



**Management's Discussion and Analysis of
Financial Condition and Results of
Operations**

Second Quarter 2015

August, 2015

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I. Overview

Intercorp is a holding company for one of Peru's largest business groups. Focused on Peru's growing middle class, it provides a variety of services to satisfy consumers' evolving preferences for modern goods and services. Intercorp's cash flows are primarily generated by dividends from subsidiaries. Intercorp's businesses are mainly focused on three industries: financial services; retail (including shopping malls); and education. Intercorp manage their businesses primarily through two principal holding companies, IFS and Intercorp Retail.

IFS is a leading provider of financial services in the fast-growing, underpenetrated and profitable Peruvian financial system. With one of the largest distribution networks in Peru (as measured by the number of financial stores, ATMs, correspondent agents and sales force), IFS provides a wide range of products spanning banking, insurance and wealth management services to individual and commercial clients, through its main subsidiaries: Interbank, a universal bank; Interseguro, an insurance company; and Inteligo, a wealth management services provider. IFS' subsidiaries are managed with a coordinated strategy focusing on specific businesses that we believe offer high growth, high margin opportunities.

Intercorp Retail is the holding company for retail and shopping malls businesses. Intercorp Retail controls InRetail Peru. InRetail Peru owns: a leading supermarket chain, Supermercados Peruanos; the largest pharmacy chain, InkaFarma; and the largest developer and operator of shopping malls operating under the Real Plaza brand. Separately, Intercorp Retail also controls other retail businesses, such as Promart, chain of home improvement stores, Oechsle, department store chain, and Financiera Uno, a consumer financing company.

Intercorp began investing in education in 2010 and are rapidly expanding their footprint into this sector. Their education businesses, Innova Schools, UTP and IPAE, are operated through other subsidiaries within Intercorp's corporate structure. Innova Schools is a scalable network of private K-12 schools operating in 29 locations across Peru. UTP consists of a university and a technical school, with more than 30,000 students and approximately 700 classrooms and labs at 24 locations in Peru (20 in Lima). IPAE complements our education portfolio with a technical school focused on specialized business careers.

II. Results Analysis

The table below details Intercorp's assets and equity in its main businesses as of June 30, 2015 and December 31, 2014.

	As of June 30, 2015				As of December 31, 2014			
	Assets		Equity		Assets		Equity	
	(S/. in millions)	%	(S/. in millions)	%	(S/. in millions)	%	(S/. in millions)	%
IFS								
Interbank (banking).....	35,498.5	66.2%	3,353.5	43.1%	32,904.9	65.5%	3,276.2	42.7%
Interseguro (insurance).....	5,049.9	9.4%	513.1	6.6%	4,743.4	9.4%	691.4	9.0%
Inteligo (wealth management).....	2,983.0	5.6%	531.4	6.8%	2,934.1	5.8%	478.6	6.2%
IFS (holding company) and eliminations.....	-351.2	-0.7%	-210.9	-2.7%	-217.2	-0.4%	-144.0	-1.9%
Total IFS.....	43,180.3	81%	4,187.0	53.8%	40,365.2	80.4%	4,302.3	56.0%
Intercorp Retail								
Supermercados Peruanos (supermarkets).....	2,513.6	4.7%	902.0	11.6%	2,556.5	5.1%	902.3	11.8%
Inkafarma (pharmacies).....	701.3	1.3%	106.2	1.4%	692.1	1.4%	126.1	1.6%
InRetail Shopping Malls (shopping malls).....	3,166.9	5.9%	1,774.2	22.8%	3,106.5	6.2%	1,748.5	22.8%
Other (1).....	3,117.8	5.8%	1,104.8	14.2%	3,067.4	6.1%	1,069.3	13.9%
Total Intercorp Retail.....	9,499.6	17.7%	3,887.3	50.0%	9,422.6	18.8%	3,846.1	50.1%
Other subsidiaries/Intercorp (holding company) and eliminations.....	929.5	1.7%	-297.4	-3.8%	422.3	0.8%	-471.4	-6.1%
Total Consolidated.....	53,609.3	100%	7,776.9	100%	50,210.2	100%	7,677.1	100%

(1) Includes assets and equity attributed to Intercorp Retail as a holding company and other immaterial subsidiaries of Intercorp Retail

i. Intercorp

As a holding company, Intercorp is dependent on its subsidiaries' results of operations for its earnings and cash flows. The following discussion includes the results of operations of Intercorp's subsidiaries that provide the substantial majority of the contribution to its net profit and dividend inflows

The following table presents information of the unconsolidated income statement regarding the contributions attributable to Intercorp, based on its equity ownership for the six months ended June 30, 2015 and 2014.

	For the six months ended		Change	
	June 30,			
	2015	2014	(S/ in millions)	%
	(S/. millions)			
IFS				
Banking.....	295.7	227.6	68.2	29.9%
Insurance.....	115.4	7.2	108.2	1503.5%
Wealth Management.....	66.4	77.3	-10.9	-14.1%
IFS expenses and eliminations.....	-24.2	-17.8	-6.4	35.8%
Total IFS.....	453.4	294.3	159.1	54.1%
Intercorp Retail				
Supermarkets.....	-0.2	7.7	-7.9	N/M
Pharmacies.....	38.6	33.6	4.9	14.6%
Shopping malls.....	14.0	46.2	-32.2	-69.7%
Other subsidiaries / holding company and eliminations....	-80.4	-55.2	-25.2	45.6%
Total Intercorp Retail.....	-28.0	32.3	-60.3	N/M
Other subsidiaries.....	-10.3	-9.0	-1.3	14.3%
Net profit attributable to Intercorp.....	415.2	317.6	97.5	30.7%
Financial expenses, net.....	-74.3	-38.5	-35.8	92.9%
General expenses.....	-15.5	-7.2	-8.3	115.9%
Other income (expenses), net.....	-16.3	-17.0	0.7	-4.3%
Foreign exchange gain (loss), net.....	-46.4	-2.7	-43.7	1616.7%
Income (expenses).....	-152.4	-65.4	-87.0	133.1%
Net profit.....	262.8	252.2	10.5	4.2%

For the six months ended June 30, 2015, Intercorp's net profit was S/. 262.8 million, an increase of S/. 10.5 million compared to the same period in 2014. The growth in profit was driven by the increase in net profit attributable from its subsidiaries by S/.97.5 million, explained by higher profits from IFS (S/. 159.1 million), partially offset by a lower contribution by Intercorp Retail (S/.60.3 million), and an increase in Intercorp's own expenses by S/.87.7 million.

Intercorp's financial expenses were higher in S/.35.8 million this semester, due to the premium paid in the process of refinancing Intercorp Peru Notes due 2019¹. Foreign exchange losses amounted to S/.43.7 million due to the depreciation of the sol against the dollar in the first half of 2015.

¹ On February 2015 Intercorp issued US\$98.5 million of a 15 year PEN equivalent bond, and US\$250 million of 10 year US\$ Senior Unsecured Notes. With the proceeds of the US\$ notes Intercorp refinanced US\$ 250 million of US\$ 2019 Senior notes.

ii. IFS

The table below sets forth the main components of IFS' consolidated income statement for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,		Change	
	2015	2014	(S/ in millions)	%
	(S/. millions)			
Interest and similar income.....	1,570.7	1353.4	217.3	16.1%
Interest and similar expense	-425.7	-385.7	-40.0	10.4%
Net interest and similar income	1,144.9	967.7	177.3	18.3%
Provision for loan losses, net of recoveries.....	-321.1	-222.2	-98.9	44.5%
Net interest and similar income after provision for loan losses	823.9	745.5	78.4	10.5%
.....				
Fee income from financial services, net	388.8	338.5	50.3	14.9%
Other income	350.4	282.1	68.3	24.2%
Total premiums earned less claims and benefits.....	50.9	-75.0	125.9	N/M
Other expenses.....	-827.2	-743.5	-83.7	11.3%
Income before translation result and income tax	786.7	547.6	239.1	43.7%
Translation result	-18.9	0.8	-19.6	N/M
Income tax	-158.5	-132.0	-26.5	20.1%
Profit for the period.....	609.3	416.3	193.0	46.4%
Attributable to equity holders of the group (1)	606.5	414.0	192.5	46.5%
ROAE	28.2%	22.2%		

(1) Starting December 31, 2014, Interseguro began consolidating a real estate investment shared by Interseguro and InterCorp Real Estate Inc, a subsidiary of InterCorp. InterCorp RE's part is then reported as attributable to non-controlling interest.

Profits attributable to shareholders were S/.606.5 million for the six months ended June 30, 2015, increasing 46.4% compared same period in the previous year, mainly explained by strong performances at Interbank and Interseguro.

	InterCorp Financial Services			Change	
	2Q14	1Q15	2Q15	% QoQ	% YoY
	(S/. millions)				
Interest and similar income.....	692.5	753.5	817.1	8.4%	18.0%
Interest and similar expense	-200.4	-207.7	-218.0	5.0%	8.8%
Net interest and similar income	492.1	545.8	599.1	9.8%	21.7%
Provision for loan losses, net of recoveries.....	-118.4	-148.8	-172.2	15.7%	45.4%
Net interest and similar income after provision for loan losses	373.7	397.0	426.9	7.5%	14.2%
.....					
Fee income from financial services, net	176.6	194.8	194.0	-0.4%	9.9%
Other income	154.3	171.7	178.7	4.1%	15.8%
Total premiums earned less claims and benefits.....	13.2	-12.0	62.9	N/M	N/M
Other expenses.....	-366.1	-399.9	-427.3	6.9%	16.7%
Income before translation result and income tax	351.8	351.6	435.1	23.7%	23.7%
Translation result	1.2	-10.6	-8.3	N/M	-791.7%
Income tax	-71.4	-78.1	-80.4	2.9%	12.6%
Profit for the period.....	281.6	262.9	346.4	31.8%	23.0%
Attributable to equity holders of the group (1)	280.4	261.2	345.2	32.2%	23.1%
EPS.....	2.56	2.39	3.16		
ROAE	29.9%	23.9%	32.0%		

(1) Starting December 31, 2014, Interseguro began consolidating a real estate investment shared by Interseguro and InterCorp Real Estate Inc, a subsidiary of InterCorp. InterCorp RE's part is then reported as attributable to non-controlling interest.

Profits attributable to shareholders were S/. 345.2 million in the second quarter of 2015, increasing 23.1% compared to the second quarter of 2014, mainly explained by strong performances at Interbank and Interseguro

Total premiums earned less claims and benefits increased by S/. 49.7 million, mainly explained by a S/. 72.3 million decrease in adjustment of technical reserves, partially offset by a S/. 25.3 million increase in net claims and benefits incurred.

Fee income from financial services increased 9.8% compared to the same period in 2014 a result of increases of 20.4% at Inteligo and 7.4% at Interbank. Such growths were partially offset by increases of 45.5% in provisions and 16.0% in other expenses

IFS' Subsidiaries

The following discussion details the results of operations of each of IFS's three subsidiaries: Interbank, Interseguro and Inteligo.

Interbank

The table below details selected financial information for Interbank for the six months ended June 31, 2015 and 2014.

	For the six months ended June 30,		Change	
	2015	2014	(S/ in millions)	%
	(S/. millions)			
Interest and similar income.....	1401.4	1220.3	181.1	14.8%
Interest and similar expense	-395.3	-357.7	-37.6	10.5%
Net interest and similar income	1006.1	862.6	143.5	16.6%
Provision for loan losses, net of recoveries.....	-321.1	-222.2	-98.9	44.5%
Net interest and similar income after provision for loan losses	685.0	640.4	44.6	7.0%
Fee income from financial services, net	344.6	310.2	34.5	11.1%
Other income	236.9	137.3	99.6	72.6%
Other expenses.....	-696.2	-628.5	-67.6	10.8%
Income before translation result and income tax	284.2	459.4	-175.2	-38.1%
Translation result	-22.4	-1.3	-21.1	N/M
Income tax	-141.9	-123.0	-18.8	15.3%
Profit for the period.....	406.1	335.1	71.1	21.2%
ROAE.....	24.9%	24.0%		
Efficiency ratio.....	42.6%	46.8%		
NIM.....	6.1%	5.6%		

Interbank's profits reached S/. 406.1 million in the second semester of 2015, a S/. 71.1 million increase compared to the same semester of 2014. The annual growth in net profit was due to a S/. 143.5 million increase in net interest and similar income and a S/. 99.6 million growth in other income, which were partially offset by a S/. 98.6 million increase in provision expenses

The table below details selected financial information for Interbank for the first and second quarter of 2015 and second of 2014.

	Interbank			Change	
	2Q14	1Q15 (S/. millions)	2Q15	% QoQ	% YoY
Interest and similar income.....	627.1	668.6	732.8	9.6%	16.9%
Interest and similar expense	-186.0	-191.5	-203.8	6.4%	9.6%
Net interest and similar income	441.0	477.1	529.0	10.9%	20.0%
Provision for loan losses, net of recoveries.....	-118.4	-148.8	-172.2	15.7%	45.4%
Net interest and similar income after provision for loan losses	322.7	328.3	356.7	8.7%	10.5%
Fee income from financial services, net	159.6	173.2	171.4	-1.0%	7.4%
Other income	68.9	125.1	111.9	-10.6%	62.4%
Other expenses.....	-307.7	-340.3	-355.8	4.6%	15.6%
Income before translation result and income tax	243.5	286.2	284.2	-0.7%	16.7%
Translation result	-0.5	-12.4	-10.0	-19.4%	NM
Income tax	-66.3	-68.6	-73.2	6.7%	10.4%
Profit for the period.....	176.7	205.2	201.0	-2.0%	13.8%
ROAE.....	25.4%	25.5%	24.6%		
Efficiency ratio.....	45.9%	42.3%	41.7%		
NIM.....	6.11%	6.27%	6.83%		

Interbank's profits reached S/. 201.2 million in the second quarter of 2015, a S/. 24.3 million increase compared to the same quarter of 2014. The annual growth in net profit was due to a S/. 88.0 million increase in net interest and similar income and a S/. 43.0 million growth in other income, which were partially offset by a S/. 53.8 million increase in provision expenses.

Net interest and similar income grew 20.0% due to an increase of 16.9% in interest and similar income, partially offset by a 9.6% rise in interest and similar expense.

The growth in interest and similar income was due to increases of 16.3% in interest on loans and 33.3% in interest on investments available for sale, partially offset by a 50.0% reduction in interest due from banks and inter-bank funds.

The S/. 96.1 million growth in interest on loans was explained by increases of 10.7% in the average loan volume and 60 basis points in the average yield, from 11.2% in 1Q14 to 11.5% in 1Q15. Growth in average volume was due to increases of 17.5% in the retail portfolio and 3.5% in the commercial portfolio. The higher average yield was explained by increases of 60 basis points in the average rate of the retail portfolio and 20 basis points in the commercial portfolio, as well as a higher proportion of retail loans within the total loan portfolio. Interest on investments available for sale increased by S/. 11.1 million, or 33.3%, as a result of a higher average volume which was partially offset by a lower nominal average rate.

The nominal average rate on interest-earning assets was 9.5% in the second quarter of 2015, a 80 basis point increase with respect to the 8.7% registered in the second quarter of 2014 mainly as a result of the higher yield in the loan portfolio and its higher proportion within total interest-earning assets.

Interest and similar expense increased 9.6% due to growths of 48.4% in interest due to banks and correspondents, and 10.4% in interest on bonds, notes and other obligations. Such increases were partly offset by a 6.5% decrease in interest on deposits and obligations.

Interest on bonds, notes and other obligations increased by S/. 7.0 million or 10.4%, mainly as a result of an 11.0% increase in the average volume. The growth in average volume was explained by a 13.6% depreciation of the exchange rate that resulted in a higher value of bonds issued in dollars, which represent the majority of total bonds.

Interest on deposits and obligations decreased by S/. 5.5 million mainly attributable to a 10 basis point decrease in the nominal average cost, partially offset by a 1.7% increase in the average volume.

The average cost of funds decreased from 3.2% in second quarter of 2014 to 3.1% in second quarter of 2015, mainly as a result of lower average rates on due to banks and correspondents, as well as on deposits.

Other income grew by S/. 56.7 million as a result of a more than two-fold increase in net gain on foreign exchange transactions, which was mainly due to higher income from forward foreign exchange agreements with clients. Such increase was partially offset by a reduction in net trading income, which was mainly driven by derivatives instruments that were negatively affected by the appreciation of the U.S. dollar against the Nuevo sol.

Provision expenses increased 45.5% mainly as a result of higher provisioning in retail loans, driven by loan growth and asset quality deterioration in credit cards and mortgages; partially offset by a decrease in provision requirements related to commercial loans.

Interseguro

The table below details selected financial information for Interseguro for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,		Change	
	2015	2014	(S/ in millions)	%
	(S/. millions)			
Interest and similar income.....	118.2	93.8	24.5	26.9%
Fee income from financial services, net	-1.8	-1.0	-0.7	74.0%
Other income	85.4	92.2	-6.8	-30.5%
Total premiums earned less claims and benefits.....	50.9	-75.0	N/M	N/M
Other expenses.....	-100.8	-86.9	-13.9	11.2%
Income before translation result and income tax	152.0	23.0	129.0	47.6%
Translation result	-1.2	0.7	N/M	N/M
Income tax	0.3	0.0	0.3	11.2%
Profit for the period.....	151.1	23.6	127.4	45.4%
Attributable to non-controlling interest ⁽¹⁾	0.0	0.0	0.1	N/M
Profit attributable to shareholders.....	151.1	23.6	127.5	45.4%
ROAE.....	54.1%	10.0%		

(1) Starting December 31, 2014, Interseguro began consolidating a real estate investment shared by Interseguro and InterCorp Real Estate Inc, a subsidiary of InterCorp. InterCorp RE's part is then reported as attributable to non-controlling interest.

Interseguro's profit attributable to shareholders in the second semester of 2015 was S/. 151.1 million, an increase of S/. 127.5 million compared to the corresponding period of 2014.

The table below details selected financial information for Interseguro for the first and second quarter of 2015 and second of 2014.

	Interseguro			Change	
	2Q14	1Q15	2Q15	% QoQ	% YoY
	(S/. millions)				
Interest and similar income.....	51.1	53.3	64.9	21.8%	27.0%
Fee income from financial services, net	-0.4	-0.7	-1.1	57.1%	175.0%
Other income	63.8	41.0	44.4	8.3%	-30.4%
Total premiums earned less claims and benefits.....	13.2	-12.0	62.9	N/M	N/M
Other expenses.....	-48.0	-47.4	-53.4	12.7%	11.3%
Income before translation result and income tax	79.8	34.2	117.7	244.2%	47.5%
Translation result	0.9	-0.7	-0.6	-14.3%	N/M
Income tax	0.0	0.2	0.1	-50.0%	N/M
Profit for the period.....	80.7	33.8	117.2	246.7%	45.2%
Attributable to non-controlling interest ⁽¹⁾	0.0	-0.2	0.3	N/M	N/M
Profit attributable to shareholders.....	80.7	33.6	117.5	249.7%	45.6%
Discount rate impacts on technical reserves.....	31.8	28.0	83.1	196.8%	161.3%
Profit excluding discount rate impacts.....	48.9	5.6	34.4	N/M	-29.7%
Efficiency ratio.....	15.0%	16.9%	10.4%		
ROAE.....	74.2%	23.3%	95.4%		

(1) Starting December 31, 2014, Interseguro began consolidating a real estate investment shared by Interseguro and InterCorp Real Estate Inc, a subsidiary of InterCorp. InterCorp RE's part is then reported as attributable to non-controlling interest.

Interseguro's profit attributable to shareholders in the second quarter of 2015 was S/. 117.5 million, an increase of S/. 36.8 million compared to the corresponding period of 2014.

The increase was mainly due to a S/. 49.7 million increase in total premiums earned less claims and benefits and a S/. 13.8 million increase in interest and similar income driven by the growth of Interseguro's investment portfolio. These factors were partially offset by a S/. 24.7 million decline in net premiums and a S/. 6.1 million increase in impairment loss on available-for-sale investments (other expenses)

Total premiums earned less claims and benefits

	For the six months ended June 30,			Change	
	2Q14	1Q15	2Q15	% QoQ	% YoY
	(S/. millions)				
Net premium.....	177.0	204.3	179.6	-12.1%	1.5%
Adjustment of technical reserves.....	-128.8	-156.5	-56.5	-63.9%	-56.1%
Net claims and benefits incurred.....	-35.0	-59.9	-60.3	0.7%	72.3%
Total premiums earned less claims and benefits.....	13.2	-12.0	62.9	NM	NM

The growth in net premiums was mainly by a S/. 72.3 million decrease in adjustment of technical reserves, partially offset by a S/. 25.3 million increase in net claims and benefits incurred.

The decrease in the adjustment of technical reserves was driven by changes in the weighted average discount rates, as in the second quarter of 2015 these changes led to a release of technical reserves higher than the release of reserves occurred in second quarter of 2014.

The growth in interest and similar income was mainly due to an increase in interest on investments available-for-sale as a result of a 23.0% increase in the average volume of Interseguro's investment portfolio and a 4 basis point increase in the nominal average rate.

Inteligo

The table below details selected financial information for Inteligo for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,		Change	
	2015	2014	(S/ in millions)	%
	(S/. millions)			
Interest and similar income.....	63.6	51.1	12.5	27.5%
Interest and similar expense	-26.2	-24.9	-1.2	3.0%
Net interest and similar income	37.4	26.2	11.3	46.9%
Fee income from financial services, net	61.4	44.7	16.7	37.2%
Other income	27.3	58.3	-31.1	-22.9%
Other expenses.....	-40.1	-38.7	-1.3	-2.0%
Income before translation result and income tax	86.0	90.5	-4.5	-4.9%
Translation result	0.2	0.2	-0.1	-22.9%
Income tax	0.0	0.0	0.0	N/M
Profit for the period.....	86.2	90.7	-4.5	17.6%
ROE.....	37.5%	33.9%		
Efficiency ratio.....	30.8%	24.1%		

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.177 = US\$1.00, the exchange rate reported on June 30, 2015 by the SBS.

Inteligo's net profit in the second semester of 2015 was S/. 86.0 million, a S/. 4.5 million decrease versus the second semester of 2014 was mainly attributable to lower other income, partially offset by the increase in Fee Income from financial services, net.

The table below details selected financial information for Inteligo for the first and second quarter of 2015 and second of 2014.

	Inteligo			Change	
	2Q14	1Q15	2Q15	% QoQ	% YoY
	(S/. millions)				
Interest and similar income.....	28.1	27.7	35.9	29.6%	27.5%
Interest and similar expense	-12.4	-13.4	-12.8	-4.5%	3.0%
Net interest and similar income	15.7	14.3	23.1	61.2%	46.9%
Fee income from financial services, net	25.0	31.2	30.1	-3.5%	20.4%
Other income	24.4	8.5	18.8	N/M	-22.9%
Other expenses.....	-22.6	-17.9	-22.2	23.8%	-2.0%
Income before translation result and income tax	42.5	36.2	49.9	37.8%	17.2%
Translation result	0.0	0.0	0.2	N/M	N/M
Income tax	0.0	0.0	0.0	N/M	N/M
Profit for the period.....	42.6	36.1	50.0	38.6%	17.6%
ROAE.....	34.2%	29.1%	38.2%		
Efficiency ratio.....	24.1%	33.1%	30.8%		

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.177 = US\$1.00, the exchange rate reported on June 30, 2015 by the SBS.

Inteligo's net profit in the second quarter of 2015 was S/. 50.0 million, a S/. 7.4 million increase versus the second quarter of 2014 was mainly attributable to higher net interest and similar income, and higher other income.

Net interest and similar income increased by S/. 7.4 million or 46.9% when compared to the same period in the previous year. Interest and similar income

increased by S/. 7.8 million or 27.5% in the second quarter of 2015, mainly due to higher income on available for sale investments and higher interest on loans as a result of an increase in the average volume of Inteligo's loan portfolio.

Inteligo's net fee income from financial services increased by S/. 5.1 million or 20.4%. Such growth was attributable to income from funds management services which increased 16.4%. Other income decreased by S/. 22.9 million in the second quarter of 2015 compared to the same period in the previous year, lower net trading gain on the comparing periods.

Inteligo's other expenses reached S/. 22.2 million in the second quarter of 2015, an decrease of S/. 0.4 million or 2.0%. This was attributable to higher administrative expenses, which increased by S/. 2.7 million in the period due to higher third-party related services.

iii. Intercorp Retail

The table below sets forth the main components of Intercorp Retail's consolidated income statement for the six months ended March 31, 2015 and 2014.

	For the six months ended June 30,			
	2015	2014	Change	
	(S/. in millions)		(S/. in millions)	%
Total Revenues.....	4,029.5	3,518.9	510.6	14.5%
Cost of Sales.....	-2,831.4	-2,524.1	-307.2	12.2%
Gross Profit.....	1,198.1	994.7	203.4	20.4%
Selling Expenses.....	-798.5	-707.8	-90.7	12.8%
Administrative Expenses.....	-176.8	-161.7	-15.0	9.3%
Other Income (expense).....	15.7	38.1	-22.4	-58.8%
Operating profit.....	238.5	163.3	75.3	46.1%
Financial income (expense), net.....	-236.1	-102.5	-133.6	130.3%
Income tax expense.....	-36.5	-35.2	-1.4	3.9%
Net profit (loss).....	-34.1	25.6	-59.7	N/M
Attributable to:				
Intercorp Retail's shareholders.....	-16.9	11.0	-28.0	N/M
Minority Interest.....	-17.1	14.6	-31.7	N/M
Adjusted EBITDA.....	334.9	217.5	117.4	54.0%
Adjusted EBITDA Margin.....	8.3%	6.2%	-	-

Intercorp Retail reported net loss of S/34.1 million for the six months ended June 30, 2015, representing a decrease of S/59.7 million when compared to the net income in the corresponding period in 2014, as a result of foreign exchange losses despite an increase in operating profit.

Intercorp Retail's gross profit increased 20.4% for the six months ended June 30, 2015 when compared to the same period in 2014. This growth was primarily the result of new store openings, same store sales growth and increases in GLA by its main operating subsidiaries.

Intercorp Retail's Subsidiaries

The following discussion details the results of operations of Intercorp Retail's primary subsidiaries: Supermercados Peruanos, InkaFarma and InRetail Shopping Malls. Intercorp Retail's earnings from Supermercados, InkaFarma and InRetail Shopping Malls were partially offset by losses from other retail business held through Intercorp Retail. Detailed financial information from other retail, education and other related businesses is not presented because they do not contribute materially to Intercorp's financial results.

Supermercados Peruanos

The table below details selected financial information for Supermercados Peruanos for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,		Change	
	2015 (S/. in millions)	2014 (S/. in millions)	(S/. in millions)	%
Total Revenues.....	1944.3	1749.4	194.9	11.1%
Cost of Sales.....	-1444.0	-1301.8	-142.1	10.9%
Gross Profit.....	500.4	447.6	52.8	11.8%
Selling Expenses.....	-398.5	-363.3	-35.1	9.7%
Administrative Expenses.....	-47.5	-42.7	-4.8	11.3%
Other Income (expense).....	1.7	10.4	-8.7	-83.9%
Operating profit	56.0	51.9	4.1	7.9%
Financial income (expense), net.....	-52.4	-34.8	-17.6	50.6%
Income tax expense.....	-3.9	-6.2	2.3	-36.9%
Net profit (loss).....	-0.3	11.0	-11.2	-
EBITDA.....	108.9	98.2	10.7	10.9%
EBITDA Margin.....	5.6%	5.6%	-	-

Supermercados Peruanos reported S/.0.3 million in net loss for the six months ended June 30, 2015 compared to a net income of S/.11.0 million in the same period of 2014. The decrease was mainly generated by higher foreign exchange losses in the first semester 2015 (S/.29.9 million) in comparison to a small gain in the same period of 2014 (S/.0.4 million). Additionally, during the six months ended June 2014 Supermercados Peruanos had an extraordinary income of S/.11.1 million from the sale of an unused land plot. On the other hand, there was an increase in operating profit and lower interest expenses.

The increase in gross profit was primarily the result of revenue growth driven by same store sales growth of 4.8% and 5 additional supermarkets since June 30, 2014 (representing an increase in sales area of approximately 19,581 square meters, or 7.7%). Additionally, gross margin increased from 25.6% to 25.7% due to higher commercial margin, which compensated lower contributions from store openings.

Supermercados Peruanos' selling and administrative expenses increased 9.8% in the six months ended June 30, 2015 as compared to the corresponding period in 2014, due to higher rental and operational expenses associated to new stores in early stages of operation, compensated by higher store efficiencies and a reduction in logistic and marketing expenses. As a percentage of supermarket revenues, selling and administrative expenses decreased from 23.2% to 22.9%.

InkaFarma

The table below details selected financial information for InkaFarma for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,		Change	
	2015	2014	(S/. in millions)	%
	(S/. in millions)		(S/. in millions)	
Total Revenues.....	1129.6	995.3	134.4	13.5%
Cost of Sales.....	-770.3	-682.0	-88.2	12.9%
Gross Profit.....	359.4	313.2	46.2	14.7%
Selling Expenses.....	-249.4	-215.5	-33.9	15.7%
Administrative Expenses.....	-29.0	-26.0	-3.0	11.5%
Other Income (expense).....	0.3	0.6	-0.2	-41.8%
Operating profit	81.4	72.4	9.0	12.5%
Financial income (expense), net.....	-1.5	-1.9	0.4	-21.6%
Income tax expense.....	-24.9	-22.5	-2.4	10.7%
Net profit (loss).....	55.1	48.0	7.0	14.6%
EBITDA.....	98.0	84.3	13.7	16.3%
EBITDA Margin.....	8.7%	8.5%	-	-

InkaFarma reported S/.55.1 million in net profit for the six months ended June 30, 2015, which represented an increase of 14.6% compared to the same period in 2014. This increase was mainly due to an increase in gross profit.

InkaFarma's gross profit increased 14.7% in the six months ended June 30, 2015 compared to the corresponding period in 2014. This increase was driven by same store sales growth of 5.8% and 94 additional stores in operation since June 30, 2014 (representing a 12.5% increase in number of stores). Additionally, gross margin improved from 31.5% to 31.8% mainly due a change in the mix of products sold.

InkaFarma's selling and administrative expenses grew S/.36.9 million, or 15.3%, in the six months ended June 30, 2015, compared to the same period in 2014, mainly due to higher operational and rental expenses from 94 additional stores in operation since June 30, 2014, an increase in personnel expenses and higher depreciation expenses related to a new distribution center. This increase was partially compensated by reductions in logistic expenses coming from recent cost initiatives, and savings obtained from marketing efficiencies. As a percentage of pharmacies revenues, selling and administrative expenses increased from 24.3% to 24.6%

InRetail Shopping Malls

The table below details selected financial information for InRetail Shopping Malls for the six months ended June, 2015 and 2014.

	For the six months ended			
	June 30,		Change	
	2015	2014	(S/. in millions)	%
Total Revenues.....	209.2	145.2	64.0	44.0%
Cost of Sales.....	-65.4	-52.8	-12.6	23.8%
Gross Profit.....	143.7	92.4	51.4	55.6%
Selling Expenses.....	-3.9	-3.4	-0.5	14.7%
Administrative Expenses.....	-11.7	-10.9	-0.8	7.2%
Other Income (expense).....	13.4	24.3	-10.8	-44.7%
Operating profit.....	141.6	102.4	39.3	38.3%
Financial income (expense), net.....	-99.1	-25.8	-73.3	284.7%
Income tax expense.....	-17.3	-21.1	3.8	-17.9%
Net profit (loss).....	25.2	55.5	-30.3	-54.6%
Net rental Income.....	155.5	101.5		
Adjusted EBITDA.....	129.2	78.8	50.3	63.8%
Adjusted EBITDA / Net Rental Income.....	83.1%	77.7%	-	-

InRetail Shopping Malls reported S/. 25.2 million in net profit for the six months ended June 30, 2015, which represented a decrease of 54.6% compared to the same period in 2014. This decrease was mainly explained by higher foreign exchange losses in the first semester 2015 (S/.51.8 million) in comparison to a small gain in the same period of 2014 (S/.0.6 million), and higher financial expenses due to an increase in financial obligations, despite an increase in operating profit.

InRetail Shopping Malls revenues, which are mainly rental income from property investments, grew S/.64.0 million, or 44.0% in the six months ended June 30, 2015, compared to the same period in 2014, due to the revenue contribution from three additional malls in operation: Real Plaza Salaverry opened in May 2014 (72k sqm), Real Plaza Centro Civico acquired in August 2014 (41k sqm) and Real Plaza Sullana acquired in May 2015 (14k sqm); an increase in revenues from existing shopping malls and shopping malls expansions since June 30,2014 (a total of 73,472 sqm of additional GLA, or a 14.7% increase over the past 12 months). Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of our shopping malls. These operating costs are billed directly to tenants and are also reported as Income from rendering of services. InRetail Shopping malls net rental income increased from S/.101.5 million in the six months ended June 30, 2014 to S/.155.5 million in the same period in 2015 (a growth of 53.2%).

InRetail Shopping Malls selling and administrative expenses increased S/.1.3 million, or 9.0% in the six months ended June 30, 2015 compared to the same period in 2014. The main factors that impacted the selling and administrative expenses were the operation of three additional shopping malls and expansions of existing shopping malls, a total of 73,472 sqm of additional GLA since the June 30, 2014. As a percentage of

shopping malls revenues, selling and administrative expenses decreased from 9.8% in the six months ended June 30, 2014 to 7.4% in the same period in 2015, mainly due to cost dilution and operational efficiencies.

InRetail Shopping Malls' investment properties are marked to fair market value quarterly. Fair value adjustments to investment properties for the six months ended June 30, 2015 were S/.13.8 million, as compared to S/.24.2 million for the corresponding period in 2014. This gain was generated primarily to shopping mall expansions.

III. Other financial information

i. Liquidity and Capital Resources

Intercorp's main source of cash flows is dividends received from its subsidiaries. Substantially all of Intercorp's dividends have been contributed by IFS and its subsidiaries. Intercorp also receives distributions and other proceeds from investments in the ordinary course of business. Its main uses of funds have been investments in subsidiaries, particularly in Intercorp Retail and in Intercorp's subsidiaries focused on education services, the payment of interest on its financial obligations and the payment of dividends to its shareholders. Intercorp typically pays dividends to its shareholders in four quarterly installments after such dividends are declared at its annual general shareholders meeting. The table below provides information regarding the cash flows of Intercorp

	For the six months ended June 30,	
	2015	2014
	(S/. millions)	
Operating activities		
Net income.....	262.8	252.2
Adjustments to reconcile net income to net cash		
Share of profit in Subsidiaries.....	-415.0	-317.9
Accounts receivable.....	-2.9	-3.7
Increase (decrease) of interest, provisions and other accounts payable.....	12.2	-24.4
Net cash used in operating activities.....	-142.8	-93.8
Investing activities		
Dividends received.....	421.5	311.8
Loans collected from related parties.....	-21.3	10.5
Loans granted to subsidiaries.....		-84.2
Capital contribution to subsidiaries, net of capital reduction.....	-112.0	-80.1
Purchase of available-for-sale investments.....	-63.5	-20.6
Net cash provided by investing activities.....	224.7	137.4
Financing activities		
Issuance (payment) of notes.....	-89.3	84.0
Issuance (payment) of corporate bonds.....	302.5	
Loans received from (paid to) subsidiaries, net.....	-271.9	-92.5
Payment of dividends.....	-40.9	-31.7
Net cash used in financing activities.....	-99.5	-40.2
Net cash (decrease) increase.....	-17.6	3.4
Balance of cash at the beginning of period.....	63.9	7.6
Balance of cash at the end of period.....	46.2	11.0

Net cash used in operating activities decreased by S/.49.1 million during the six months ended June 30, 2015 when compared to the corresponding period in 2014. This was mainly driven by the expenses regarding a non-recurring transaction (the refinance of the 2019 bonds). All interests due and a premium were paid for the early repayment of the corporate bonds, and there were cash outflows related to the issuance of the new bonds due 2025 (mainly fees).

Net cash provided by investing activities increased by S/.87.3million during the six months ended June 30, 2015 when compared to the corresponding period in 2014. This increase was primarily driven by higher dividends received from IFS during the second quarter of 2015 which increased by S/. 109.7 million compared to the corresponding period in 2014, partially offset by the higher investment in subsidiaries.

Net cash from financing activities decreased by S/. 59.3 million during the six months ended June 30, 2015 when compared to the corresponding period in 2014. This decrease was primarily driven by payment of notes and loans received from subsidiaries partially offset by the increase of the Issuance of soles notes.

ii. Dividends Received by Intercorp

The following table sets forth details regarding the dividends received by Intercorp from its subsidiaries for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,			For the year ended December 31,		
	2015	2015	2014	2014	2014	2013
	(US\$. in millions) ⁽¹⁾	(S/. in millions)		(US\$. in millions) ⁽¹⁾	(S/. in millions)	
IFS... ⁽²⁾	134.4	427.0	328.5	103.4	328.5	311.4
Other subsidiaries.....	0.4	1.3	0.0	0.0	0.0	9.7
	134.8	428.3	328.5	103.4	328.5	321.0

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.177 = US\$1.00, the exchange rate reported on June 30, 2015 by the SBS.

(2) Inteligo has been included in IFS in 2014 and 2013 to make the figures comparable. Prior to August 2014 Inteligo was not part of IFS and paid dividends directly to Intercorp.

Dividends Paid by Intercorp's Subsidiaries

IFS has been the main source of recurring dividends for Intercorp. Below we discuss the dividend policies of IFS and its subsidiaries Interbank, Interseguro and Inteligo.

IFS

The following table sets forth dividends declared and paid, net profits and dividend payout ratios (dividends paid divided by net profit for the prior year) for IFS for the six months ended June 30, 2015 and 2014. The dividends declared and paid by IFS are in US dollars.

	For the six months ended June 30,		
	2015	2015	2014 ⁽³⁾
	(US\$. in millions) ⁽¹⁾	(S/. in millions)	
IFS			
Dividends declared and paid.....	181.0	575.0	424.1
Net profit... ⁽²⁾	298.7	949.1	744.6
Dividend payout ratio.....	60.6%	60.6%	57.0%

(1) Translated to U.S. dollars for convenience only at the rate of S/3.177 = US\$1.00, the exchange rate reported on June 30, 2015 by the SBS.

(2) Refers to net profit for the previous fiscal year.

(3) Excluding Inteligo

IFS's subsidiaries

The following tables sets forth dividends declared and paid, net profits and dividend payout ratios (dividends paid divided by net profit) for IFS's subsidiaries for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,		
	2015	2015	2014
	(US\$. in millions) ⁽¹⁾	(S/. in millions)	
Interbank			
Dividends declared and paid.....	100.4	318.9	290.3
Net profit... ⁽²⁾	223.1	708.7	647.1
Dividend payout ratio.....	45.0%	45.0%	44.9%
Interseguro			
Dividends declared and paid.....	65.2	207.0	147.9
Net profit... ⁽²⁾	65.2	207.0	152.4
Dividend payout ratio.....	100.0%	100.0%	97.0%

(1) Translated to U.S. dollars for convenience only at the rate of S/3.177 = US\$1.00, the exchange rate reported on June 30, 2015 by the SBS.

Interbank's dividends are proposed annually by its board of directors and are subject to approval at its general shareholders' meeting. Dividend distributions depend on several factors, including: (i) net profit; (2) planned capital expenditures; (3) capital and legal reserve requirements; and (4) prevailing market conditions. The stated policy of Interbank is to distribute up to 50% of distributable income (which is net profit minus required legal reserves, which are equivalent to 10% of net profit). For 2013 and 2014, Interbank declared and distributed as dividends approximately 50% of its distributable income.

Interseguro's dividends are proposed annually by its board of directors and are subject to approval at its general shareholders' meeting. The stated policy of Interseguro is to distribute a minimum of 50% of distributable income. Dividend distributions depend on several factors, including: (i) net profit; (ii) planned capital expenditures; (iii) capital and legal reserve requirements; and (iv) prevailing market conditions.

Inteligo changed its dividends policy after its acquisition by IFS. Before its acquisition by IFS became effective on August 1, 2014, Inteligo declared and paid dividends on a quarterly basis. After such acquisition, in line with the dividend policies of Interbank and Interseguro, Inteligo's dividends will be proposed annually by its board of directors and will be subject to approval at its general shareholders' meeting. Dividend distributions will depend on several factors, including (1) approval by Inteligo's shareholders of the dividend proposal; (2) net profit; (3) planned capital expenditures; and (4) prevailing market conditions. Dividends distributed to IFS by Inteligo are mainly generated by Inteligo Bank. The dividend policy of Inteligo Bank is to distribute up to 80% of its net profit for the previous year. Inteligo Bank intends to pay future dividends on an annual basis.

	2014 (US\$. in millions) ⁽¹⁾	2014 (S/. in millions)	2013
Inteligo ⁽²⁾			
Dividends declared and paid.....	37.7	119.8	97.9
Net profit.....	47.3	150.3	127.7
Dividend payout ratio.....	80%	80%	77%

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.177 = US\$1.00, the exchange rate reported on June 30, 2015 by the SBS.

(2) Information is presented for Inteligo Bank instead of Inteligo, which is a holding company and a direct subsidiary of IFS effective as of August 1, 2014, because dividends from Inteligo are primarily generated by Inteligo Bank.

(+) Inteligo bank used to declare and pay dividends on a quarterly basis up to August 2014. After its acquisition by IFS, and in line with Interbank and Interseguro, Inteligo's dividends are proposed annually. The table shows net profits and dividends declared and paid by Inteligo Bank to Inteligo for the periods indicated, except for a dividend of US\$16.2 million out of profits of 2014 that was paid in the first half of 2015.

(+) Dividends declared before August 2014 by Inteligo were paid directly by Inteligo to Intercorp. For the year 2014 and 2013, dividends paid by Inteligo Bank to Inteligo were US\$ 21.5 million and US\$ 30.8 million, respectively, of which US\$ 6.9 million and US\$15.8 million, respectively, were distributed directly to Intercorp and the remainder was invested in a real estate project wholly owned by Intercorp. Dividends declared after August 1, 2014 amounted to US\$ 16.2 million and were distributed by Inteligo to IFS in the first half of 2015.

iii. Indebtedness

Unconsolidated

As of June 30, 2014, Intercorp had S/.1,155.4 million (US\$363.7 million) of unconsolidated outstanding obligations (excluding interest, provisions and other accounts payable) consisting of: S/.1,095.8 million of long-term indebtedness comprised of S/.794.3 million (US\$.250 million) of the Senior Notes due 2025 and S/.301.5 million of the Senior Notes due 2030, and short-term indebtedness consisting of S/. 59.6 million consisting of S/. 38.1 million of outstanding junior notes that were issued in 2014 and S/.21.5 million of accounts payable to its subsidiaries. As of the same date, Intercorp had guaranteed up to US\$161.8 million of indebtedness in favor of un-affiliated third parties of its subsidiaries Tiendas Peruanas, Homecenters Peruanos, Colegios Peruanos, Financiera Uno and Club de Socios US\$136.5 million of which was outstanding and the remainder of which consisted of debt commitments that are not yet outstanding indebtedness.