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

Intercorp Perú Ltd.

Separate financial statements as of December 31, 2016 and 2015, together with Independent Auditor's Report

Building a better working world

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

Intercorp Perú Ltd.

Separate financial statements as of December 31, 2016 and 2015, together with Independent Auditor's Report

Contents

Translation of independent auditor's report originally issued in Spanish – Note 20

Independent Auditor's Report

To the Shareholders of Intercorp Perú Ltd.

We have audited the accompanying separate financial statements of Intercorp Perú Ltd. (a holding company incorporated in The Bahamas) which comprise the separate statements of financial position as of December 31, 2016 and 2015, and the related separate income statements, the separate statements of other comprehensive income, the separate statements of changes in equity and the separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

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

Auditor's responsibility

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

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

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Translation of independent auditor's report originally issued in Spanish – Note 20

Independent Auditor's Report (continued)

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

Opinion

In our opinion, the accompanying separate financial statements prepared for the purpose indicated in the paragraph below, present fairly, in all material respects, the financial position of Intercorp Perú Ltd. as of December 31, 2016 and 2015, as well as the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Use of the separate financial statements

The accompanying separate financial statements of Intercorp Perú Ltd. were prepared to comply with Peruvian requirements for the presentation of financial information to shareholders and regulatory entities, and they reflect the investment in its Subsidiaries at their equity values as of December 31, 2016 and 2015, and not on a consolidated basis. These separate financial statements must be read together with the consolidated financial statements of Intercorp Perú Ltd. and its Subsidiaries, which are presented separately and upon which we expressed an unqualified opinion on March 24, 2017.

Lima, Peru,
March 24, 2017

Countersigned by:

Paredes, Burga & Asoc.

Antonio Benites
C.P.C.C. Register No.12-1577

Intercorp Perú Ltd.

Separate statements of financial position

As of December 31, 2016 and 2015

	Note	2016	2015
		S/(000)	S/(000)
Assets			
Current assets			
Cash and due from banks	16(a)	1,826	5,007
Accounts receivable from shareholder and Subsidiaries	5	2,228	22,671
Total current assets		4,054	27,678
Available-for-sale investments	6	128,869	164,646
Investment property	7	135,660	136,074
Investments in Subsidiaries	8	7,433,752	6,736,887
Other assets		1,553	1,877
Total assets		7,703,888	7,067,162
Liabilities and equity net			
Current liabilities			
Accounts payable to Subsidiaries	16(b)	126,221	189,707
Interest, provisions and other accounts payable	9	84,660	98,088
Notes issued	10	40,320	40,920
Total current liabilities		251,201	328,715
Corporate bonds	11	1,123,690	1,132,804
Total liabilities		1,374,891	1,461,519
Equity, net	12		
Capital stock		3,041,307	2,536,133
Reserves		2,336,014	2,336,014
Unrealized results		(44,648)	(323,250)
Retained earnings		996,324	1,056,746
Total equity, net		6,328,997	5,605,643
Total liabilities and equity net		7,703,888	7,067,162

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

Intercorp Perú Ltd.

Separate income statements

For the years ended December 31, 2016 and 2015

	Note	2016 S/(000)	2015 S/(000)
Participation in income of Subsidiaries	8(c)	765,447	956,865
Income (expenses)			
Financial income	14	1,537	1,876
Financial expenses	14	(88,840)	(114,292)
General expenses		(14,940)	(24,423)
Impairment loss on available-for-sale investments	6(b)	(293)	(19,672)
Gain (loss) on derivative financial instruments	4	16,080	(1,548)
Other expenses, net	15	(31,693)	(35,388)
Exchange difference, net		7,241	(98,062)
		(110,908)	(291,509)
Net profit for the year		654,539	665,356
Earnings per share (A and B classes) basic and diluted, in Soles, Note 3(l)	17	4.39	4.50
Weighted average number of outstanding shares (A and B classes) (in thousands)	17	149,019	147,985

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

Intercorp Perú Ltd.

Separate statements of other comprehensive income

For the years ended December 31, 2016 and 2015

	2016 S/(000)	2015 S/(000)
Net profit for the year	654,539	665,356
Other comprehensive income to be reclassified to the separate income statements in subsequent periods		
Available-for-sale investments:		
Net unrealized gain from available-for-sale investments	16,178	10,120
Financial instruments of Subsidiaries:		
Net variation of unrealized results in financial instruments of Subsidiaries, Note 8(c)	270,078	(415,015)
Exchange differences on translation of foreign operations, Note 8(c)	(7,654)	42,287
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	278,602	(362,608)
Total other comprehensive income for the year	933,141	302,748

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

Intercorp Perú Ltd.

Separate statements of changes in equity

For the years ended December 31, 2016 and 2015

	Number of shares					Unrealized results				
	Issued (in thousands)	In treasury (in thousands)	Capital stock S/(000)	Treasury stock S/(000)	Reserves S/(000)	Available-for-sale investments S/(000)	Financial instruments of Subsidiaries S/(000)	Exchange difference on translation of foreign currency operations S/(000)	Retained earnings S/(000)	Total S/(000)
Balance as of January 1, 2015	149,019	(1,834)	2,079,390	(19,347)	2,282,757	17,717	35,300	(13,659)	975,372	5,357,530
Net profit for the year	-	-	-	-	-	-	-	-	665,356	665,356
Other comprehensive income	-	-	-	-	-	10,120	(415,015)	42,287	-	(362,608)
Total other comprehensive income	-	-	-	-	-	10,120	(415,015)	42,287	665,356	302,748
Declared dividends, Note 12(a)	-	-	-	-	-	-	-	-	(95,490)	(95,490)
Capitalization and transfer to reserves, Note 12(a) and (d)	-	-	456,743	-	53,257	-	-	-	(510,000)	-
Acquisition of treasury stock, Note 8(c)	-	(351)	-	(7,405)	-	-	-	-	-	(7,405)
Sale of treasury stock, Note 12(b) and 8(c)	-	2,185	-	26,752	-	-	-	-	32,379	59,131
Effect of participation changes in Subsidiaries, Note 8(c)	-	-	-	-	-	-	-	-	17,874	17,874
Net variation of treasury stock held by Subsidiaries, net of dividends received, Note 8(c)	-	-	-	-	-	-	-	-	(28,137)	(28,137)
Others	-	-	-	-	-	-	-	-	(608)	(608)
Balance as of December 31, 2015	149,019	-	2,536,133	-	2,336,014	27,837	(379,715)	28,628	1,056,746	5,605,643
Net profit for the year	-	-	-	-	-	-	-	-	654,539	654,539
Other comprehensive income	-	-	-	-	-	16,178	270,078	(7,654)	-	278,602
Total other comprehensive income	-	-	-	-	-	16,178	270,078	(7,654)	654,539	933,141
Declared dividends, Note 12(a)	-	-	-	-	-	-	-	-	(101,700)	(101,700)
Capitalization of profits, Note 12(a)	-	-	505,174	-	-	-	-	-	(505,174)	-
Net variation of treasury stock held by Subsidiaries, net of dividends received, Note 8(c)	-	-	-	-	-	-	-	-	(190,748)	(190,748)
Effect of participation changes in Subsidiaries, Note 8(c)	-	-	-	-	-	-	-	-	87,933	87,933
Others	-	-	-	-	-	-	-	-	(5,272)	(5,272)
Balance as of December 31, 2016	149,019	-	3,041,307	-	2,336,014	44,015	(109,637)	20,974	996,324	6,328,997

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

Intercorp Perú Ltd.

Separate statements of cash flows

For the years ended December 31, 2016 and 2015

	2016 S/(000)	2015 S/(000)
Reconciliation of net profit for the year with cash used in operating activities		
Net profit for the year	654,539	665,356
Plus (less)		
Participation in income of Subsidiaries	(765,447)	(956,865)
(Gain) loss on derivative financial instruments	(16,080)	1,548
Impairment loss on available-for-sale investments	293	19,672
Net changes in asset and liability accounts		
Decrease (increase) of other accounts receivable	8,713	(11,419)
Increase of interest, provisions and other accounts payable	14,797	79,110
Net cash used in operating activities	(103,185)	(202,598)
Investing activities		
Dividends received	373,435	421,525
Loans collected from shareholder and related parties	16,843	12,465
Loans granted to shareholder	-	(18,217)
Capital contribution to Subsidiaries, net of capital reductions	(146,101)	(126,903)
Purchase of available-for-sale investments	(1,650)	(64,849)
Maturity of available-for-sale investments	48,293	-
Acquisition of non-controlling interest	(3,732)	-
Acquisition of investment property	(26,223)	(98,887)
Net cash provided by investing activities	260,865	125,134
Financing activities		
Payment of notes	-	(89,283)
Issuance of corporate bonds	-	1,071,562
Payment of corporate bonds	-	(769,064)
Loans paid to Subsidiaries, net	(58,786)	(105,997)
Payment of dividends	(102,075)	(88,602)
Net cash (used in) provided by financing activities	(160,861)	18,616
Net cash decrease	(3,181)	(58,848)
Balance of cash at the beginning of year	5,007	63,855
Balance of cash at the end of year	1,826	5,007

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

1. **Business activity**

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

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

The Company holds investments in a variety of entities domiciled mainly in Peru, in the Bahamas and in the Republic of Panama. The activities and the most important information about the Subsidiaries as of December 31, 2016 and 2015, are disclosed in Notes 2 and 8.

The accompanying separate financial statements show the individual activity of Intercorp Perú, not including the effect of the consolidation with its Subsidiaries, in accordance with the legal rules and the International Financial Reporting Standards (henceforth "IFRS"). The table below presents a summary of the consolidated financial statements of Intercorp Perú Ltd. and Subsidiaries as of December 31, 2016 and 2015:

	2016 S/(000) (Unaudited)	2015 S/(000) (Audited)
Consolidated statements of financial position		
Total assets	63,783,192	61,163,814
Total liabilities	54,882,115	53,150,295
Equity attributable to Intercorp Perú's shareholders	6,328,995	5,605,643
Non-controlling interest	2,572,082	2,407,876
Consolidated income statements		
Net profit attributable to Intercorp Perú's shareholders	654,539	665,356
Net profit attributable to non-controlling interest	262,345	300,855

The accompanying separate financial statements as of December 31, 2015, and for the year then ended were approved by the General Shareholders' Meeting held on April 14, 2016. The accompanying separate financial statements as of December 31, 2016, and for the year ended on that date have been approved by Management on February 14, 2017, and will be submitted for approval by the Board of Directors and the General Shareholders' Meeting within the deadline established by law. In Management's opinion, the accompanying separate financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

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. (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 business.

As of December 31, 2016, the Company holds directly and indirectly 79.78 percent of the issued capital stock of IFS and 78.61 percent of the outstanding capital of IFS (as of December 31, 2015, the Company held direct and indirectly 78.08 percent and 77.22 percent, respectively). The percentage of indirect participation over IFS' 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.

As of December 31, 2016 and 2015, IFS holds 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "Interbank" or "the Bank") and 100 percent of the outstanding capital stock of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro") and of the capital stock of Inteligo Group (henceforth "Inteligo").

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

(i) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries
Interbank is incorporated in Peru and is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS", by its Spanish acronym) to operate as a universal bank in accordance with Peruvian legislation. Interbank's operations are governed by the General Act of the Financial and Insurance System and the Organic Act of the Superintendence of Banks and Insurance SBS - Act 26702 (henceforth the "Banking and Insurance Act"), that establishes the requirements, rights, obligations, restrictions and other operating conditions that Peruvian financial and insurance entities must comply with.

As of December 31, 2016 and 2015, Interbank had 282 and 290 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.
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities.
Compañía de Servicios Conexos Expressnet S.A.C.	Services related to credit card transactions or products related to the brand "American Express".
IBK DPR Securitizadora	A consolidated special purpose entity (SPE), by which Interbank issued negotiable long-term notes which matured in 2016.

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

As of December 31, 2016 and 2015, 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 December 31, 2016 and 2015, 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 2.2) 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 December 31, 2016 and 2015, Interseguro holds 100 percent of its shares and has a paid in capital of S/1 and S/2,550, respectively.

Likewise, Interseguro holds contributions in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth "Patrimonio Fideicometido – Interproperties Perú"), that is 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 the Universal Shareholders' Meeting held on December 21, 2016, it was approved a project of "simple reorganization" between Interseguro and Mapfre Peru Vida Compañía de Seguros y Reaseguros S.A. (henceforth "Mapfre", an unrelated party), through which Interseguro is committed to the acquisition of an equity block comprised of assets, liabilities, rights, obligations and legal matters related to an annuity retirement insurance policies portfolio issued by Mapfre. The mentioned assets and liabilities have the same balances amounted to S/197,241,000; in that sense, due to the net equity value is zero, Interseguro will not record capital surplus. At the date of this report, the approval of this transaction by the SBS is pending.

On the other hand, in April 2016, the plenary session of Congress of the Republic of Peru approved an amendment to the Act of the Private Pension System, in which the affiliates of the Private Pension Fund Administration Companies ("AFP" - for 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 AFP; and b) the acquisition of an annuity retirement insurance plan, managed by a life insurance company; such is the case of Interseguro. This new retirement scheme allows the affiliate to dispose the 95.5 percent of their Individual Capitalization Account ("CIC", for its Spanish acronym).

As a result of the amendment to the Act of the Private Pension System, Interseguro's income related to premiums earned from annuities has decreased by approximately 38 percent compared to 2015; while in the Peruvian insurance market premiums earned from annuities have decreased by approximately 60 percent.

(iii) Inteligo Group Corp. and Subsidiaries
Inteligo Group Corp. is an entity incorporated in the Republic of Panama. As of December 31, 2016 and 2015, 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.

(iv) San Borja Global Opportunities S.A.C.
Its corporate purpose is the acquisition and holding of shares and securities. As of December 31, 2016 and 2015, it did not have operations and had 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.

As of December 31, 2016 and 2015, 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 December 31, 2016 and 2015, Intercorp Retail Inc. holds 58.72 and 58.11 percent, respectively, of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 71.16 and 70.38 percent, respectively (directly and indirectly) of InRetail Peru 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 2.2(v);

Notes to the separate financial statements (continued)

Entity	Activity
	(b) Patrimonio en Fideicomiso Inretail Consumer: Equity trust incorporated in August 2014, which develops the following retail businesses: (i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of December 31, 2016 and 2015, operates stores under the trademarks "Plaza Vea", "Plaza Vea Súper", "Vivanda" and "Mass". (ii) Pharmacies: Developed by Eckerd Perú S.A. and Subsidiaries, a company that, as of December 31, 2016 and 2015, operates 1,020 and 843 stores, respectively, under the trademark "Inkafarma". (c) InRetail Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.
IFH Retail Corp. (As of December 31, 2016 and 2015, Intercorp Retail Inc. holds 63.54 percent of its capital stock)	Holding incorporated in the Republic of Panama in September 2006, owner as of December 31, 2016 and 2015, of 44.23 percent of Tiendas Peruanas S.A. and Subsidiaries; see Note 2.2(ii), a company engaged in retail business through department stores under the trademark "Oeschle" (24 and 21 premises as of December 31, 2016 and 2015, respectively) and of 96 percent of Financiera Oh! S.A., as of December 31, 2016 and 2015, a company that provides financial support to the companies of Intercorp Group dedicated to the retail business.
HPSA Corp. (As of December 31, 2016 and 2015, Intercorp Retail Inc. holds 64.99 percent of its capital stock)	Holding incorporated in the Republic of Panama, owner of Homecenters Peruanos S.A. and Subsidiary, a company engaged in the operation of the business of home improvement stores under the trademark "Promart" (23 and 21 stores as of December 31, 2016 and 2015, respectively).
Lince Global Opportunities Corp. (As of December 31, 2016 and 2015, Intercorp Retail Inc. holds 100 percent of its capital stock)	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.

Notes to the separate financial statements (continued)

(ii) Callao Global Opportunities
Subsidiary of Intercorp Perú, incorporated in 2011 as a limited liability holding company in the Republic of Panama. As of December 31, 2016 and 2015, holds 54.29 percent of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.

On the other hand, as indicated in Note 2.2(i), Intercorp Perú holds 63.54 percent of IFH Retail Corp which, in turn, holds 44.23 percent of Tiendas Peruanas S.A., and therefore the joint shareholding of Intercorp Perú in Tiendas Peruanas is equivalent to 82.39 percent of its capital stock as of December 31, 2016 and 2015.

(iii) Intercorp Investments Perú Inc.
It is a limited liability holding company incorporated in September 2006 in the Republic of Panama. As of December 31, 2016 and 2015, the Company holds 100 percent of its capital stock. Intercorp Investments Perú Inc. is the sole shareholder of Horizonte Global Opportunities Corp., a holding company incorporated in the Republic of Panama, owner of Horizonte Global Opportunities Perú S.A.C., whose sole asset is a land lot located in the district of Independencia in Lima.

(iv) Urbi Propiedades S.A.
As of December 31, 2016 and 2015, 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.

In January 2016, Urbi Propiedades S.A. split an equity block in the amount of S/6,019,000 in favor of Urbi Proyectos S.A., a Subsidiary of Intercorp, established in September 2015, engaged in real estate projects.

As of December 31, 2016 and 2015, 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 December 31, 2016, Urbi Propiedades S.A. and Intercorp Perú maintain 75.48 and 24.51 percent, respectively, (61.76 and 38.24 percent, respectively as of December 31, 2015) 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 December 31, 2016 and 2015, the company that consolidates financial information with Intercorp Perú and that holds 100 percent of the participations in Interproperties Holding is InRetail Perú Corp.

Through these equity trusts, Intercorp Group holds the ownership of the property where the shopping malls called "Real Plaza" operate. As of December 31, 2016 and 2015, there were 21 and 20 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 December 31, 2016 and 2015, 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., whose sole asset is an interest in a land lot controlled by Interseguro and located in the district of San Isidro in the city of Lima.

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, 2016, Intercorp Perú holds 67.89 percent of its capital stock (50 percent as of December 31, 2015).

NG Education Holdings Corp. has the following Subsidiaries:

Entity	Activity
Colegios Peruanos S.A. (As of December 31, 2016 and 2015, NG Education Holdings Corp. holds 39.56 and 91.45 percent, respectively, of its capital stock)	As of December 31, 2016, it operates 35 schools under the trademark "Innova Schools" (29 schools as of December 31, 2015).
NG Education S.A.C. (As of December 31, 2016 and 2015, NG Education Holdings Corp. holds 99.9 percent of its capital stock)	Holding incorporated in Peru in November 2011. NG Education S.A.C. holds 50 percent plus one share of the following Subsidiaries: (a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 3 business units: UTP University, IDAT Institute and Post-Graduate School. (b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of December 31, 2016 and 2015, has 1 premise.

(ii) NG Education Holdings II Corp.
It is a limited liability holding company incorporated in October 2013 in the Republic of Panama. As of December 31, 2016 and 2015, Intercorp Perú holds 50 percent of the capital stock of NG Education Holdings II Corp., which in turn owns the following Subsidiary:

Entity	Activity
Servicios Educativos Perú S.A.C. (As of December 31, 2016 and 2015, NG Education Holdings II Corp. holds 100 percent of its capital stock)	Company incorporated in Peru in October 2013. As of December 2016 and 2015, it holds 80 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".

(iii) NG Education Holdings III Corp.
It is a limited liability holding company incorporated in July 2013 in the Republic of Panama. As of December 31, 2016, Intercorp Perú holds 76.93 percent of its capital stock and, in turn, it holds 12.28 percent of the capital stock of Colegios Peruanos S.A. (50.0 and 6.55 percent as of December 31, 2015 respectively).

2.4. Other entities

As of December 31, 2016 and 2015, 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

Financial data of the main Subsidiaries is presented in Note 8.

3. Significant accounting principles and practices

3.1. Basis of preparation and presentation

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

According to said standards, there is no obligation to prepare separate financial statements; however, this is required in Peru by the Superintendence of the Stock Market ("SMV", by its Spanish acronym). Because of this, the Company has prepared separate financial statements in accordance with IAS 27 "Separate Financial Statements". The Company also prepares consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements". For a correct interpretation of the separate financial statements, these must be read together with the consolidated financial statements of the Company and its Subsidiaries, which are presented separately.

The accompanying separate financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available-for-sale investments that have been measured at fair value as well as investments in subsidiaries, which are recorded under the equity method. The separate financial statements are presented in Soles and all amounts are rounded to thousands of Soles (S/(000)), unless otherwise indicated.

The preparation of the separate financial statements in conformity with the IFRS requires Management to make estimates that affect the reported amounts of assets and liabilities, income and expenses; and the disclosure of significant events in the notes to the separate financial statements. Actual results could differ from those estimates. The most significant estimate comprised in the accompanying separate financial statements is related to the measurement of the fair value of the investment property, financial derivative instruments, available-for-sale investments and those performed by each Subsidiary in the preparation of its separate financial statements that are the basis for the application of the equity method by the Company.

The accounting policies adopted are consistent with those of the previous periods, except when the Company has adopted the new IFRS and revised IAS mandatory for periods beginning on or after January 1, 2016, as described below; however, due to the Company's structure and operations, the adoption of the new and revised accounting standards did not have any significant impact on its separate statements of financial position and results.

- Amendments to IAS 1 "Presentation of Financial Statements". Clarification of the materiality requirements of IAS 1.

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarification of Acceptable Methods of Depreciation and Amortization.

- Amendments to IAS 27 "Separate Financial Statements". The Equity Method.

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures". Investment Entities: Applying the Consolidation Exception.

- Amendments to IFRS 11 "Joint Arrangements": Accounting for Acquisitions of Interest in Joint Ventures.

- Improvements to IFRS (2012-2014 cycle)
  The IASB issued improvements to IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits", IAS 34 "Interim Financial Reporting"; which are effective for annual periods beginning on or after January 1, 2016.

3.2. Summary of significant accounting policies

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Interest, dividends, gains and losses related to a financial instrument classified as asset or liability are recorded as income or expense, respectively. Financial instruments are offset when the Company has a legally enforceable right to offset them and Management has the intention to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported in the separate statements of financial position include cash and due from banks, accounts receivable, available-for-sale investments and liabilities in general. The accounting policies for the recognition and measurement of each of these items are explained in the respective accounting policies described in this Note.

(b) Foreign currency

Functional and presentation currency

The Company considers the Sol as its functional and presentation currency, because it reflects the nature of economic events and circumstances relevant to the Company, since its main operations and/or transactions are established and settled in Soles; in addition, it corresponds to the functional currency of its main Subsidiaries; except for Inteligo Bank.

Because Inteligo Bank has a functional currency different from the Sol, for the purpose of applying the equity method, its balances were translated using the methodology established by IAS 21 "The Effects of Changes in Foreign Exchanges Rates", as follows:

- Assets and liabilities at the closing rate at the date of each separate statements of financial position.
- Income and expense at the average exchange rate for each month of the year.

The result of the translation of balances is recognized in the caption "Exchange differences on translation of foreign operations" of the separate statements of other comprehensive income.

Foreign currency balances and transactions

Foreign currency transactions and balances are those performed in currencies different from the functional currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate in effect on the reporting date. The effect of differences between the closing rate at the date of each separate statements of financial position presented and the exchange rate initially used to record the transactions in foreign currency are recognized in the separate income statements in the period in which they arise, in the caption "Exchange difference, net". Non-monetary assets and liabilities acquired in a foreign currency are recorded at the exchange rate at the date of the initial transaction.

(c) Available-for-sale investments

The criteria for the classification and valuation of the available-for-sale investments are the following:

- Classification

  Available-for-sale investments are those that are held for an indefinite period and they can be sold due to needs of liquidity or changes in interest rates, exchange rates or market prices; or do not qualify to be recorded at fair value through profit and loss or as held-to-maturity.

- Recording date of transactions
  Transactions shall be recorded using the trading date, that is, the date when the reciprocal obligations that must be performed within the terms established by regulations and practices in the market in which the transaction takes place are assumed.

- Initial recognition
  The initial recognition of available-for-sale investments is made at fair value plus the incremental costs directly attributable to the acquisition of said investments.

- Valuation
  After initial recognition, available-for-sale investments are measured at fair value and any unrealized gains and losses in comparison with the amortized cost are recognized in the shareholders' equity.

  When the instrument is sold, the gains or losses previously recognized as part of the equity are transferred to the results of the period. On the other hand, when Management believes that the decrease in fair value is permanent, it records the respective provisions in the separate income statements, in the caption "Impairment loss on available-for-sale investments".

  The estimated market value of available-for-sale investments is determined mainly based on quotations or, if they are not available, based on discounted cash flows, using market rates according to the credit quality and maturity date of the investment.

- Recognition of exchange differences
  Equity instruments are considered non-monetary items and, consequently, they remain at their historical cost in the functional currency, which means that any exchange differences are part of their valuation and they are recognized as part of the unrealized results in the net equity. Likewise, the exchange differences of debt instruments are recognized in the separate income statements.

- Recognition of dividends
  Dividends are recognized in the results of the year when they are declared.

- Impairment assessment
  Management assesses as of the date of each separate statements of financial position whether there is any objective evidence that an investment or a group of investments are impaired.

In the case of equity instruments, objective evidence would include a significant or prolonged decline in their fair value below cost. The "significant" decline is to be evaluated against the original cost of the investment while the "prolonged" decline, against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss) is removed from unrealized results from available-for-sale investments of the separate statements of changes in equity and recognized in the separate income statements.

Impairment losses on equity instruments are not reversed through the separate income statements; increases in their fair value after impairment are recognized directly in the separate statements of other comprehensive income.

In the case of debt instruments, the Company first assesses whether there is objective evidence of impairment. The amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value.

(d) Investment property

Investment property comprises the land that is not materially occupied for use by, or in, the operations of the Company, or for sale in the ordinary course of business, but it is held mainly to earn rental income and capital appreciation.

An investment property is measured initially at cost, including transaction costs. After initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair values are recorded in the separate income statements in the year in which it occurs.

(e) Investments in Subsidiaries

A Subsidiary is an entity over which the Company exercises control; which means that the Company is exposed, or has rights to variable returns from its participation in the entity and it has the capability to affect those returns through its power over said investment.

The investments of the Company in its Subsidiaries are accounted for by using the equity method. Under this method, the investment is initially recognized at cost. The book value of the investment is adjusted to recognize the changes in the Company's participation in the net assets of the Subsidiaries since the acquisition date.

Notes to the separate financial statements (continued)

The separate income statements reflect the share in the profit or loss of the Subsidiaries. When there has been a change recognized directly in the Subsiary's equity, the Company recognizes its participation in this change and records it in the separate statements of changes in equity. Unrealized profits and losses resulting from transactions between the Company and its Subsidiaries are eliminated in proportion to the participation held in the Subsidiary.

After the application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on investments in Subsidiaries. On each reporting date, the Company determines whether there is objective evidence of impairment on investments in Subsidiaries. If applicable, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in the Subsidiary and its book value and recognizes the loss in the separate income statements.

As of December 31 2016 and 2015, the Company has not recorded impairment losses on investments in Subsidiaries.

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

(f) Financial obligations

After the initial recognition, financial obligations are measured at amortized cost using the effective interest method. The amortized cost is calculated taking into account any issuance discount or premium and costs that are an integral part of the effective interest rate.

(g) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense related to any provision is presented in the separate income statements, net of any reimbursement. If the effect of the time value of money is material, provisions are discount using a pre-tax rate that reflects, where appropriate, the specific risks of the liability. When the discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

(h) Contingencies

Contingent liabilities are not recognized in the separate financial statements, but they are disclosed in the notes, unless the probability of an outflow of resources is remote. Contingent assets are not recorded in the separate financial statements, but they are disclosed if it is probable that an inflow of economic benefits will be accomplished.

(i) Income Tax and Tax on Dividends received

Under regulations of The Bahamas, the Company is not subject to any Income Tax. However, legal entities or individuals not domiciled in Peru are subject to an additional tax on dividends received from entities domiciled in Peru.

(j) Recognition of revenues and expenses

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

(k) Treasury stock

Intercorp Perú, through its Subsidiaries, holds shares of own issuance, which are presented by deducting the investment value charged to the caption "Treasury stock" of the equity, for the amount paid.

When these shares are sold the equity impact is recorded in the caption "Retained earnings" of the separate statements of changes in equity.

(l) Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of outstanding common shares during the year. As of December 31, 2016 and 2015, the Company does not have financial instruments with dilutive effect; therefore, basic and diluted earnings per share are identical for the years reported.

(m) Cash

Cash presented in the separate statements of cash flows is made up of the balance held in banks; see Note 16(a).

(n) Trading derivative financial instruments

Trading derivative financial instruments are initially recognized in the separate statements of financial position at their cost and subsequently carried at fair value. Fair values are obtained on the basis of projected cash flows and exchange rates and market interest rates as of the date of the separate statements of financial position. Profits and losses arising from changes in fair value are recorded in the separate income statements.

3.3. IFRS issued but not effective as of December 31, 2016

As of December 31, 2016, the IASB has issued the following standards and interpretations on certain IFRS that are not yet effective. Intercorp is in the process of assessing whether there is any impact of the application of these standards on its separates financial statements and shall adopt them at the required effective dates:

- IFRS 9 "Financial Instruments"

  In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The standard mainly sets out that (i) the classification and measurement of financial assets depends on the business model and the characteristics of the contractual cash flows involved; (ii) the variations in the fair value of financial liabilities measured at fair value through profit or loss will be recognized in income, except for the portion attributed to the variation in the entity's own credit risk, which will be recognized in other comprehensive income, unless it creates a significant accounting mismatch in profit or loss; (iii) the impairment of financial assets should be estimated and recorded under the model of expected credit loss (instead of the IAS 39 model of incurred loss); and (iv) Management should use risk management criteria to assess the effectiveness of hedging activities, eliminating the use of the range of 80 and 125 percent. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory; except for hedging accounting requirements which are generally prospectively applied.

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or contribution of assets between an investor and its associate or joint venture.

  These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. In December 2015, the IASB decided to defer the application date of this amendment indefinitely.

- IFRS 15 "Revenue from Contracts with Customers"
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all existing revenue recognition guidelines, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". IFRS 15 is effective retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- IFRS 16 "Leases"
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases and requires the accounting of all leases under a model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: short-term leases and leases of "low-value" assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

Notes to the separate financial statements (continued)

- IAS 7 "Statement of Cash Flows" - Amendments to IAS 7
  The amendments to IAS 7, "Statement of Cash Flows", are part of the Disclosure Initiative of the IASB and require disclosures that allow users of financial statements to assess changes in liabilities arising from financing activities, including those related to cash flows and non-monetary changes. In the initial application of the amendments, entities are not required to provide comparative information for prior periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- IAS 12 "Income Taxes": Recognition of Deferred Income Tax for Unrealized Losses - Amendments to IAS 12
  The amendments clarify that entities need to consider whether tax rules restrict the sources of taxable income with which it could make deductions on the reversal of a deductible temporary difference. Likewise, the amendments provide a guideline about the way an entity should determine future taxable income and explain the circumstances in which the taxable income might include the recovery of some assets for a value greater than their book values.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the retained earnings at the beginning of the period (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this option must disclose that fact.

  These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

- IFRIC 22 "Foreign Currency Transactions and Advance Payments"
  The interpretation clarifies that when determining the exchange rate to be used in the initial recognition of the asset, expense or income (or part thereof), corresponding to the derecognition of a non-monetary asset or liability related to an advance payment, the transaction date is the date at which the entity initially recognizes the non-monetary asset or liability arising from the advance payment. If there are several advance payments, the entity should determine a transaction date for each advance payment.

  Entities should apply the interpretation retrospectively. Nevertheless, alternatively an entity might apply the interpretation prospectively to all assets, expenses and income within scope that are recognized initially on or after: (i) the beginning of the first annual period in which the entity apply the interpretation for first time or, (ii) at the beginning of the prior annual period presented as comparative information in the consolidated financial statements in which the entity apply the interpretation for first time. Early application of this interpretation is permitted and should be disclosed.

Notes to the separate financial statements (continued)

- Improvements to IFRS (2014-2016 cycle)
  - IFRS 1 "First-time adoption of International Financial Reporting Standards": The exemptions of paragraphs E3 to E7 of IFRS 1 are deleted because they already fulfilled their purpose. This amendment is effective beginning on or after January 1, 2018.
  - IAS 28 "Investments in associates and Joint Ventures": Clarifies that the measurement of investments in associates and joint ventures at fair value through profit or loss is an election separately made by each associate or joint venture. This amendment should be applied retrospectively for periods beginning on or after January 1, 2018. Early application is permitted and should be disclosed.
  - IFRS 12 "Disclosure of Interests in other entities": Clarifies the scope of the disclosure requirements of IFRS 12. These amendments should be applied retrospectively for annual periods beginning on or after January 1, 2017.

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 December 31, 2016, the weighted average exchange rate of free market per US Dollar was S/3.352 for buying and S/3.360 for selling (S/3.408 and S/3.413, as of December 31, 2015, respectively).

As of December 31, 2016, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.356 (S/3.411 as of December 31, 2015).

The table below presents the detail of the Company's foreign currency assets and liabilities, stated in US Dollars as of December 31, 2016 and 2015:

	2016 US$(000)	2015 US$(000)
Assets		
Cash and due from banks	48	736
Accounts receivable from shareholder and Subsidiaries	69	6,101
Available-for-sale investments	28,239	36,770
Other assets	355	380
	28,711	43,987
Liabilities		
Accounts payable to Subsidiaries	1,035	1,035
Interest, provisions and other accounts payable	18,563	14,745
Notes issued	12,000	12,000
Corporate bonds	245,853	244,989
	277,451	272,769
Liability position, net	(248,740)	(228,782)

As of December 31, 2016 and 2015, 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 2016, the Company signed a foreign currency forward contract, designated as a financial instrument for trading purposes, with its subsidiary Interbank and with maturity in May 2016 for a nominal amount of approximately US$80,000,000. As a result, the Company recorded a gain of approximately S/16,080,000.

In May 2015, the Company settled a foreign exchange forward transaction for trading purposes with Interbank, agreed in 2014, for a nominal value of approximately US$14,582,000. As a result of the valuation of this instrument, the Company recorded a net loss of approximately S/1,548,000.

5. Accounts receivable from shareholder and Subsidiaries

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)
Shareholder (b)	-	20,729
Others	2,228	1,942
	2,228	22,671

(b) As of December 31, 2015, it corresponded to short-term loans that bear interests at market rates and was collected in August 2016.

6. **Available-for-sale investments**

(a) This caption is made up as follows:

	2016				2015			
		Unrealized amount				Unrealized amount		
	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	Fair value S/(000)	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	Fair value S/(000)
Foreign mutual funds participations (b)	41,122	35,560	-	76,682	39,703	22,729	-	62,432
Foreign investment funds participations (c)	18,120	16,110	-	34,230	25,312	14,067	-	39,379
Global Bonds of the Republic of Peru (d)	17,543	130	-	17,673	62,113	-	(141)	61,972
	76,785	51,800	-	128,585	127,128	36,796	(141)	163,783
Add – Accrued interest				284				863
				128,869				164,646

(b) For the years ended December 31, 2016 and 2015, impairment has been recorded for an amount of approximately S/293,000 and S/19,672,000, respectively, which is presented in the caption "Impairment loss on available-for-sale investments" of the separate income statements.

(c) It corresponds to participations in NG Capital Partners, a related investment fund domiciled in Canada and engaged in investing mainly in entities established in Peru.

(d) As of December 31, 2016 and 2015, 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. Likewise, as of December 31, 2015, the Company held Global Bonds of the Republic of Peru denominated in US dollars, with maturity in May 2016 that accrued interest at an effective annual rate of 8.375 percent. During the period 2016, these bonds bore interests for approximately S/663,000 (approximately S/1,001,000 during the period 2015), that are presented in the caption "Financial income" of the separate income statements; see Note 14.

7. Investment property

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

The fair value of the land lot is determined on the basis of the value assigned by an external appraiser. The external appraiser uses the comparable market method, whereby the fair value of a property is estimated on the basis of comparable transactions. The unit of comparison applied by the Company is the price per square meter. As of December 31, 2016, the price range of the San Martín de Porres – Lima land lot per square meter is between US$650 and US$850, and the average is US$658. As of December 31, 2015, this land lot presented certain liens that were released during 2016.

8. Investments in Subsidiaries

(a) As of December 31, 2016 and 2015, the detail of the investments in Subsidiaries is as follows:

Entity	Equity Value	
	2016 S/(000)	2015 S/(000)
Intercorp Financial Services Inc. and Subsidiaries, Note 2.1	3,634,566	3,190,191
Intercorp Retail Inc. and Subsidiaries, Note 2.2(i)	3,001,490	2,822,338
NG Education Holdings Corp. and Subsidiaries, Note 2.3(i)	187,676	164,523
La Punta Global Opportunities Corp.	144,216	64,026
Intercorp Investments Perú Inc. and Subsidiaries, Note 2.2(iii)	106,450	113,778
Intercorp Re Inc. and Subsidiaries , Note 2.2(vi)	104,898	105,457
Callao Global Opportunities Corp, Note 2.2(ii)	92,632	111,457
San Miguel Global Opportunities S.A.C.	65,629	67,515
Urbi Propiedades S.A. and Subsidiaries, Note 2.2(iv)	58,384	80,917
NG Education Holdings III Corp., Note 2.3(iii)	24,728	5,967
NG Education Holdings II Corp. and Subsidiaries, Note 2.3(ii)	8,213	12,229
Inversiones Río Nuevo S.A.C.	(3,813)	(3,798)
Others	8,683	2,287
	7,433,752	6,736,887

(b) The table below presents the financial information of the main Subsidiaries, before eliminations and adjustments for the application of the equity method as of December 31, 2016 and 2015:

	Total assets		Total liabilities		Net equity		Net profit (loss)	
Entity	2016 S/(000)	2015 S/(000)	2016 S/(000)	2015 S/(000)	2016 S/(000)	2015 S/(000)	2016 S/(000)	2015 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	51,719,359	50,000,869	46,721,013	45,539,938	4,998,346	4,460,931	833,721	1,238,804
Intercorp Retail Inc. and Subsidiaries	10,963,561	10,148,266	6,772,519	6,167,047	4,191,042	3,981,219	167,949	28,906
NG Education Holdings Corp. and Subsidiaries	1,371,668	1,198,517	771,297	679,001	600,371	519,516	(24,477)	(5,384)
La Punta Global Opportunities Corp.	144,216	64,026	-	-	144,216	64,026	(6)	26
Urbi Propiedades S.A. and Subsidiaries	243,558	241,792	129,166	108,195	114,392	133,597	(6,611)	6,509
Intercorp Investments Perú Inc. and Subsidiaries	138,996	142,610	32,551	28,832	106,445	113,778	(9,387)	2,925
Callao Global Opportunities Corp.	92,631	111,457	-	-	92,631	111,457	(18,828)	(23,131)
Intercorp Re Inc. and Subsidiaries	93,263	92,639	4,626	3,444	88,637	89,195	(558)	714
San Miguel Global Opportunities S.A.C.	47,612	48,395	9,112	8,009	38,500	40,386	(1,885)	11,709
NG Education Holdings II Corp. and Subsidiaries	51,381	53,745	28,866	23,084	22,515	30,661	(6,925)	(603)

Notes to the separate financial statements (continued)

(c) The table below presents the movement of the investments in Subsidiaries for the years 2016 and 2015:

	2016 S/(000)	2015 S/(000)
Balance as of January 1	6,736,887	6,413,491
Participation in income of Subsidiaries	765,447	956,865
Dividends received in cash or declared (i)	(373,435)	(421,525)
Net variation of unrealized results in financial instrument of Subsidiaries	270,078	(415,015)
Capital contribution in Subsidiaries (ii)	146,101	126,903
Capital reduction of Subsidiaries (iii)	-	(6,977)
Exchange difference on translation of foreign operations	(7,654)	42,287
Acquisition of non-controlling interests	3,732	-
Effect of participation changes in Subsidiary	87,933	17,874
Acquisition of treasury stock by Subsidiary	-	(7,405)
Profit from sale of treasury stock	-	32,379
Net variation of treasury stock held by Subsidiaries, net of dividends received	(190,748)	(28,137)
Sale of treasury stock made by Subsidiaries	-	26,752
Other minor equity movements	(4,589)	(605)
Balance as of December 31	7,433,752	6,736,887

(i) During the years ended December 31, 2016 and 2015, the Company recorded dividends from the following Subsidiaries:

	2016 S/(000)	2015 S/(000)
Intercorp Financial Services Inc.	368,961	420,275
Other Subsidiaries	4,474	1,250
	373,435	421,525

(ii) During the years ended December 31, 2016 and 2015, the Company made capital contributions, in cash, to the following Subsidiaries:

	2016 S/(000)	2015 S/(000)
La Punta Global Opportunities Corp.	69,554	6,257
NG Education Holdings III Corp.	46,121	17,054
Intercorp Management S.A.C.	16,220	13,004
Intercorp Investments Perú Inc.	6,692	-
Urbi Proyectos S.A.	4,219	-
Urbi Propiedades S.A.	2,109	-
Intercorp Retail Inc.	1,186	59,578
Callao Global Opportunities Corp.	-	30,050
NG Education Holdings Corp.	-	960
	146,101	126,903

(iii) During the years ended December 31, 2016 and 2015, the Company made capital reductions in the following Subsidiaries:

	2016 S/(000)	2015 S/(000)
Intercorp Retail Inc.	-	4,977
Inversiones Río Nuevo S.A.C.	-	2,000
	-	6,977

9. Interest, provisions and other accounts payable

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)
Interest payable on corporate bonds	28,096	28,379
Dividends payable (b)	25,200	25,575
Payable for acquisition of land (c)	12,826	37,776
Interest on notes issued	2,124	3,792
Other accounts payable and provisions	16,414	2,566
Total	84,660	98,088

(b) As of December 31, 2016 and 2015, it corresponds to dividends declared in each year, paid quarterly until March of the following year; see Note 12(a).

(c) As of December 31, 2016 and 2015, it corresponds to the account payable for the land acquired from third parties during the year 2015, located in the district of San Martín de Porres; see Note 7.

10. Notes issued

(a) As of December 31, 2016, the notes issued correspond to non-subordinated obligations amounting to US$12,000,000, equivalent to S/40,320,000 (US$12,000,000, equivalent to S/40,920,000 as of December 31, 2015), which do not present specific guarantees and were placed through private offers. The table below presents the characteristics of the current issued notes as of December 31, 2016:

Amount of issuance	US$12,000,000
Date of issuance	May 4, 2016
Currency	US Dollars
Maturity	May 4, 2017
Interest rate	8.000%
Interest payment	At maturity

(b) In 2016, the Company recognized in the results of the year interests for approximately S/3,240,000 (approximately S/5,305,000 in year 2015), which are presented in the caption "Financial expenses" of the separate income statements; see Note 14. Likewise, as of December 31, 2016 and 2015, interest payable is presented in the caption "Interest, provisions and other accounts payable" of the separate statements of financial position; see Note 9.

11. Corporate bonds

(a) This caption is made up as follows:

Issuances	Issuance year	Annual interest rate	Interest payment	Maturity	Issuance amount	Issuance amount	2016	2015
		%			US$(000)	S/(000)	S/(000)	S/(000)
Senior Bonds (i)	2015	5.875	Semiannually	February 12, 2025	250,000	-	826,099	835,426
Senior Bonds (i)	2015	7.656	Semiannually	February 10, 2030	-	301,500	297,591	297,378
Total							1,123,690	1,132,804

(i) In February 2015, the Company made a private offering in the local and international market of "Senior Notes due 2025" and "Senior Notes due 2030" for US$250,000,000 and S/301,500,000, respectively. Issuance expenses amounted to approximately S/18,800,000, which are presented as an issued bonds deduction; as of December 31, 2016 and 2015, approximately S/2,324,000 and S/700,000, 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; see Note 14.

- Payment of other financial obligations.

(b) In 2016, the Company recognized interest income for approximately S/75,829,000 (approximately S/68,948,000 in 2015), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 14. Likewise, as of December 31, 2016 and 2015, interest payable is presented in the caption "Interest, provisions and other accounts payable" of the separate statements of financial position; see Note 9.

12. Equity

(a) Capital stock

As of December 31, 2016 and 2015, the Company's capital stock was represented by 14,901,892 Class A shares and 134,117,024 Class B shares. Both classes have the same economic rights. The difference between them is that Class A shares grant the right to choose the majority of the Board of Directors' members (5 directors), while Class B shares can choose one director.

The shareholding structure of the Company as of December 31, 2016 and 2015, is presented below:

Shareholders	Total participation percentage %
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
Other minor	1.05
	100.00

The General Shareholders' Meeting held on April 14, 2016, agreed to capitalize approximately S/505,174,000. As a result of said resolution, the nominal value per share was modified from US$ 6.00 to US$ 7.00, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$30,000,000 (equivalent to S/101,700,000), which will be paid in four equal installments (US$7,500,000) from June 2016 to March 2017. As of December 31, 2016, payment of the final installment is pending.

The Board of Director's Session held on November 17, 2015, agreed to distribute dividends for US$15,000,000 (equivalent to S/49,515,000), which have been paid in two equal installments, the first one in December 2015 and the second one in March 2016.

The General Shareholders' Meeting held on April 15, 2015, agreed to capitalize approximately S/456,743,000. As a result of said resolution, the nominal value per share was modified from US$ 5.00 to US$ 6.00, while the number of shares was kept the same. Likewise, it was agreed to distribute dividends for US$15,000,000 (equivalent to approximately S/45,975,000), which have been paid in two equal installments.

The Board of Director's Session held on November 22, 2016, agreed to commit the capitalization of the retained earnings and net profit for the year 2016 up to an amount of S/600,000,000.

(b) Treasury stock
This amount is recorded in the accompanying separate financial statements by deducting the Company's net equity. As of December 31, 2015, these treasury stocks were sold to third parties causing an effect in equity of S/32,379,000, which is presented under the caption "retained earnings" in the separate statements of changes in equity.

(c) Intercorp Group's regulatory capital
Intercorp Perú must meet certain capital requirements as well as global and concentration limits set out by the Regulation on Consolidated Supervision of Financial and Mixed Conglomerates, approved on September 29, 2010, by the SBS through Resolution No. 11823-2010, as amended. As of December 31, 2016 and 2015, the Company has met the aforementioned requirements.

(d) Reserves
The General Shareholders' Meeting held on April 15, 2015, approved the establishment of a reserve for S/53,257,000, charged to retained earnings.

(e) Unrealized results
Unrealized results correspond to those generated by the fluctuation of available-for-sale investments held by the Company and the valuation of financial instruments held by Subsidiaries in the application of the equity method for the recording of investments.

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 2), 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 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. The law also defines the assumptions under which the legal entity domiciled in Peru is jointly and severally liable.

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 Group'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.

As of December 31, 2016 and 2015, the applicable Income Tax rate was 28 percent on the taxable income (30 percent as of December 31, 2014).

On the other hand, 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.

(c) The Tax Authority (henceforth "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.

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

	Income Tax	**IGV (Value Added Tax)**
Banco Internacional del Perú S.A.A. – Interbank	2012 to 2016	2012 to 2016
Interseguro Compañía de Seguros S.A.	2012 to 2016	2012 to 2016
Supermercados Peruanos S.A.	2012 to 2016	2012 to 2016
Universidad Tecnológica del Perú S.A.C.	2013 to 2016	2013 to 2016
Tiendas Peruanas S.A.	2008, 2009, 2011; and 2012 to 2016	2008, 2009, 2011; and 2012 to 2016
Colegios Peruanos S.A.	2012 to 2016	2012 to 2016
Homecenter Peruanos S.A.	2012, 2014 to 2016	2012, 2014 to 2016
Eckerd Perú S.A.	2014 to 2016	2014 to 2016
Boticas del Oriente S.A.C.	2013 to 2016	2013 to 2016
Eckerd Amazonía S.A.C.	2013 to 2016	2013 to 2016
Financiera Oh! S.A.	2012, 2014 a 2016	2012 to 2016
Inmobiliaria Milenia S.A.	2012 to 2016	2012 to 2016
Urbi Propiedades S.A.	2012 to 2016	2012 to 2016
Real Plaza S.R.L.	2015 to 2016	2013 to 2016
InRetail Properties Management S.R.L.	2012 to 2016	2013 to 2016

(d) On the other hand, in 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, SUNAT issued Intendancy Resolutions regarding the tax years 2000 to 2006, for which Interbank filed the corresponding appeals. In December 2014, SUNAT issued the Resolution of Intendancy No. 0150140011647 declaring partly founded the appeal filed by the Bank corresponding to the 2001 Income Tax. On the part not accepted by SUNAT, Interbank filed a new appeal. On February 29, 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. 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 December 31, 2016 and 2015.

In February 2017, SUNAT concluded the inspection process corresponding to the 2010 Income Tax; and as a result, no additional payments of such tax were determined.

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.

Supermercados Peruanos S.A. has been audited by SUNAT on its Income Tax returns and its monthly Value-Added Tax (henceforth "IGV", by its Spanish acronym) returns for the years from 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, 2016. The resolutions issued for the years 2004 to 2009 have been challenged and these cases are pending at the Tax Court. In the opinion of Management, the resolutions issued for the year 2010 will be appealed before SUNAT within the deadline established by law.

Eckerd Amazonía S.A.C. filed claims against several Assessment Resolutions on supposed omissions of IGV from January 2003 to June 2005 for approximately S/33,000,000. In the opinion of Management of the Company and the Subsidiary, as well as in the opinion of its legal advisors, no important liabilities will be generated as of December 31, 2016 and 2015.

UTP S.A.C. maintains several lawsuits (labor and civil) and contentious administrative procedures with different municipalities and SUNAT. As of December 31, 2016 and 2015, the approximate amount of such proceedings and procedures amounted to approximately S/10,000,000. In the opinion of Management of the Company and the Subsidiary, as well as in the opinion of its legal advisors, these legal actions will not generate important liabilities for 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 consolidated financial statements as of December 31, 2016 and 2015.

(e) Peruvian life insurance companies are exempt from the 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:

	2016 S/(000)	2015 S/(000)
Financial income		
Interest on loans granted to Subsidiaries and shareholder	865	596
Interest from Global Bonds of the Republic of Peru, Note 6(d)	663	1,001
Interest on time deposits	-	172
Others	9	107
Total	1,537	1,876
Financial expenses		
Interest on corporate bonds, Note 11(b)	75,829	68,948
Interest on bank loans	8,914	7,116
Interest on notes issued, Note 10(b)	3,240	5,305
Bonds premium expenses, net (*)	-	30,307
Others	857	2,616
Total	88,840	114,292

(*) It includes the payment of approximately S/37,432,000 corresponding to the premium assumed as a result of the repurchase of corporate bonds "8.625% Secured Notes due 2019", net of the issue premium of such bonds for approximately S/7,125,000.

15. Other expenses, net

This caption is comprised by the following:

	2016 S/(000)	2015 S/(000)
Board of Directors' compensation	30,688	31,288
Others, net	1,005	4,100
	31,693	35,388

16. Transactions with Subsidiaries and related companies

(a) As of December 31, 2016 and 2015, the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	2016 S/(000)	2015 S/(000)
Banco Internacional del Perú S.A.A. – Interbank	1,713	5,007
Inteligo Bank Ltd.	113	-
	1,826	5,007

(b) As of December 31, 2016 and 2015, the balances receivable from Subsidiaries are presented in Note 5. As of those dates, the balances payable to Subsidiaries are the following:

	2016 S/(000)	2015 S/(000)
Accounts payable to Subsidiaries		
Banco Internacional del Perú S.A.A. – Interbank (i)	120,172	178,148
Inteligo Bank Ltd. (ii)	3,477	3,529
Inversiones Río Nuevo S.A.C.	1,391	1,363
Intercorp Retail Inc.	1,181	1,181
Urbi Propiedades S.A. (iii)	-	5,486
	126,221	189,707

(i) As of December 31, 2016 and 2015, it corresponds to promissory notes in Soles which bear interest at market rates and have short-term maturity.

(ii) As of December 31, 2016 and 2015, it corresponds to a loan denominated in US Dollars amounting to US$1,000,000 which bears interest at market rates and has short-term maturity.

(iii) As of December 31, 2015, it corresponded to a financing denominated in Soles, which bore interest at market rates, had short-term maturity and did not have specific guarantees. This financing was settled in June 2016.

(c) As of December 31, 2016 and 2015, the Company holds participations in NG Capital Partners I investment fund, which are classified as available-for-sale investments, recorded at fair value and amount to S/34,230,000 and S/39,379,000, respectively; see Note 6(a).

(d) For the years ended December 31, 2016 and 2015, the Company recorded the following income (expenses) from operations with its Subsidiaries and related companies:

	2016 S/(000)	2015 S/(000)
Gain (loss) on derivative financial instruments		
Banco Internacional del Perú S.A.A. – Interbank, Note 4	16,080	(1,548)
Financial income		
Inteligo Bank Ltd.	-	111
PF InRetail Consumer	-	64
Urbi Propiedades S.A.	-	9
Financial expenses		
Banco Internacional del Perú S.A.A. – Interbank	8,439	6,959
Intercorp Financial Services Inc.	280	1,175
Urbi Propiedades S.A.	97	790
Inteligo Sociedad Agente de Bolsa S.A.	568	769
Inteligo Bank Ltd.	475	168
PF InRetail Shopping Malls	425	263
Inversiones Río Nuevo S.A. C.	55	231
Others expenses, net		
Board of Directors' compensation	(30,688)	(31,288)

(e) As of December 31, 2016 and 2015, the Company had no employees, and therefore its operations and administration are carried out through its Subsidiaries.

17. Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the year	Weighted average number of shares (in thousands)
Year 2015				
Balance as of January 1, 2015	147,185	147,185	365	147,185
Purchase of treasury stock	(351)	(351)	295	(284)
Sale of treasury stock	2,185	2,185	181	1,084
Balance as of December 31, 2015	149,019	149,019		147,985
Net profit for the year S/(000)				665,356
Earnings per share A and B, in Soles				4.50
Year 2016				
Balance as of January 1, 2016	149,019	149,019	365	149,019
Balance as of December 31, 2016	149,019	149,019		149,019
Net profit for the year S/(000)				654,539
Earnings per share A and B, in Soles				4.39

18. 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 eases its control. The Board of Directors is kept permanently updated on the exposure degree of 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 December 31, 2016 and 2015, 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:

- 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 December 31, 2016 and 2015, the Company is exposed mainly to demands of payment of interest and principal of issued corporate bonds, 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. Notes 10, 11 and 16(b) 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.

The sensitivity analysis for the variation of US Dollars is presented below:

Sensitivity analysis	Change in exchange rates %	2016 S/(000)	2015 S/(000)
Devaluation			
US Dollars	5	41,739	39,019
US Dollars	10	83,477	78,038
US Dollars	15	125,216	117,056
Revaluation			
US Dollars	5	(41,739)	(39,019)
US Dollars	10	(83,477)	(78,038)
US Dollars	15	(125,216)	(117,056)

(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 December 31, 2016 and 2015, 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 and corporate bonds issued and the loans obtained from Subsidiaries. As of December 31, 2016 and 2015, the Company did not have any operations with derivative financial instruments for hedging or trading, and therefore the effect of derivative financial instruments earmarked for interest rates is not included.

(iii) Price risk

The Company's exposure to this risk occurs due to changes in prices of equity securities, basically mutual funds and investment funds classified in the separate statements of financial position as available-for-sale investments.

As of December 31, 2016 and 2015, Management has performed the sensibility tests on the market prices of such financial instruments. The effect in the separate statements of changes in equity is presented below:

Sensitivity analysis	**Prices** %	**2016** S/(000)	**2015** S/(000)
Mutual funds	+/-10	7,688	6,243
Mutual funds	+/-25	19,171	15,608
Mutual funds	+/-30	23,005	18,730
Investment funds	+/-10	3,423	3,938
Investment funds	+/-25	8,558	9,845
Investment funds	+/-30	10,269	11,814

(d) Fair value of financial instruments

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

As of December 31, 2016 and 2015, available-for-sale investments are presented at their fair value; see Note 6, and the corresponding hierarchy levels of fair value are the following:

	Hierarchy level 2016	**Hierarchy level** 2015
Global Bonds of the Republic of Peru	1	1
Foreign mutual funds	2	2
Foreign investment funds	3	3

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

- Level 1 - Quoted 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.

As of December 31, 2016 and 2015, the unrealized gain on Level 3 financial instruments amounts to S/16,110,000 and S/14,067,000, respectively; see Note 6(a).

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.

During the years 2016 and 2015, there were no transfers of financial instruments from Level 3 to Level 1 or to Level 2.

The sensitivity tests performed by Management to significant unobservable data used in the valuation of Level 3 instruments measured at fair value are presented below:

Industry	Valuation technique	Significant unobservable inputs	Valuation	Sensitivity of inputs to fair value
Participation in foreign investment funds	Market value	Price	Depends on the sector of the company	500 basis points of increase (decrease) in the price would result in an increase (decrease) in the fair value of S/656,000.
	Multiple income	Price to sales average ratio	Depends on the sector of the company	500 basis points of increase (decrease) in the average price to sales average ratio would result in an increase (decrease) in the fair value of S/540,000.

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

Notes to the separate financial statements (continued)

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 on each date of the separate statements of financial position.

In the case of corporate bonds, considering that they have long-term maturities, Management has estimated that the fair value is not equivalent to the carrying amount, as presented below:

	2016		2015	
	Book value S/(000)	**Fair Value** S/(000)	**Book value** S/(000)	**Fair Value** S/(000)
Liabilities				
Financial liabilities				
Corporate bonds	1,123,690	1,178,711	1,132,804	1,084,294

19. Subsequent events

Since December 31, 2016, and as of the date of this report, no significant event that could impact the separate financial statements of the Company has occurred.

20. Additional explanation for the English translation

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

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