

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

Intercorp Perú Ltd.

Separate financial statements as of June 30, 2017, December 31, 2016 and for the six-month periods ended June 30, 2017 and 2016

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Intercorp Perú Ltd.

Separate statements of financial position

As of June 30, 2017 and December 31, 2016

	Note	2017 S/(000)	2016 S/(000)
Assets			
Current assets			
Cash and due from banks	15(a)	14,040	1,826
Accounts receivable from Subsidiaries	5	5,804	2,228
Total current assets		19,844	4,054
Available-for-sale investments	6	140,276	128,869
Investment property	7	137,243	135,660
Investment in Subsidiaries	8	7,756,532	7,433,752
Other assets		742	1,553
Total assets		8,054,637	7,703,888
Liabilities and equity, net			
Current liabilities			
Accounts payable to Subsidiaries and related companies	15(b)	2,581	126,221
Interest, provisions and other accounts payable	9	196,156	84,660
Notes issued	10	-	40,320
Total current liabilities		198,737	251,201
Corporate bonds	11	1,098,502	1,123,690
Total liabilities		1,297,239	1,374,891
Equity, net			
	12		
Capital stock		3,524,799	3,041,307
Reserves		2,336,014	2,336,014
Unrealized results		222,173	(44,648)
Retained earnings		674,412	996,324
Total equity, net		6,757,398	6,328,997
Total liabilities and equity net		8,054,637	7,703,888

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

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Intercorp Perú Ltd.

Separate income statements

For the six-month periods ended June 30, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Participation in income of Subsidiaries	8(b)	369,748	236,848
Income (expenses)			
Financial income	14	241	1,201
Financial expenses	14	(44,792)	(47,923)
General expenses		(8,337)	(9,301)
Other expenses, net		(14,542)	(17,237)
Impairment loss on available-for-sale investments		-	(293)
(Loss) gain on derivative financial instruments	4	(3,150)	16,080
Exchange difference, net		30,582	21,152
Total expenses, net		<u>(39,998)</u>	<u>(36,321)</u>
Net profit for the period		<u>329,750</u>	<u>200,527</u>
Earnings per share (A and B classes) basic and diluted, in Soles	16	<u>2.21</u>	<u>1.35</u>
Weighted average number of outstanding shares (A and B classes), (in thousands)	16	<u>149,019</u>	<u>149,019</u>

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Intercorp Perú Ltd.

Separate statements of other comprehensive income

For the six-month periods ended June 30, 2017 and 2016

	2017	2016
	S/(000)	S/(000)
Net profit for the period	329,750	200,527
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	12,599	2,120
Financial instruments of Subsidiaries:		
Net variation of unrealized results in financial instruments of Subsidiaries, Note 8 (b)	270,176	325,652
Exchange difference on translation of foreign operations, Note 8 (b)	(15,954)	(16,571)
Total other comprehensive income to be reclassified to the separate income statements in subsequent periods	266,821	311,201
Total other comprehensive income for the period	596,571	511,728

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 six-month periods ended June 30, 2017 and 2016

	Number of shares		Unrealized results					Total
	Issued	Capital stock	Reserves	Available-for-sale investments	Financial instruments of Subsidiaries	Exchange difference on translation of foreign currency operations	Retained earnings	
	(in thousands)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	
Balance as of January 1, 2016	149,019	2,536,133	2,336,014	27,837	(379,715)	28,628	1,056,746	5,605,643
Net profit for the period	-	-	-	-	-	-	200,527	200,527
Other comprehensive income	-	-	-	2,120	325,652	(16,571)	-	311,201
Total other comprehensive income	-	-	-	2,120	325,652	(16,571)	200,527	511,728
Declared dividends, note 12(a)	-	-	-	-	-	-	(101,700)	(101,700)
Capitalization of profits, Note 12(a)	-	505,174	-	-	-	-	(505,174)	-
Others	-	-	-	-	-	-	745	745
Balance as of June 30, 2016	<u>149,019</u>	<u>3,041,307</u>	<u>2,336,014</u>	<u>29,957</u>	<u>(54,063)</u>	<u>12,057</u>	<u>651,144</u>	<u>6,016,416</u>
Balance as of January 1, 2017	149,019	3,041,307	2,336,014	44,015	(109,637)	20,974	996,324	6,328,997
Net profit for the period	-	-	-	-	-	-	329,750	329,750
Other comprehensive income	-	-	-	12,599	270,176	(15,954)	-	266,821
Total other comprehensive income	-	-	-	12,599	270,176	(15,954)	329,750	596,571
Declared dividends, note 12(a)	-	-	-	-	-	-	(97,335)	(97,335)
Capitalization of profits, Note 12(a)	-	483,492	-	-	-	-	(483,492)	-
Purchase of shares in treasury by Subsidiaries, net of dividends received	-	-	-	-	-	-	(41,715)	(41,715)
Others	-	-	-	-	-	-	(29,120)	(29,120)
Balance as of June 30, 2017	<u>149,019</u>	<u>3,524,799</u>	<u>2,336,014</u>	<u>56,614</u>	<u>160,539</u>	<u>5,020</u>	<u>674,412</u>	<u>6,757,398</u>

Intercorp Perú Ltd.

Separate statements of cash flows

For the six-month periods ended June 30, 2017 and 2016

	2017	2016
	S/(000)	S/(000)
Reconciliation of net profit with cash used in operating activities		
Net profit for the period	329,750	200,527
Plus (less)		
Participation in income of Subsidiaries	(369,748)	(236,848)
Loss (gain) on derivate financial instruments	3,150	(16,080)
Impairment loss on available-for-sale investments	-	293
Net changes in asset and liability accounts		
(Increase) decrease of other accounts receivable	(6,474)	39,685
Decrease of interest, provisions and other accounts payable	(43,785)	(10,668)
	<u>(87,107)</u>	<u>(23,091)</u>
Net cash used in operating activities		
Investing activities		
Dividends received	398,982	372,461
Capital contribution to Subsidiaries	(168,459)	(71,677)
Acquisition of investment property	-	(20,577)
Maturity of available-for-sale investments	-	48,293
Acquisition of available-for-sale investments	-	(1,650)
	<u>230,523</u>	<u>326,850</u>
Net cash provided by investing activities		
Financing activities		
Payment of Notes	(40,320)	-
Loans paid to Subsidiaries	(121,585)	(177,086)
Loans received from third parties	80,000	-
Payment of dividends	(49,297)	(52,890)
Payment of corporate bonds	-	(25,571)
	<u>(131,202)</u>	<u>(255,547)</u>
Net cash used in financing activities		
Net cash increase	12,214	48,212
Balance of cash at the beginning of period	<u>1,826</u>	<u>5,007</u>
	<u>14,040</u>	<u>53,219</u>
Balance of cash at the end of period		

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

Intercorp Perú Ltd.

Notes to the separate financial statements

As of June 30, 2017, December 31, 2016, and for the six-month periods ended June 30, 2017 and 2016

1. Business activity, Group reorganization and acquisitions

(a) 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, 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016.

	30.06.2017	31.12.2016
	S/(000)	S/(000)
		(Audited)
Consolidated statements of financial position		
Total assets	63,232,461	63,783,192
Total liabilities	53,832,915	54,882,115
Equity attributable to Intercorp Perú’s shareholders	6,757,395	6,328,995
Non-controlling interest	2,642,151	2,572,082
	30.06.2017	30.06.2016
	S/(000)	S/(000)
Consolidated income statements		
Net profit attributable to Intercorp Perú’s shareholders	329,739	200,527
Net profit attributable to non-controlling interest	143,700	95,044

The accompanying separate financial statements were approved by Management on July 31, 2017, and audited financial statements as of December 31, 2016, were approved by the General Shareholders’ meeting held on April 11, 2017.

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- (b) Acquisition of Seguros Sura S.A. and Hipotecaria Sura Empresa Administradora S.A. -

In May 2017, IFS and Interseguro subscribed the purchase agreement of Seguros Sura S.A. and Hipotecaria Sura Empresa Administradora S.A. As of the date of this report, said transaction is pending of approval by the Superintendencia of Banking, Insurance and AFPs (henceforth “SBS”).

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 June 30, 2017 and December 31, 2016, the Company holds directly and indirectly 80.22 percent of the issued capital stock of IFS and 78.98 percent of the outstanding capital stock of IFS. The percentage of indirect participation over capital stock of IFS is holds by Intercorp Perú through its Subsidiaries IFH Capital Corp. and Intercorp Capital Investment 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 capital stock of IFS.

As of June 30, 2017 and December 31, 2016, IFS holds 99.30 percent of the outstanding capital stock of Banco Internacional del Perú S.A.A. - Interbank and 100 percent of the outstanding capital stock of Compañía de Seguros - Interseguro S.A. and of the capital stock of Inteligo Group and San Borja Global Opportunities S.A.C.

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 Superintendencia 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 Superintendencia of Bank 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 June 30, 2017 and December 31, 2016, Interbank had 278 and 282 offices, 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.

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Entity	Activity
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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, Interseguro holds 100 percent of its shares and it has a paid in capital of S/1.

Likewise, Interseguro hold 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. On May 24, 2017, the SBS authorized said reorganization. Consequently, Interseguro acquired a package comprising assets for S/182,704,000 and liabilities for the same amount. In that sense, there was not an increase in equity.

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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 Management 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).

(iii) **Inteligo Group Corp. and Subsidiaries -**

Inteligo Group Corp. is an entity incorporated in the Republic of Panama. As of June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, it did not have operations and had paid in capital of S/1,000.

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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 June 30, 2017 and December 31, 2016, the Company holds 100 percent of the capital stock of Intercorp Retail Inc., which owns the following Subsidiaries:

Entity	Activity
<p>InRetail Perú Corp. (As of June 30, 2017 and December 31, 2016, Intercorp Retail Inc. holds 58.72 percent, of its outstanding capital stock. Also, Intercorp Perú, through its Subsidiaries, holds 70.88 and 71.16 percent, respectively (directly and indirectly) of InRetail Perú Corp. 's outstanding capital stock.</p>	<p>Holding incorporated in the Republic of Panama in January 2011, which holds 100 percent of the capital stock of the following Subsidiaries, which operate several businesses:</p> <p>(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., (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);</p> <p>(b) Patrimonio en Fideicomiso Inretail Consumer: Equity trust incorporated in August 2014, which develops the following retail businesses:</p> <p>(i) Supermarkets: Developed by Supermercados Peruanos S.A. and Subsidiaries, a company that, as of June 30, 2017 and December 31, 2016, operates stores under the trademarks “Plaza Veá”, “Plaza Veá Súper”, “Vivanda”, “Mass”.</p> <p>(ii) Pharmacies: Developed by Eckerd Perú S.A. and Subsidiaries, a company that, as of June 30, 2017 and December 31, 2016, operates 1,149 and 1,020 stores, under the trademark “Inkafarma”.</p> <p>(c) InRetail Management S.R.L., company dedicated to the administration of personnel and operations of the aforementioned equity trusts.</p>
<p>IFH Retail Corp. (As of June 30, 2017 and December 31, 2016, Intercorp Retail Inc. holds 78.35 and 63.54 percent of its capital stock)</p>	<p>Holding incorporated in the Republic of Panama in September 2006, owner as of June 30, 2017 and December 31, 2016, of 26.06 and 44.23 percent, respectively, 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” (25 premises as of June 30, 2017, and December 31, 2016) and of 96 percent of Financiera Oh! S.A., as of June 30, 2017 and December 31, 2016, a company that provides financial support to the companies of Intercorp Group dedicated to the retail business.</p>

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Entity	Activity
<p>HPSA Corp. (As of June 30, 2017 and December 31, 2016, Intercorp Retail Inc. holds 64.99 percent of its capital stock)</p>	<p>Holding incorporated in the Republic of Panama, owner of Homecenters Peruanos S.A. and Subsidiary, a company engaged in the operation of the business of home improvement stores under the trademark "Promart" (23 stores as of June 30, 2017 and December 31, 2016).</p>
<p>Lince Global Opportunities Corp. (As of June 30, 2017 and December 31, 2016, Intercorp Retail Inc. holds 100 percent of its capital stock)</p>	<p>Holding incorporated in the Republic of Panama in December 2010, which holds 98.71 percent of the capital stock of Inmobiliaria Milenia S.A., a company engaged in the real estate business.</p>
<p>(ii) Callao Global Opportunities - Subsidiary of Intercorp Perú, incorporated in 2011 as a limited liability holding company in the Republic of Panama. As of June 30, 2017 and December 31, 2016, the Company holds 72.56 and 54.29 percent, respectively, of the capital stock of Tiendas Peruanas S.A. and Subsidiaries.</p> <p>On the other hand, as indicated in Note 2.2(i), Intercorp Perú holds 78.35 and 63.54 percent of IFH Retail Corp. , as of June 30, 2017 and December 31, 2016, respectively which, in turn, holds 26.06 and 44.23 percent of Tiendas Peruanas S.A., and therefore the joint shareholding of Intercorp Perú in Tiendas Peruanas through to IFH Retail and Callao Global Opportunities is equivalent to 92.98 and 82.39 percent of its capital stock as of June 30, 2017 and December 31, 2016, respectively.</p>	
<p>(iii) Intercorp Investments Perú Inc. - It is a limited liability holding company incorporated in September 2006 in the Republic of Panama. As of June 30, 2017 and December 31, 2016, the Company holds 100 percent of its capital stock. Intercorp Investments Perú Inc. is the sole shareholder of Horizonte Global Opportunities Corp., a holding company incorporated in the Republic of Panama, owner of Horizonte Global Opportunities Perú S.A.C., whose sole asset is a land lot located in the district of Independencia in Lima.</p>	
<p>(iv) Urbi Propiedades S.A. - As of June 30, 2017 and December 31, 2016, the Company holds 100 percent of the capital stock of this entity, incorporated in Peru in 1998, engaged in real estate management and in the provision of structuring and real estate project management. In addition and through its Subsidiaries, it is developing a number of real estate projects.</p> <p>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., Subsidiary of Intercorp established in September 2015 engaged in real estate projects.</p>	

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As of June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, Urbi Propiedades S.A. and Intercorp Perú hold 75.48 and 24.51 percent 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016 there were 21 shopping malls 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 June 30, 2017 and December 31, 2016, 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.

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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.

During 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 June 30, 2017 and December 31, 2016, Intercorp Perú holds 68.51 and 67.89 percent of its the capital stock.

As of June 30, 2017, NG Education S.A.C., Subsidiary of NG Education Holdings Corp. acquired the entire non-controlling interest of Universidad Tecnológica del Perú S.A.C.; there by become the sole shareholder of this Subsidiary.

NG Education Holdings Corp. is the owner of the following Subsidiaries:

Entity	Activity
Colegios Peruanos S.A. (As of June 30, 2017 and December 31, 2016 NG Education Holdings Corp. holds 37.04 and 39.56 percent, respectively of its capital stock, respectively).	As of June 30, 2017, it operates 41 schools under the trademark "Innova Schools" (35 schools as of December 31, 2016).
NG Education S.A.C. (As of June 30, 2017 and December 31, 2016, NG Education Holdings Corp. holds 48.67 and 99.90 percent, respectively of its capital stock)	Holding incorporated in Peru in November 2011. NG Education S.A.C. holds the following Subsidiaries: <ul style="list-style-type: none"> (a) Universidad Tecnológica del Perú S.A.C.: Incorporated in Lima in February 1998. It has the following 3 business units: UTP University, IDAT Institute, Post-Graduate School. (b) Promotora de la Universidad Tecnológica de Chiclayo S.A.C.: An entity with operations in Peru which as of June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, NG Education Holdings II Corp. holds 100 percent of its capital stock)	Company incorporated in Peru in October 2013. As of June 30, 2017 and December 31, 2016, 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".

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(iii) **NG Education Holdings III Corp. –**

It is a limited liability holding company incorporated in July 2013 in the Republic of Panama. As of June 30, 2017 and December 31, 2016, Intercorp Perú holds 81.90 and 76.93 percent, respectively, of its capital stock and, in turn, it holds 14.64 and 12.28 percent as of June 30, 2017 and December 31, 2016, respectively, of the capital stock of Colegios Peruanos S.A.

2.4. Other entities

As of June 30, 2017 and December 31, 2016, 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
Ronpeto S.A.	Real estate business	Peru
La Punta Global Opportunities Corp.	Specialized investments	Republic of Panama
Urbi Proyectos S.A.	Real estate projects	Peru

3. Significant accounting principles and practices

The accompanying 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”). The accounting principles and practices as of June 30, 2017 are consistent with respect to the rules applied as of December 31, 2016, and are included in the audited financial statements dated March 24, 2017.

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

4. Foreign currency transactions and foreign exchange risk exposure

Transactions in foreign currency are performed by using exchange rates prevailing on the free market. As of June 30, 2017, the weighted average exchange rate of free market per US Dollar was S/3.251 for buying and S/3.255 for selling (S/3.352 and S/3.360 as of December 31, 2016, respectively).

As of June 30, 2017, the exchange rate for the accounting of assets and liabilities accounts in foreign currency set by the SBS was S/3.253 per US\$1 (S/3.356 as of December 31, 2016).

The table below presents the detail of the Company's foreign currency assets and liabilities, stated in US Dollars as of June 30, 2017 and December 31, 2016:

	2017 US\$(000)	2016 US\$(000)
Assets		
Cash and due from banks	1,294	48
Accounts receivable from Subsidiaries	1,062	69
Available-for-sale investments	32,107	28,239
Other assets	149	355
	<u>34,612</u>	<u>28,711</u>
Liabilities		
Accounts payable to Subsidiaries and related companies	-	1,035
Interest, provisions and other accounts payable	28,320	18,563
Notes issued	-	12,000
Corporate bonds	246,027	245,853
	<u>274,347</u>	<u>277,451</u>
Liability position, net	<u>(239,735)</u>	<u>(248,740)</u>

As of June 30, 2017 and December 31, 2016, the Company does not have operations with derivative financial instruments for hedging or trading purposes. Consequently, the exchange risk of this position at said date is assumed by the Company.

During 2017, the Company signed two foreign currency forward contracts, designated as a financial instrument for trading purposes, with its subsidiary Interbank and with maturity in May 2017 for a nominal amount of approximately US\$100,000,000. As a result, the Company recorded losses amounting to approximately S/3,150,000 as of June 30, 2017.

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 gains amounting to approximately S/16,080,000 as of June 30, 2016.

Notes to the financial statements (continued)

5. Accounts receivable from Subsidiaries

(a) As of June 30, 2017 and December 31, 2016, this caption is made up as follows:

	2017 S/(000)	2016 S/(000)
San Miguel Global Opportunities S.A.C.	1,424	1,210
Inteligo Real Estate Perú S.A.C.	794	664
Ronepeto S.A.	130	124
Others	3,456	230
	<u>5,804</u>	<u>2,228</u>

6. Available-for-sale investments

(a) As of June 30, 2017 and December 31, 2016, this caption is made up as follows:

	2017				2016			
	Amortized cost S/(000)	Unrealized amount		Fair value S/(000)	Amortized cost S/(000)	Unrealized amount		Fair value S/(000)
		Gains S/(000)	Losses S/(000)			Gains S/(000)	Losses S/(000)	
Foreign mutual funds participations (b)	40,811	46,382	-	87,193	41,122	35,560	-	76,682
Foreign investment funds participations (c)	18,120	17,787	-	35,907	18,120	16,110	-	34,230
Global Bonds of the Republic of Peru (d)	16,671	230	-	16,901	17,543	130	-	17,673
	<u>75,602</u>	<u>64,399</u>	<u>-</u>	<u>140,001</u>	<u>76,785</u>	<u>51,800</u>	<u>-</u>	<u>128,585</u>
Add - Accrued interest				275				284
				<u>140,276</u>				<u>128,869</u>

(b) As of June 30, 2017 and December 31, 2016 the amortized cost is presented net of impairment loss amounting to S/29,165,000.

(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 June 30, 2017 and December 31, 2016, the Company holds Global Bonds of the Republic of Peru are denominated in US dollars with maturity in March 2019 that accrued interest at annual effective annual rate of 7.125 percent. As of June 30, 2017 and 2016, these bonds bore interests for approximately S/207,000 and S/441,000, respectively; that are presented in the caption "Financial income" of the separate income statements; see Note 14.

Notes to the financial statements (continued)

7. Investment property

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

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

8. Investments in Subsidiaries

(a) As of June 30, 2017 and December 31, 2016, this caption is made up as follows:

Entity	Direct and indirect ownership		Equity value	
	2017 %	2016 %	2017 S/(000)	2016 S/(000)
Intercorp Financial Services Inc. and Subsidiaries	78.98	78.61	3,792,962	3,634,566
Intercorp Retail Inc. and Subsidiaries	100.00	100.00	3,083,978	3,001,490
NG Education Holdings Corp. and Subsidiaries	68.51	67.89	180,110	187,676
La Punta Global Opportunities Corp.	100.00	100.00	188,621	144,216
Callao Global Opportunities Corp.	100.00	100.00	104,247	92,632
Intercorp Investments Perú Inc. and Subsidiaries	100.00	100.00	107,066	106,450
Intercorp RE Inc. and Subsidiaries	100.00	100.00	101,107	104,898
San Miguel Global Opportunies S.A.C	100.00	100.00	65,493	65,629
NG Education Holdings III Corp.	81.90	76.93	59,700	24,728
Urbi Propiedades S.A. and Subsidiaries	100.00	100.00	56,139	58,250
NG Education Holdings II Corp. and Subsidiaries	50.00	50.00	8,961	8,213
Other Subsidiaries	-	-	8,149	5,004
			<u>7,756,532</u>	<u>7,433,752</u>

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

Notes to the financial statements (continued)

- (b) The table below presents the movement of the investments in Subsidiaries for the six-month periods ended June 30, 2017 and 2016:

	2017	2016
	S/(000)	S/(000)
Balance as of January, 1	7,433,752	6,736,887
Participation in income of Subsidiaries	369,748	236,848
Dividends received in cash or declared by Subsidiaries (i)	(398,982)	(372,461)
Net variation of unrealized results in financial instruments of Subsidiaries	270,176	325,652
Capital contribution in Subsidiaries (ii)	168,459	71,677
Exchange difference on translation of foreign operations	(15,954)	(16,571)
Purchase of shares in treasury by Subsidiaries, net of dividends received	(41,715)	-
Others	(28,952)	754
	<hr/>	<hr/>
Balance as of June, 30	7,756,532	6,982,786
	<hr/>	<hr/>
Balance as of December, 31		7,433,752

- (i) During the six-month periods ended June 30, 2017 and 2016, the Company recorded dividends from the following Subsidiaries:

	2017	2016
	S/(000)	S/(000)
Intercorp Financial Services Inc.	354,808	368,961
Inretail Perú Corp.	6,427	-
Intercorp Retail Inc.	37,747	-
Intercorp Investments Perú Inc.	-	3,500
	<hr/>	<hr/>
	398,982	372,461
	<hr/>	<hr/>

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

Notes to the financial statements (continued)

- (ii) During the six-month periods ended June 30, 2017 and 2016, the Company made capital contributions, in cash, to the following Subsidiaries:

	2017 S/(000)	2016 S/(000)
NG Education Holdings III Corp.	46,685	20,753
Callao Global Opportunities Corp.	40,000	-
La Punta Global Opportunities Corp.	32,946	39,802
NG Education Holdings Corp.	21,065	-
Intercorp Management S.A.C.	13,300	7,000
Others	14,463	4,122
	<hr/>	<hr/>
	168,459	71,677

9. Interest, provisions and other accounts payable

- (a) As of June 30, 2017 and December 31, 2016, this caption is made up as follows:

	2017 S/(000)	2016 S/(000)
Payable loans (b)	80,455	-
Dividends payable, Note 12(a)	73,238	25,200
Interest payable on corporate bonds, Note 11	27,303	28,096
Investment property acquisition (c)	13,198	12,826
Other accounts payable and provisions	1,962	16,414
Interest on notes issued, Note 10	-	2,124
	<hr/>	<hr/>
	196,156	84,660

- (b) As of June 30, 2017, it corresponds to loans in soles with various mutual funds managed by Interfondos SAFM, an affiliated Company, which bears interest at market rates, short-term maturity and did not have specific guarantees.
- (c) As of June 30, 2017 and December 31, 2016, corresponds to the account payable for the land lot acquired from third parties during the year 2015, located in the district of San Martín de Porres; see Note 7.

Notes to the financial statements (continued)

10. Notes issued

- (a) As of December 31, 2016, the notes issued correspond to non-subordinated obligations amounting which do not present specific guarantees and were placed through private offers. The table below presents the characteristics of the current issued notes:

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) During 2017 and 2016, the Company recognized interests for approximately S/1,067,000 and S/1,613,000, respectively, which are presented in the caption "Financial expenses" of the separate income statements; see Note 14.

Notes to the financial statements (continued)

11. Corporate bonds

(a) This caption is made up as follows:

Issuances	Issuance year	Annual interest rate	Interest payment	Maturity	Issuance amount	2017	2016
		%			(000)	S/(000)	S/(000)
Senior bonds (b)	2015	5.875	Semiannually	February 12, 2025	US\$ 250,000	800,835	826,099
Senior bonds (b)	2015	7.656	Semiannually	February 10, 2030	S/. 301,500	<u>297,667</u>	<u>297,591</u>
						<u>1,098,502</u>	<u>1,123,690</u>

(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 June 30, 2017 and December 31, 2016, approximately S/2,904,000 and S/2,324,000, 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) As of June 30, 2017, the Company recognized interest income for approximately S/35,926,000 (approximately S/38,524,000 in the same period 2016), which are recorded in the caption "Financial expenses" of the separate income statements; see Note 14. Likewise, as of June 30, 2017, and December 31, 2016, interest payable is presented in the caption "Interest, provisions and other accounts payable"; see Note 9.

Notes to the financial statements (continued)

12. Equity

(a) Capital stock -

As of June 30, 2017 and December 31, 2016, the Company's capital stock was represented by 14,901,892 Class A shares and 134,117,024 Class B shares. Both classes of shares 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 June 30, 2017 and December 31, 2016 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
	<hr style="width: 100%; border: 0.5px solid black;"/>
	100.00

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

The General Shareholders' Meeting held on April 14, 2016, agreed to capitalize approximately S/505,174,000. As a result, 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 approximately S/101,700,000), which will be paid in four equal installments (US\$7,500,000) from June, 2016 to March, 2017.

(b) Regulatory capital -

Intercorp Group's regulatory capital

Intercorp Perú must meet certain capital requirements as well as global and concentration limits set out in 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 June 30, 2017, and December 31, 2016, the Company has met the aforementioned requirements.

Notes to the financial statements (continued)

- (c) 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 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 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 Perú 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, the applicable Income Tax rate was 28 percent on the taxable income.

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.

Notes to the financial statements (continued)

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	2013 to 2016
Universidad Tecnológica del Perú S.A.C.	2013 to 2016	2013 to 2016
Tiendas Peruanas S.A.C.	2012 to 2016	2013 to 2016
Colegios Peruanos S.A.C.	2012 to 2016	2012 to 2016
Homecenter Peruanos S.A.C.	2012, 2014 to 2016	2014 to 2016
Eckerd Perú S.A.	2014 to 2016	2013 to 2016
Boticas del Oriente S.A.C.	2012 to 2016	2013 to 2016
Eckerd Amazonía S.A.C.	2012 to 2016	2013 to 2016
Financiera Oh! S.A.	2012, 2014 to 2016	2013 to 2016
Inmobiliaria Milenia S.A.	2012, 2015 and 2016	2013 to 2016
Urbi Propiedades S.A.	2012 to 2016	2012 to 2016
Real Plaza S.R.L.	2015 to 2016	2013 to 2016
InRetail Management S.R.L.	2012, 2013, 2015 and 2016	2013 to 2016

- (d) On the other hand, on April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank was notified with Tax Assessments and Fine Imposing Resolutions regarding mainly the assessments of the Income Tax years 2000 to 2006, for which it filed Tax Claims and Tax Appeals. In March 2009, August 2010 and December 2011, SUNAT issued Intendancy Resolutions regarding tax years 2000 to 2006 for which Interbank filed the corresponding appeals. In December 2014, SUNAT issued the Resolution of Intendancy N° 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 N° 00783-3-2016, which declares as partially founded the case concerning to the 2001 Income Tax. In addition, for fiscal year 2013, Interbank is in the process of being audited by the Tax Administration. 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 June 30, 2017 and December 31, 2016.

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 concluded 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.

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

Notes to the financial statements (continued)

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. 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 tax 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. 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 June 30, 2017 and December 31, 2016.

UTP S.A.C. maintains several lawsuits (labor and civil) and contentious administrative procedures with different municipalities and SUNAT. 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 June 30, 2017 and December 31, 2016.

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

Notes to the financial statements (continued)

14. Financial income and expenses

For the six-month periods ended June 30, 2017 and 2016, this caption is comprised by the following:

	2017 S/(000)	2016 S/(000)
Financial income		
Interest from Global Bonds of the Republic of Peru	207	441
Interest on loans granted to Subsidiaries and Shareholder	-	752
Others	34	8
Total	<u>241</u>	<u>1,201</u>
Financial expenses		
Interest on corporate bonds, Note 11(b)	(35,926)	(38,524)
Interest on bank loans	(5,964)	(6,956)
Interest on notes issued, Note 10	(1,067)	(1,613)
Others	(1,835)	(830)
Total	<u>(44,792)</u>	<u>(47,923)</u>

15. Transactions with Subsidiaries

(a) As of June 30, 2017 and December 31, 2016 the balance of cash and due from banks is mainly deposited in the following Subsidiaries:

	2017 S/(000)	2016 S/(000)
Banco Internacional del Perú S.A. – Interbank	13,897	1,713
Inteligo Bank Ltd.	143	113
	<u>14,040</u>	<u>1,826</u>

(b) As of June 30, 2017 and December 31, 2016, the balances receivable from Subsidiaries are presented in Note 5. As of those dates, the balances payable to Subsidiaries and related companies are the following:

	2017 S/(000)	2016 S/(000)
Accounts payable to Subsidiaries		
Inversiones Río Nuevo S.A.C.	1,400	1,391
Intercorp Retail Inc.	1,181	1,181
Banco Internacional del Perú S.A. – Interbank (i)	-	120,172
Inteligo Bank Ltd. (ii)	-	3,477
	<u>2,581</u>	<u>126,221</u>

Notes to the financial statements (continued)

- (i) As December 31, 2016, it corresponds to promissory notes in Soles, which bear interest at market rate, has short-term maturity and did not have specific guarantees.
- (ii) As December 31, 2016, it corresponds to a loan in US Dollars amounting to US\$1,000,000, which bears interest at market rates and has short-term maturity.
- (c) As of June 30, 2017 and December 31, 2016, 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/35,907,000 and S/34,230,000, respectively, see Note 6(a).
- (d) As of June 30, 2017 and 2016, the Company recorded the following income (expenses) from operations with its Subsidiaries:

	2017	2016
	S/(000)	S/(000)
Financial expenses		
Banco Internacional del Perú S.A.A. – Interbank	(5,912)	(6,567)
Patrimonio en Fideicomiso - D.S.N°093-2002 EF Interproperties Holding	(82)	-
Inteligo Bank Ltd.	(52)	(389)
Inversiones Río Nuevo S.A. C.	(28)	(27)
Intercorp Financial Services Inc.	-	(280)
Inretail Shopping Malls	-	(425)
Urbi Propiedades S.A.	-	(97)
(Loss) gain on derivate financial instruments	(2,048)	16,080
Other expenses	(14,542)	(17,237)

- (e) As of June 30, 2017 and December 31, 2016, the Company had no employees, and therefore its operations and management are carried out through its Subsidiaries.

Notes to the financial statements (continued)

16. Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the period	Weighted average number of shares (in thousands)
2016				
Balance as of January 1, 2016	149,019	149,019	180	149,019
Balance as of June 30, 2016	149,019	149,019		149,019
Net profit for the period S/(000)				200,527
Earnings per share, in Soles				1.35
2017				
Balance as of January 1, 2017	149,019	149,019	180	149,019
Balance as of June 30, 2017	149,019	149,019		149,019
Net profit for the period S/(000)				329,750
Earnings per share, in Soles				2.21

17. Structure of risk management and risk assessment

The Board of Directors is responsible for establishing an 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 have 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, operational risk, market risk and the Management of the Company.

(a) Credit risk -

Credit risk arises from the inability of debtors to comply with the payment of their obligations as they mature. As of June 30, 2017 and December 31, 2016, 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.

Notes to the financial statements (continued)

- Accounts receivable are mainly maintained with its 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 June 30, 2017 and December 31, 2016, 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 and 11 present the maturities of the financial instruments payable.

(c) Market risk -

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

(i) Exchange rate risk

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

(ii) Interest rate risk -

The risk arises when 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, 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, whose fair value amount to S/140,276,000 and S/128,869,000 as of June 30, 2017 and December 31, 2016, respectively.

Notes to the financial statements (continued)

(d) Fair value of financial instruments -

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

As of June 30, 2017 and December 31, 2016, available-for-sale investments are presented at their fair value; see Note 6. The corresponding hierarchy levels of fair value are the following:

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

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

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

As of June 30, 2017 and December 31, 2016, the unrealized gain on Level 3 financial instruments (participations in foreign investment funds) amounts to S/17,787,000 and S/16,110,000, respectively, see Note 6.

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 of cash flow, discount rate, credit risk and volatility. The probabilities of the estimations within the range can be reasonably assessed and are used in the estimate made by Management on the fair value of these non-listed investments.

(ii) Financial instruments not measured at fair value

Cash and due from banks is not exposed to any significant credit risk or interest rate 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.

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.

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

Notes to the financial statements (continued)

18. Additional explanation for the English translation -

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