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

Third Quarter 2015

November, 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 is rapidly expanding its 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 the 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 September 30, 2015 and December 31, 2014.

	As of September 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)……	39,330.3	68.4%	3,546.1	45.5%	32,904.9	65.5%	3,276.2	42.7%
Interseguro (insurance)……	4,983.1	8.7%	311.6	4.0%	4,743.4	9.4%	691.4	9.0%
Inteligo (wealth management)……	2,943.2	5.1%	529.9	6.8%	2,934.1	5.8%	478.6	6.2%
IFS (holding company) and eliminations……	-349.1	-0.6%	-226.2	-2.9%	-217.2	-0.4%	-144.0	-1.9%
Total IFS……	46,907.4	81.6%	4,161.5	53.4%	40,365.2	80.4%	4,302.3	56.0%
Intercorp Retail								
Supermercados Peruanos (supermarkets)……	2,558.2	4.4%	904.2	11.6%	2,556.5	5.1%	902.3	11.8%
Inkafarma (pharmacies)……	742.9	1.3%	116.0	1.5%	692.1	1.4%	126.1	1.6%
InRetail Shopping Malls (shopping malls)……	3,221.9	5.6%	1,799.0	23.1%	3,106.5	6.2%	1,748.5	22.8%
Other (1)……	3,198.7	5.6%	1,101.2	14.1%	3,067.4	6.1%	1,069.3	13.9%
Total Intercorp Retail……	9,721.7	16.9%	3,920.4	50.3%	9,422.6	18.8%	3,846.1	50.1%
Other subsidiaries/Intercorp (holding company) and eliminations……	888.7	1.5%	-284.8	-3.7%	422.3	0.8%	-471.4	-6.1%
Total Consolidated……	57,517.9	100%	7,797.0	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, from its primary businesses for the nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. millions)		(S/. in millions)	%
IFS				
Banking	492.2	385.8	106.4	27.6%
Insurance	243.6	60.4	183.3	303.7%
Wealth Management	79.5	109.2	-29.7	-27.2%
IFS expenses and eliminations	-25.2	-27.5	2.2	-8.2%
Total IFS	**790.1**	**527.8**	**262.2**	**49.7%**
Intercorp Retail				
Supermarkets	1.4	0.6	0.7	N/M
Pharmacies	59.8	54.5	5.3	9.6%
Shopping malls	29.6	52.7	-23.1	-43.9%
Other subsidiaries / holding company and eliminations	-115.8	-90.7	-25.1	27.6%
Total Intercorp Retail	**-25.1**	**17.1**	**-42.2**	**N/M**
Other subsidiaries	-12.0	-14.8	2.7	-18.6%
Net profit attributable to Intercorp	**753.0**	**530.2**	**222.8**	**42.0%**
Financial expenses, net	-108.9	-56.0	-52.9	94.5%
General expenses	-20.7	-10.0	-10.7	107.1%
Other income (expenses), net	-24.2	-27.4	3.2	-11.6%
Foreign exchange gain (loss), net	-61.2	-22.9	-38.3	167.0%
Income (expenses)	**-215.0**	**-116.3**	**-98.7**	**84.9%**
Net profit	**538.0**	**413.9**	**124.1**	**30.0%**

For the nine months ended September 30, 2015, Intercorp´s net profit was S/. 538.0 million, an increase of S/. 124.1 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/.222.8 million, explained by higher profits from IFS (S/. 262.1 million), partially offset by a lower contribution by Intercorp Retail (S/.42.2 million), and an increase in Intercorp´s own expenses by S/.98.7 million.

Intercorp´s financial expenses were higher in S/.52.9 million this period, due to the premium paid in the process of refinancing Intercorp Peru Notes due 2019[1] and an impairment loss on investments available for sale (S/. 15.8 million). Foreign exchange

[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.

losses increased in S/.38.3 million due to the higher depreciation of the sol against the dollar in 2015 (first 9 months) compared with 2014..

ii. IFS

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

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. millions)		(S/. in millions)	%
Interest and similar income	2,430.7	2,069.5	361.2	17.5%
Interest and similar expense	-661.8	-586.1	-75.7	12.9%
Net interest and similar income	**1,768.9**	**1,483.4**	**285.5**	**19.2%**
Provision for loan losses, net of recoveries	-463.3	-319.7	-143.7	44.9%
Net interest and similar income after provision for loan losses	**1,305.6**	**1,163.7**	**141.8**	**12.2%**
Fee income from financial services, net	603.6	507.1	96.5	19.0%
Other income	541.8	399.0	142.8	35.8%
Total premiums earned less claims and benefits	149.4	-27.9	177.3	N/M
Other expenses	-1,299.2	-1,133.2	-166.0	14.6%
Income before translation result and income tax	**1,301.1**	**908.7**	**392.4**	**43.2%**
Translation result	-16.3	-15.3	-1.0	6.6%
Income tax	-266.9	-202.1	-64.8	32.1%
Profit for the period	**1,017.9**	**691.3**	**326.6**	**47.2%**
Attributable to equity holders of the group (1)	**1,012.3**	**687.8**	**324.5**	**47.2%**
EPS	**9.28**	**6.28**		
ROAE	**31.7%**	**24.1%**		

(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.

Profit attributable to shareholders was S/. 1,012.3 million for the nine months ended September 30, 2015, increasing 47.2% compared to the corresponding period of 2014, mainly explained by strong performances at Interbank and Interseguro.

The higher profit for the period was mainly due to increases of S/. 285.5 million in net interest and similar income, S/. 142.8 million in other income and S/. 177.3 million in total premiums earned less claims and benefits, which reversed from a loss of S/. 27.9 million for the nine months ended September 30, 2014 to a gain of S/. 149.4 million for the corresponding period of 2015, mainly due to changes in the discount rate used in the calculation of technical reserves. Such factors were partially offset by increases of 44.9% in provisions and 14.6% 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 nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. millions)		(S/. in millions)	%
Interest and similar income	2,158.9	1,863.0	295.8	15.9%
Interest and similar expense	-615.8	-545.1	-70.8	13.0%
Net interest and similar income	**1,543.0**	**1,318.0**	**225.1**	**17.1%**
Provision for loan losses, net of recoveries	-461.5	-319.7	-141.8	44.4%
Net interest and similar income after provision for loan losses	**1,081.6**	**998.3**	**83.3**	**8.3%**
Fee income from financial services, net	532.1	464.0	68.1	14.7%
Other income	378.1	221.8	156.3	70.5%
Other expenses	-1,072.2	-958.6	-113.6	11.9%
Income before translation result and income tax	**919.6**	**725.5**	**194.1**	**26.7%**
Translation result	-29.0	-14.0	-15.0	N/M
Income tax	-242.1	-189.1	-52.9	28.0%
Profit for the period	**648.5**	**522.3**	**126.2**	**24.2%**
ROAE	**25.9%**	**24.4%**		
Efficiency ratio	**41.5%**	**46.3%**		
NIM	**6.6%**	**6.2%**		

Interbank's profit reached S/. 648.5 million for the nine months ended September 30, 2015, a S/. 126.2 million increase compared to the corresponding period of 2014. Growth in net profit was mainly due to increases of S/. 225.1 million in net interest and similar income and S/. 156.3 million in other income, partially offset by increases of S/. 141.8 million in provision expenses and S/. 113.6 million in other expenses.

The 15.9% growth in interest and similar income was due to increases of 15.5% in interest on loans and 32.5% in interest on investments available for sale, partially offset by a 42.5% reduction in interest due from banks and inter-bank funds.

Interest on loans increased by S/. 276.8 million, or 15.5%, for the nine months ended September 30, 2015 compared to the corresponding period of 2014, primarily due to growth in the average loan volume. An 11.2% increase in the average balance of loans in 2015 accounted for a S/. 287.7 million increase in interest on loans. The nominal average rate charged on Interbank's loans increased from 11.3% for the nine months ended September 30, 2014 to 11.7% for the same period of 2015. Such increase corresponds to changes in the mix of currency and products within Interbank's loan portfolio, as retail loans, which are mostly denominated in nuevos soles and have a higher interest rate, grew faster than commercial loans during the nine months ended September 30, 2015. Although the total average rate increased, rates in nuevos soles were lower during 2015 when compared to 2014, while rates in dollars were slightly higher. Both effects, net, accounted for a S/. 10.9 million decrease in interest on loans.

The nominal average rate on interest-earning assets was 9.2% for the nine months ended September 30, 2015, a 50 basis point increase with respect to the 8.7% registered for the same period of 2014, mainly as a result of the higher proportion of the loan portfolio within total interest-earning assets and its greater nuevos soles denominated component.

Interest and similar expense increased 13.0% due to growths of 38.9% in interest due to banks and correspondents, and 18.4% in interest on bonds, notes and other obligations. Such increases were partly offset by a 2.3% decrease in interest on deposits and obligations.

The increase in interest due to banks and correspondents was explained by a 66.0% growth in the average volume, partly offset by a 80 basis points decline in the average cost. The higher average volume was the result of an increase in local funding from Central Bank, while the decrease in the nominal average cost was driven by a lower proportion of local funding from COFIDE within total due to banks and correspondents.

Interest on bonds, notes and other obligations increased by S/. 34.5 million, or 18.4%, mainly as a result of a 15.7% increase in the average volume and a higher nominal average cost. The issuance of a subordinated bond for US$300.0 million in March 2014 was the main reason behind the higher average volume and cost, which increased from 6.6% for the nine months ended September 30, 2014 to 6.8% for the corresponding period of 2015.

Interest on deposits and obligations decreased by S/. 5.8 million mainly attributable to a decrease in the nominal average cost, from 2.0% for the nine months ended September 30, 2014 to 1.8% for the corresponding period of 2015. Such decrease was due to a higher proportion of deposits denominated in dollars, which bear a lower nominal cost.

The average cost of funds decreased from 3.2% for the nine months ended September 30, 2014 to 3.0% for the corresponding period of 2015, mainly as a result of lower average cost of both, due to banks and correspondents, and deposits.

As a result of the above, Interbank's net interest margin increased from 6.2% for the nine months ended September 30, 2014 to 6.6% for the corresponding period of 2015.

Provision for loan losses, net of recoveries increased 44.4% as a result of higher provisioning requirements in both retail and commercial loans. In retail loans, the increase was mainly explained by loan growth in credit cards and other consumer loans, in addition to asset quality deterioration in mortgages; whereas the increase in provisions related to commercial loans was mainly due to growth in short and medium-term loans to mid-sized companies, as well as to asset quality deterioration in SME and micro enterprises loans.

Other income grew by S/. 156.3 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 swap and forward transactions 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.

Other expenses increased by S/. 113.6 million, or 11.9%, for the nine months ended September 30, 2015 compared to the corresponding period of 2014, mainly as a result of a S/. 52.8 million increase in administrative expenses and a S/. 36.1 million growth in salaries and employee benefits. The increase in administrative expenses was due to higher expenses for third-party services provided to Interbank, with the largest cost increases related to property leases, mainly from Interbank's financial stores and maintenance. Salaries and employee benefits expenses increased mostly due to an increase in Interbank's average headcount and higher provisions related to employees' profit-sharing.

Interbank's efficiency ratio was 41.5% for the nine months ended September 30, 2015 compared to 46.3% for the nine months ended September 30, 2014. This was a result of the strong increases in other income and net interest and similar income that offset the growth in other expenses.

As a result of the foregoing, Interbank's annualized ROAE increased from 24.4% for the nine months ended September 30, 2014 to 25.9% for the same period of 2015.

Interseguro

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

	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014	Change (S/. in millions)	Change %
	(S/. millions)			
Interest and similar income	182.4	140.5	41.9	29.8%
Fee income from financial services, net	-2.8	-1.6	-1.2	75.0%
Other income	149.8	120.6	29.2	24.2%
Total premiums earned less claims and benefits	149.4	-27.9	177.3	N/M
Other expenses	-176.6	-133.2	-43.4	32.6%
Income before translation result and income tax	**302.2**	**98.4**	**203.8**	**207.1%**
Translation result	6.4	-5.3	11.7	N/M
Income tax	-0.1	0.0	-0.1	N/M
Profit for the period	**308.5**	**93.0**	**215.5**	**231.7%**
Attributable to non-controlling interest (1)	-1.1	0.1	-1.2	N/M
Profit attributable to shareholders	**307.3**	**93.1**	**214.2**	**230.1%**
Discount rate impacts on technical reserves	228.4	32.1	196.3	N/M
Profit excluding discount rate impacts	**78.9**	**61.0**	**17.9**	**29.3%**
Efficiency ratio	**11.0%**	**19.6%**		
ROAE	**82.9%**	**24.1%**		

(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 for the nine months ended September 30, 2015 was S/. 308.5 million, an increase of S/. 215.5 million compared to the corresponding period of 2014.

The growth was mainly due to a S/. 177.3 million increase in total premiums earned less claims and benefits, driven by a positive discount rate impact on technical reserves, and a S/. 41.9 million increase in net interest and similar income determined by the growth of Interseguro's investment portfolio.

The adjustment of technical reserves for the nine months ended September 30, 2015 was lower by S/. 146.0 million compared to the corresponding period of 2014, driven by changes in the weighted average discount rates. As of September 30, 2015 these changes led to a higher release of technical reserves compared to the same period in 2014.

The growth in net interest and similar income was mainly due to an increase in interest on investments available-for-sale as a result of a 18.7% increase in the average volume of Interseguro's investment portfolio and a 45 basis point increase in the nominal average rate.

Total premiums earned less claims and benefits

	For the nine months ended September 30,		
	2015	2014	Change
	(S/. millions)		%
Net premium	598.0	510.4	17.2%
Adjustment of technical reserves	-259.6	-405.6	-36.0%
Net claims and benefits incurred	-189.0	-132.8	42.3%
Total premiums earned less claims and benefits	**149.4**	**-27.9**	**N/M**

The growth in net premiums was mainly attributable to higher Annuities and Retail Insurance premiums. The increase in Annuities was achieved by Interseguro's leadership position in a market that expanded 16.3%. The increase in Retail Insurance was due to higher Credit Life Insurance premiums.

The rise in net claims and benefits incurred was due to a S/. 49.2 million increase in Annuities attributed to a larger number of pensioners and higher exchange and inflation rates.

Inteligo

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

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. millions)[1]		(S/. in millions)	%
Interest and similar income	99.2	75.6	23.6	31.1%
Interest and similar expense	-39.0	-36.0	-3.0	8.2%
Net interest and similar income	**60.2**	**39.6**	**20.6**	**52.0%**
Provision for loans losses, net of recoveries	-1.9	0.0	-1.9	n.m.
Net interest and similar income after provision for loan losses	**58.3**	**39.6**	**18.7**	**47.2%**
Fee income from financial services, net	98.6	69.6	29.0	41.8%
Other income	13.5	63.3	-49.8	-15.7%
Other expenses	-67.6	-54.5	-13.1	24.0%
Income before translation result and income tax	**102.8**	**118.0**	**-15.2**	**-12.9%**
Translation result	0.4	0.8	-0.4	-48.4%
Income tax	-0.3	0.0	-0.3	n.m.
Profit for the period	**102.9**	**118.8**	**-15.9**	**-13.4%**
ROAE	**26.7%**	**33.2%**		
Efficiency ratio	**-36.1%**	**-27.6%**		

[1] Translated to U.S. dollars for convenience only at the rate of S/. 3.137 = US$1.00, the exchange rate reported on September 30, 2015 by the SBS.

Inteligo's net profit for the nine months ended September 30, 2015 and 2014 was S/. 102.9 million and S/. 118.8 million, respectively. The S/. 15.9 million or 13.4% decrease was mainly attributable to lower other income.

Net interest and similar income for the nine months ended September 30, 2105 reached S/. 60.2 million, a S/. 20.6 million or 52.0% increase when compared to the same period in the previous year.

Interest and similar income for the nine months ended September 30, 2015 increased by S/. 23.6 million or 31.1% when compared to the nine months ended September 30, 2014. The result was due to higher income on available for sale investments and higher interest on loans as consequence of an increase in the average volume of Inteligo's loan portfolio.

Inteligo's net fee income from financial services for the nine months ended September 30, 2015 was S/. 98.6 million, increasing by S/. 29.0 million or 41.8% when compared to the same period in the previous year. Such growth was attributable to income from funds management services which increased by S/. 31.7 million or 49.3% compared to the nine months ended September 30, 2014.

Other income decreased by S/. 49.8 million or 15.7% in the comparing periods as a result of lower net gains on sale of securities as well as a lower net trading gain.

Inteligo's other expenses reached S/. 67.6 million for the nine months ended September 30, 2015. The S/. 13.1 million or 24.0% increase was attributable to higher salaries and employee benefits as well as higher administrative expenses.

iii. Intercorp Retail

The table below sets forth the main components of Intercorp Retail's consolidated income statement for the nine months ended September 30, 2015 and 2014

	For the nine months ended September 30,		Change	
	2015	**2014**		
	(S/. in millions)		**(S/. in millions)**	**%**
Total Revenues	6,143.9	5,438.2	705.7	13.0%
Cost of Sales	-4,314.4	-3,880.5	-433.9	11.2%
Gross Profit	**1,829.6**	**1,557.8**	**271.8**	**17.4%**
Selling Expenses	-1,208.6	-1,091.2	-117.4	10.8%
Administrative Expenses	-271.6	-246.7	-24.9	10.1%
Other Income (expense)	24.1	56.8	-32.7	-57.6%
Operating profit	**373.5**	**276.6**	**96.8**	**35.0%**
Financial income (expense), net	-347.3	-232.7	-114.6	49.2%
Income tax expense	-53.3	-41.5	-11.8	28.4%
Net profit (loss)	**-27.1**	**2.4**	**-29.5**	**N/M**
Attribuible to:				
Intercorp Retail's shareholders	-9.3	-4.0	-5.4	134.3%
Minority Interest	-17.8	6.4	-24.2	N/M
Adjusted EBITDA	**522.8**	**367.5**	**155.4**	**42.3%**
Adjusted EBITDA Margin	8.5%	6.8%	1.8%	-

Intercorp Retail reported a net loss of S/.27.1 million for the nine months ended September 30, 2015, representing a decrease of S/.29.5 million when compared to the net income of the corresponding period in 2014, as a result of foreign exchange losses despite an increase in operating profit.

Intercorp Retail's gross profit increased 17.4% for the nine months ended September 30, 2015 when compared to the corresponding 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 Peruanos, Inkafarma and InRetail Shopping Malls were partially offset by losses from our other retail business held through Intercorp Retail. Detailed financial information from other retail, education and other related businesses is not included because it does not contribute materially to Intercorp's financial results.

Supermercados Peruanos

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

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	2928.3	2662.4	266.0	10.0%
Cost of Sales	-2176.7	-1981.9	-194.8	9.8%
Gross Profit	**751.6**	**680.4**	**71.2**	**10.5%**
Selling Expenses	-601.7	-550.3	-51.4	9.3%
Administrative Expenses	-72.5	-66.7	-5.9	8.8%
Other Income (expense)	5.0	12.5	-7.4	**-59.7%**
Operating profit	**82.3**	**75.9**	**6.4**	**8.5%**
Financial income (expense), net	-72.9	-67.9	-4.9	7.3%
Income tax expense	-7.6	-7.1	-0.5	7.0%
Net profit (loss)	**1.9**	**0.9**	**1.0**	**-**
EBITDA	**163.0**	**146.3**	**16.8**	**11.5%**
EBITDA Margin	**5.6%**	**5.5%**	**-**	**-**

Supermercados Peruanos reported S/.1.9 million in net income for the nine months ended September 30, 2015 compared to a net income of S/.0.9 million in the corresponding period of 2014. This increase was mainly generated by a higher operating profit in the nine months ended 2015 (S/.82.3 million in comparison to the same period in 2014 (S/.75.9 million). This increase was partially offset by higher financial net expenses (S/.72.9 million) in comparison to the same period in 2014 (S/.67.9 million). However, excluding the net exchange loss, financial expenses (net) decreased from S/.56.7 million in the first nine months of 2014 to S/.38.3 million in the same period in 2015. Additionally, in 2014 Supermercados Peruanos had an extraordinary income of S/.11.1 million from the sale of an unused land plot.

The increase in gross profit was primarily the result of revenue growth driven by same store sales growth of 4.7% and an increase in sales area of 12k sqm, 4.5% additional since September 30, 2014. Additionally, the gross margin increased from 25.6% to 25.7% due to a higher commercial margin, which compensated lower contributions from store openings.

Supermercados Peruanos' selling and administrative expenses increased 9.3% in the nine months ended September 30, 2015 as compared to the corresponding period in 2014, due to higher maintenance and operational expenses associated to new stores in early stages of operation. Additionally, an increase in rental expenses was registered related to rentals denominated in US$ due to the depreciation of the peruvian currency. These increases were compensated by higher store and logistic efficiencies and a reduction in marketing expenses. As a percentage of supermarket revenues, selling and administrative expenses decreased from 23.2% to 23.0%.

Inkafarma

The table below details selected financial information for Inkafarma for the nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	1725.9	1544.7	181.2	11.7%
Cost of Sales	-1179.8	-1058.4	-121.4	11.5%
Gross Profit	**546.1**	**486.3**	**59.8**	**12.3%**
Selling Expenses	-378.5	-328.7	-49.8	15.2%
Administrative Expenses	-43.9	-41.0	-2.9	7.2%
Other Income (expense)	0.5	0.7	-0.2	**-30.6%**
Operating profit	**124.1**	**117.3**	**6.9**	**5.8%**
Financial income (expense), net	-0.5	-3.8	3.3	-87.2%
Income tax expense	-38.6	-35.7	-2.9	8.2%
Net profit (loss)	**85.0**	**77.8**	**7.2**	**9.3%**
EBITDA	**149.6**	**135.9**	**13.7**	**10.1%**
EBITDA Margin	**8.7%**	**8.8%**	**-**	**-**

Inkafarma reported S/.85.0 million in net profit for the nine months ended September 30, 2015, which represented an increase of 9.3% compared to the same period in 2014. This increase was mainly due to an increase in gross profit.

Inkafarma's gross profit increased 12.3%, driven by same store sales growth of 4.6% and 87 additional stores in operation since September 30, 2014 (representing an 11.2% increase in number of stores). Additionally, the gross margin improved from 31.5% to 31.6% mainly due a change in the mix of products sold.

Inkafarma's selling and administrative expenses grew S/.52.8 million, or 14.3%, in the nine months ended September 30, 2015, compared to the same period in 2014, mainly due to higher operational and rental expenses from 87 additional stores in operation since September 30, 2014, an increase in personnel expenses and higher depreciation expenses related to a new distribution center. This increase was partially compensated by savings obtained from marketing efficiencies. As a percentage of pharmacies revenues, selling and administrative expenses increased from 24.0% to 24.6%.

InRetail Shopping Malls

The table below details selected financial information for InRetail Shopping

Malls for the nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	317.3	239.7	77.5	32.3%
Cost of Sales	-97.0	-84.6	-12.4	14.6%
Gross Profit	**220.3**	**155.1**	**65.2**	**42.0%**
Selling Expenses	-6.2	-5.3	-0.9	16.2%
Administrative Expenses	-18.5	-16.6	-1.9	11.2%
Other Income (expense)	16.8	34.6	-17.8	-51.5%
Operating profit	**212.3**	**167.7**	**44.6**	**26.6%**
Financial income (expense), net	-141.1	-80.8	-60.3	74.7%
Income tax expense	-20.3	-25.0	4.8	-19.0%
Net profit (loss)	**50.9**	**61.9**	**-10.9**	**-17.7%**
Net rental Income	**237.7**	**169.3**		
Adjusted EBITDA	**196.0**	**134.1**	**61.9**	**46.2%**
Adjusted EBITDA / Net Rental Income	**82.5%**	**79.2%**	**-**	**-**

InRetail Shopping Malls reported S/.50.9 million in net profit for the nine months ended September 30, 2015, which represented a decrease of 17.7% compared to the same period in 2014. This decrease was mainly explained by higher foreign exchange losses as of September 2015 (S/.64.5 million) in comparison to a smaller loss in the same period of 2014 (S/.29.1 million), and higher financial expenses due to an increase in financial obligations, a one-time expense due to the repurchase of its dollar-denominated bonds, and the acquisition of a US$200 million Call Spread at an annual cost of 1.84% (which protects it from exchange rate variations between S/.3.225 and S/.3.75 until maturity -July 2021-), despite an increase in operating profit.

InRetail Shopping Malls revenues, which are mainly rental income from property investments, grew S/.77.5 million, or 32.3% in the nine months ended September 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). There was also an increase in revenues from existing shopping malls and shopping malls expansions since September 30, 2014 (a total of 39k sqm of additional GLA, or a 7.2% 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/.169.3 million in the nine months ended September 30, 2014 to S/.237.7 million in the same period in 2015 (a growth of 40.4%).

InRetail Shopping Malls selling and administrative expenses increased S/.2.7 million, or 12.4% in the nine months ended September 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. As a percentage of shopping malls revenues, selling and administrative expenses decreased from 9.2% in the nine months ended September 30, 2014 to 7.8% 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 nine months ended September 30, 2015 were S/.18.3 million, as compared to S/.34.6 million for the corresponding period in 2014. This gain was generated primarily by 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 nine months ended September 30,	
	2015	2014
	(S/. millions)	
Operating activities		
Net income	538.0	413.9
Adjustments to reconcile net income to net cash		
Share of profit in Subsidiaries	-753.1	-530.2
Accounts receivable	-6.8	1.0
Impairment loss on investments available for sale	15.8	
Increase (decrease) of interest, provisions and other accounts payable	12.6	10.2
Net cash used in operating activities	**-193.6**	**-105.2**
Investing activities		
Dividends received	421.5	311.8
Loans collected from related parties	-10.8	10.2
Loans granted to subsidiaries		-93.2
Capital contribution to subsidiaries, net of capital reduction	-166.0	-82.9
Purchase of available-for-sale investments	-63.5	-20.7
Net cash provided by investing activities	**181.3**	**125.3**
Financing activities		
Issuance (payment) of notes	-89.3	88.0
Issuance (payment) of corporate bonds	302.5	
Loans received from (paid to) subsidiaries, net	-172.5	-65.6
Payment of dividends	-64.7	-48.0
Net cash used in financing activities	**-23.9**	**-25.6**
Net cash (decrease) increase	**-36.2**	**-5.5**
Balance of cash at the beginning of period	**63.9**	**7.6**
Balance of cash at the end of period	**27.7**	**2.1**

Net cash used in operating activities decreased by S/.88.4 million during the nine months ended September 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/.56.0 million during the nine months ended September 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 higher investment in subsidiaries (S/. 83.1 million).

Net cash from financing activities increased by S/. 1.7 million during the nine months ended September 30, 2015 when compared to the corresponding period in 2014. This increase was primarily driven by the Issuance of soles notes partially offset by the payment of short term loans and dividends.[2]

ii. Dividends Received by Intercorp

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

	For the nine months ended September 30,			For the year ended December 31,	
	2015	2015	2014	2014	2013
	(US$. in millions)(1)	(S/. in millions)		(S/. in millions)	
IFS (2)	134.4	419.1	311.8	311.8	311.4
Other subsidiaries	0.4	1.2	0.0	0.0	9.7
	134.8	**420.3**	**311.8**	**311.8**	**321.0**

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.112 = US$1.00 , the exchange rate reported on the day of the operation

(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 nine months ended September 30, 2015 and 2014. The dividends declared and paid by IFS are in US dollars.

	For the nine months ended September 30,		
	2015	2015	2014 (3)
	(US$. in millions) (1)	(S/. in millions)	
IFS			
Dividends declared and paid	**181.0**	**564.2**	**443.6**
Net profit (2)	304.5	949.1	744.6
Dividend payout ratio	**59.4%**	**59.4%**	**59.6%**

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.117 = US$1.00 , the exchange rate reported on the day of the operation

(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 nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30,		
	2015	**2015**	**2014**
	(US$. in millions) (1)	**(S/. in millions)**	
Interbank			
Dividends declared and paid………….………………………………	**99.0**	**318.9**	**290.3**
Net profit. (2)…………………………...……………………………	220.0	708.7	647.1
Dividend payout ratio…………………..………………………………	**45.0%**	**45.0%**	**44.9%**
Interseguro			
Dividends declared and paid…………….…………………………	**64.2**	**207.0**	**147.9**
Net profit. (2)……………………………….…………………………	64.2	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/.3.222 = US$1.00 , the exchange rate reported on September 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.

Inteligo [(2)]	2014 (US$. in millions) (1)	2014 (S/. in millions)	2013
Dividends declared and paid…………………………………………	37.7	121.5	97.9
Net profit…………………………..……………………………	47.3	152.4	127.7
Dividend payout ratio……………………..………………………	80%	80%	77%

(1) Translated to U.S. dollars for convenience only at the rate of S/.3.222 = US$1.00 , the exchange rate reported on September 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 September 30, 2014, Intercorp had S/.1,269.2 million (US$393.9 million) of unconsolidated outstanding obligations (excluding interest, provisions and other accounts payable) consisting of: S/.1,111.3 million of long-term indebtedness comprised of S/.809.8 million (US$.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/. 157.9 million comprised of S/. 38.9 million of outstanding junior notes that were issued in 2014 and S/.119.1 million of accounts payable to its subsidiaries. As of the same date, Intercorp had guaranteed up to US$163.2 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$146.4 million of which was outstanding and the remainder of which consisted of debt commitments that are not yet outstanding indebtedness.