<u>8,870,678</u>	<u>7,882,449</u>

- (i) During the three-month periods ended March 31, 2018 and 2017, the Company recorded dividends from the Intercorp Investments Inc. and InRetail Perú Corp., respectively.
- (ii) As of March 31, 2018 and December 31, 2017, the Company made capital contributions, in cash, to the following Subsidiaries:

	31.03.2018 S/(000)	31.12.2017 S/(000)
La Punta Global Opportunities Corp.	56,192	5,262
Callao Global Opportunities Corp.	30,000	40,000
Beacon Healthcare S.A.C.	10,296	-
Urbi Propiedades S.A.	3,351	1,503
Urbi Proyectos S.A.	2,380	2,613
Intercorp Investments Perú Inc.	2,264	2,963
NG Education Holdings III Corp.	-	23,419
NG Education Holdings Corp.	-	21,060
Intercorp Management S.A.C.	-	7,300
San Miguel Global Opportunities SAC	56	-
	<u>104,539</u>	<u>104,120</u>

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

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

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

Notes to the separate financial statements (continued)

- (b) The detail of interest, provisions and other accounts payable as of March 31, 2018, January 1, 2018 and December 31, 2017, is presented below:

	2018 S/(000)	01.01.2018 and 31.12.2017 S/(000)
Interest payable on corporate bonds, Note 11	9,725	27,443
Payable for acquisition of land	9,384	13,277
Dividends payable (c)	-	24,337
Other accounts payable and provisions	<u>23,812</u>	<u>13,485</u>
	<u>42,921</u>	<u>78,542</u>

- (c) As of December 31, 2017, correspond to dividends declared in each year, paid quarterly until March of the following year, see Note 12(a).

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

Notes to the separate financial statements (continued)

11. Corporate bonds

(a) This caption is made up as follows:

Issuances	Issuance year	Annual interest rate	Interest payment	Maturity	Issuance amount	31.03.2018	01.01.2018 and 31.12.2017
		%				(000)	S/(000)
Senior bonds (b)	2015	5.875	Semiannually	February 12, 2025	US\$ 250,000	795,307	799,096
Senior bonds (b)	2015	7.656	Semiannually	February 10, 2030	S/ 301,500	297,738	297,779
						<u>1,093,045</u>	<u>1,096,875</u>

(i) In February 2015, the Company made a private offering on the local and international markets of "Senior Notes due 2025" and "Senior Notes due 2030" for US\$250,000,000 and S/301,500,000, respectively. Issuance expenses amounted to approximately S/18,800,000, which are presented as an issued bonds deduction; as of March 31, 2018 and December 31, 2017, approximately S/3,817,000 and S/3,715,000, respectively, have accrued as part of the interest rate. Funds obtained from these issuances were used mainly for:

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

(b) As of March 31, 2018, the Company recorded interest expenses for approximately S/17,742,000 (approximately S/17,874,000 in 2017), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 14. Likewise, as of March 31, 2018 and December 31, 2017, interest payable is presented in the caption "Interest, provisions and other accounts payable"; see Note 10(b).

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

Notes to the separate financial statements (continued)

12. Equity

(a) Capital stock -

As of March 31, 2018 and December 31, 2017, the Company's capital stock was represented by 14,901,892 Class A shares and 134,117,024 Class B shares. Both classes have the same economic rights. The difference between them is that Class A shares grant the right to choose the majority of the Board of Directors' members (5 directors), while Class B shares can choose one director.

The shareholding structure of the Company as of March 31, 2018 and December 31, 2017, is presented below:

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

The Board of Directors' Meeting, held on February 27, 2018, agreed to capitalize the retained earnings and/or earnings generated in the first quarter of 2018 up to the amount of S/280,000,000.

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

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

(b) Intercorp Group's regulatory capital -

Intercorp Perú must meet certain capital requirements as well as global and concentration limits set out by the Regulation on Consolidated Supervision of Financial and Mixed Conglomerates, approved on September 29, 2010, by the SBS through Resolution No. 11823-2010, as amended. As of March 31, 2018 and December 31, 2017, the Company has met the aforementioned requirements.

Notes to the separate financial statements (continued)

- (c) Reserves -
The Board of Directors' Meeting, held on September 18, 2017 and June 30, 2017, agreed to constitute a reserve with charge to retained earnings as of June 30, 2017 up to the amount of S/90,000,000 and S/200,000,000, respectively.
- (d) Unrealized results -
The unrealized results include the unrealized net gain or loss on the valuation of the available-for-sale investments that the Company holds for approximately S/18,000 (see Note 7); as well as the unrealized results from the financial instruments held by the Subsidiaries for approximately S/309,241,000 and the translation of foreign exchange in application of the equity method for approximately S/1,511,000.

13. Tax situation

- (a) The Company and its Subsidiaries incorporated and domiciled abroad (see Note 2), are not subject to any Income Tax or any taxes on capital gains, equity or property. The Subsidiaries of the Company incorporated and domiciled in Peru (see Note 3), are subject to the Peruvian Tax legislation; see paragraph (b).

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

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

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

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

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

Through Legislative Decree No.1261, published on December 10, 2016, the rate applicable to the third category Income Tax of domiciled taxpayers was modified, establishing a rate of 29.5 percent which shall be effective starting on January 1, 2017.

Since 2017, dividends distributed by Peruvian entities to non-domiciled shareholders or individuals, are subject to a withholding of 5 percent.

Notes to the separate financial statements (continued)

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

On the other hand, on April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank was notified with Tax Assessments and Fine Imposing Resolutions regarding mainly the assessments of the Income Tax years 2000 to 2006, for which it filed Tax Claims and Tax Appeals. In March 2009, August 2010 and December 2011, the Tax Authority issued Intendancy Resolutions regarding tax years 2000 to 2006 for which Interbank filed the corresponding appeals. In December 2014, the Tax Authority issued Resolution of Intendancy No.0150140011647 declaring partly accepted the appeal filed by the Bank corresponding to the 2001 Income Tax. On the part not accepted by SUNAT, Interbank filed a new appeal. In February 2016, Interbank obtained the Tax Court Resolution No.00783-3-2016, which declares as partially founded the case concerning to the 2001 Income Tax. In February 2017, the Lima’s Superior Court of Justice declared invalid the judgment in first instance ordering the judge to re-issue a new decision about the case concerning to the 2002 Income Tax. On September 29, 2017, Interbank obtained the Tax Court Resolution No.08225-1-2017, which declares as partially founded the case concerning to the 2004 Income Tax. In the opinion of Management and its legal advisors, any possible additional tax assessment would not have any material consequences on the Bank’s financial statements as of March 31, 2018 and December 31, 2017.

Regarding the tax litigations followed by Interbank related to the annual Income Tax returns for the years 2000 to 2006, Management and its external legal advisors estimate as remote contingency, as of December 31, 2017, that the most relevant matter subject to discrepancy with SUNAT corresponds to whether the “interests in suspense” are subject to Income Tax or not. In this sense, the Company considers that the interests in suspense do not constitute accrued income, in accordance with the SBS and the IFRS, which is also supported by a ruling of the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009.

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

The tax liability requested for this concept and other minors by the SUNAT as of March 31, 2018, amounts to approximately S/359 million, out of which S/50 million correspond to taxes and the difference to fines and interest arrears.

From the tax and legal analysis performed, Management and its external legal advisors consider that there is sufficient technical support for the prevalence of its position; as a result, it has not recorded any provision for this contingency as of March 31, 2018 and December 31, 2017.

Notes to the separate financial statements (continued)

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

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

As of this date, the Bank is under inspection process by the Tax Authority for the years 2012, 2013 and 2014. In the opinion of Management and its legal advisors, any additional liquidation of taxes may not be significant for the consolidated financial statements as of March 31, 2018 and December 31, 2017.

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

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

As of March 31, 2018 and December 31, 2017, UTP S.A.C. maintains several lawsuits (labor, tax and civil) and contentious administrative procedures with different municipalities and SUNAT, which have been assessed and qualified by Management and its legal advisors as possible. As of March 31, 2018 and December 31, 2017, the approximate amount of such proceedings and procedures amounted to approximately S/7,471,000. In the opinion of Management and its legal advisors, these legal actions will not generate important liabilities to the financial statements.

Since tax regulations are subject to interpretation by SUNAT, it is not possible to determine to date whether such tax audits procedures may result in additional liabilities for the Group's Subsidiaries or not; therefore, any unpaid tax, penalties or interest that might result from said audit procedures will be recorded as expenses in the year in which they are assessed. Nevertheless, Management and its legal advisors consider that any additional tax assessment would not have a significant impact on the separate financial statements as of March 31, 2018 and December 31, 2017.

- (d) Since January 1, 2010, income and gains derived from assets linked to technical reserves of life insurance companies incorporated or established in the country, for retirement, disability and survival pensions of annuities arising from the Private Pension Fund Administration System, are exempt from the Income Tax.

Notes to the separate financial statements (continued)

Also, since January 1, 2010, the Income Tax exemption on interest and capital gains only applies to bonds issued by the Peruvian Government, Certificates of Deposit issued by Central Reserve Bank of Peru, used for monetary policy, and bonds issued before March 11, 2007.

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

- (e) Peruvian life insurance companies are exempt 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.

14. Financial income and expenses

This caption is comprised by the following:

	31.03.2018 S/(000)	31.03.2017 S/(000)
Financial income		
Interest from Global Bonds of the Republic of Peru	99	104
Interest from loans granted to Subsidiaries and shareholder	892	-
Others	17	-
Total financial income	<u>1,008</u>	<u>104</u>
Financial expenses		
Interest on corporate bonds, Note 11(b)	(17,742)	(17,874)
Interest on bank loans	(2,054)	(4,113)
Interest on notes issued	-	(782)
Others	(2,164)	(14)
Total financial expenses	<u>(21,960)</u>	<u>(22,783)</u>
Financial expenses, net	<u>(20,952)</u>	<u>(22,679)</u>

Notes to the separate financial statements (continued)

15. Transactions with Subsidiaries and related entities

- (a) As of March 31, 2018, January 1, 2018 and December 31, 2017, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Banco Internacional del Perú S.A.A. – Interbank	2,729	12,711
Inteligo Bank Ltd.	62	783
	<u>2,791</u>	<u>13,494</u>

- (b) As of March 31, 2018 and December 31, 2017, the balances payable to Subsidiaries are the following:

	2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Banco Internacional del Perú S.A. – Interbank (i)	230,198	45,144
Inversiones Río Nuevo S.A.C.	1,413	1,410
Intercorp Retail Inc.	1,180	1,181
Horizonte Global Opportunities Perú S.A.C.	-	978
	<u>232,791</u>	<u>48,713</u>

- (i) As of March 31, 2018 and December 31, 2017, corresponds to promissory notes in Soles which bear interest at market rates, with short-term maturity and without specific guarantees.
- (c) As of March 31, 2018 and December 31, 2017, the Company holds participations in NG Capital Partners I investment fund, which are classified as Investments at fair value through profit or loss, see Note 6(a).

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

Notes to the separate financial statements (continued)

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

	31.03.2018 S/(000)	31.03.2017 S/(000)
(Loss) gain on derivative financial instruments		
Banco Internacional del Perú S.A.A. - Interbank	1,256	-
Financial income		
Other subsidiaries and related entities	892	-
Financial expenses		
Banco Internacional del Perú S.A.A. – Interbank	(2,054)	(3,592)
Rio Nuevo SAC	(15)	(14)
Inteligo Bank Ltd,	-	(41)
HGO Perú SAC	(3)	-

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

- (f) As of March 31, 2018, January 1, 2018 and December 31, 2017, the balances receivable from Subsidiaries and related entities are the following:

	2018 S/(000)	01.01.2018 and 31.12.2017 S/(000)
Accounts receivable from Subsidiaries		
Domus Hogares del Norte S.A.	23,743	23,210
NG Education Holdings II	12,000	-
Urbi Propiedades S.A.	6,731	6,580
NG Education Holdings Corp.	4,836	4,857
San Miguel Global Opportunities	1,550	1,550
Interbank - Forward	1,256	-
Others	138	149
Total	<u>50,254</u>	<u>36,346</u>
Accounts receivable from related entities, Note 6 (c)	<u>15,991</u>	<u>8,174</u>

- (i) As of March 31, 2018 and December 31, 2017, it mainly corresponds to loans denominated in Soles, which bears interest at market rates, with short-term maturity and without specific guarantees.

Notes to the separate financial statements (continued)

16. Earnings per share

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

	Outstanding shares (in thousand)	Shares considered in computation (in thousand)	Effective days in the year	Weighted average number of shares (in thousand)
Year 2017				
Balance as of January 1	149,019	149,019	365	149,019
Balance as of March 31, 2017	<u>149,019</u>	<u>149,019</u>		<u>149,019</u>
Net profit for the period – restated S/(000)				<u>242,152</u>
Earnings per share A and B, in Soles				<u>1.62</u>
Year 2018				
Balance as of January 1	149,019	149,019	365	149,019
Balance as of March 31, 2018	<u>149,019</u>	<u>149,019</u>		<u>149,019</u>
Net profit for the period S/(000)				<u>163,628</u>
Earnings per share A and B, in Soles				<u>1.10</u>

17. Structure of risk management and risk assessment

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

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

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

(a) Credit risk

Credit risk arises from the inability of debtors to comply with the payment of their obligations as they mature. As of March 31, 2018, January 1, 2018 and December 31, 2017, the assets that are potentially exposed to concentrations of credit risk correspond to cash, due from banks and accounts receivable; however, Management deems that said financial instruments are not exposed in a significant manner to credit risk due to the following reasons:

Notes to the separate financial statements (continued)

- Cash and due from banks corresponds to current accounts maintained in Interbank and Inteligo Bank, both financial entities of renowned prestige which are also Subsidiaries of the Company.
- Accounts receivable are mainly maintained with its shareholders and Subsidiaries; therefore, it is not expected to incur in significant losses due to credit risk.
- The financial instruments that the Company holds are not subject to enforceable netting agreements.

(b) Liquidity risk

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

As of March 31, 2018, January 1, 2018 and December 31, 2017, the Company is exposed mainly to demands of payment of interest and principal of issued corporate bonds, promissory notes, notes and accounts payable to Subsidiaries. In order to pay said financial obligations, the Company solely depends on the generation of dividends from its Subsidiaries or the obtaining of credit lines. Note 11 present the maturities of the financial instruments payable.

(c) Market risk

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

(i) Exchange rate risk

This risk arises when the fair value of future cash flows of a financial instrument fluctuates due to changes in the exchange rate. Exchange rate risk arises when the Company has mismatches between its assets and liabilities and off-balance sheets in the foreign currency it operates, which is mainly US Dollars; see Note 4.

(ii) Interest rate risk

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

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

As of March 31, 2018, January 1, 2018 and December 31, 2017, the Company manages its interest rate risk through investments in liquid financial instruments and the obtaining of financial obligations at fixed interest rates, as is the case with the Global Bonds of the Republic of Peru, the notes, the promissory notes, the corporate bonds issued and the loans obtained from Subsidiaries. As of March 31, 2018, January 1, 2018 and December 31, 2017, the Company did not have any operations with derivative financial instruments for hedging or trading that cover interest rate risk.

Notes to the separate financial statements (continued)

(iii) Price risk
 The Company’s exposure to this risk arises from variations of the prices of the equity financial instruments, mutual and investment funds classified in the separate financial statements as financial investments at fair value through profit or loss, whose market value amounts to S/64,680,000 and S/63,710,000, as of March 31, 2018 and March 1, 2018, respectively.

(d) Fair value of financial instruments

(i) Financial instruments measured at their fair value and fair value hierarchy.
 As of March 31, 2018 and January 1, 2018, available-for-sale investments are presented at their fair value; see Note 6 and 7, and the corresponding hierarchy levels of fair value are the following:

	Hierarchy level 2018 and 2017
Global Bonds of the Republic of Peru	1
Foreign mutual funds	2
Foreign investment funds	3

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

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

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

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

Accounts receivable and accounts payable have mostly short-term maturities and/or generate interest rates that can be readjusted in the event of changes in market conditions; consequently, their book

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

Notes to the separate financial statements (continued)

value is considered as a good estimate of their fair value as of the date of the separate statements of financial position.

Taking into account that the interest rate of the issued notes do not differ significantly from the market interest rate for this type of financial instruments, Management considers that their fair value is equivalent to their book value at each date of the separate statements of financial position.

18. Additional explanation for English translation

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