

**Intercorp Financial Services Inc. and Subsidiaries**

Consolidated financial statements as of September 30, 2018, January 1, 2018, December 31, 2017 and for the nine-month periods ended September 30, 2018 and 2017

## **InterCorp Financial Services Inc. and Subsidiaries**

Consolidated financial statements as of September 30, 2018, January 1, 2018, December 31, 2017 and for the nine-month periods ended September 30, 2018 and 2017

### **Content**

#### **Consolidated financial statements**

Consolidated statements of financial position  
Consolidated income statements  
Consolidated statements of other comprehensive income  
Consolidated statements of changes in equity  
Consolidated statements of cash flows  
Notes to the consolidated financial statements

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of financial position

As of September 30, 2018, January 1, 2018 and December 31, 2017 (restated)

	Note	30.09.2018	01.01.2018	Restated 31.12.2017		Note	30.09.2018	01.01.2018	Restated 31.12.2017
		S/(000)	S/(000)	S/(000)			S/(000)	S/(000)	S/(000)
			(Note 4.2)	(Note 4.1)				(Note 4.2)	(Note 4.1)
<b>Assets</b>				<b>Liabilities and equity</b>					
Cash and due from banks:	5				Deposits and obligations:	11			
Non-interest bearing		2,291,990	2,963,085	2,963,085	Non-interest bearing		3,963,278	4,791,792	4,791,792
Interest bearing		3,228,340	6,264,339	6,264,339	Interest bearing		27,108,597	27,815,845	27,815,845
Restricted funds		1,655,935	1,977,419	1,977,419			31,071,875	32,607,637	32,607,637
		<b>7,176,265</b>	<b>11,204,843</b>	<b>11,204,843</b>					
Inter-bank funds		30,007	403,526	403,526	Inter-bank funds		233,553	30,008	30,008
Investments at fair value through profit or loss	6	1,693,451	1,355,638	216,008	Due to banks and correspondents	12	4,153,472	4,407,392	4,407,392
Available-for-sale investments	7(b)	-	-	15,459,660	Bonds, notes and other obligations	13	6,378,576	5,602,358	5,602,358
Investments at fair value through other comprehensive income	7(a)	14,563,169	14,320,030	-	Due from customers on acceptances		117,392	41,715	41,715
Held-to-maturity investments	7(g)	-	-	1,248,475	Insurance contract liabilities	14	10,036,373	10,554,926	10,554,926
Investments at amortized cost	7(g)	1,842,459	1,248,475	-	Accounts payable, provisions and other liabilities	10	1,792,616	1,499,364	1,353,686
					Deferred Income Tax liability, net		29	257	257
Loans, net:	8				<b>Total liabilities</b>		<b>53,783,886</b>	<b>54,743,657</b>	<b>54,597,979</b>
Loans, net of unearned interest		32,680,458	29,406,286	29,406,286					
Allowance for loan losses		(1,222,955)	(1,201,002)	(1,202,118)	<b>Equity, net</b>	15			
		<b>31,457,503</b>	<b>28,205,284</b>	<b>28,204,168</b>	Equity attributable to IFS's shareholders:				
Investment property	9	1,052,254	1,118,608	1,118,608	Capital stock		963,446	963,446	963,446
Property, furniture and equipment, net		606,021	612,639	612,639	Treasury stock		(208,178)	(467,200)	(467,200)
Due from customers on acceptances		117,392	41,715	41,715	Capital surplus		268,077	268,077	268,077
Accounts receivable and other assets, net	10	2,189,951	1,871,962	1,871,967	Reserves		4,700,000	3,700,000	3,700,000
Deferred Income Tax asset, net		56,178	95,923	53,277	Unrealized results, net		315,425	(272,856)	(228,725)
					Retained earnings		923,189	1,507,869	1,564,945
							6,961,959	5,699,336	5,800,543
					Non-controlling interest		38,805	35,650	36,364
<b>Total assets</b>		<b>60,784,650</b>	<b>60,478,643</b>	<b>60,434,886</b>	<b>Total equity, net</b>		<b>7,000,764</b>	<b>5,734,986</b>	<b>5,836,907</b>
					<b>Total liabilities and equity, net</b>		<b>60,784,650</b>	<b>60,478,643</b>	<b>60,434,886</b>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated income statements

For the nine-month periods ended September 30, 2018 and 2017 (restated)

	Note	30.09.2018 S/(000)	<u>Restated</u> 30.09.2017 S/(000) (Note 4.1)
Interest and similar income	17	3,192,701	2,811,540
Interest and similar expenses	17	<u>(858,630)</u>	<u>(831,816)</u>
<b>Net interest and similar income</b>		<b>2,334,071</b>	<b>1,979,724</b>
Provision for loan losses, net of recoveries	8(c)	<u>(451,259)</u>	<u>(639,183)</u>
<b>Net interest and similar income after provision for loan losses, net of recoveries</b>		<b>1,882,812</b>	<b>1,340,541</b>
<b>Other income</b>			
Fee income from financial services, net	18	655,171	645,026
Net gain on foreign exchange transactions		163,017	150,508
Net gain on sale of securities		21,369	137,300
Net gain on financial assets at fair value through profit or loss		24,393	14,391
Rental income on investment property		24,227	18,809
Net gain on sale of investment property	9(c)	1,559	-
Fair value gain (loss) on investment property	9(b)	31,149	(8,768)
Others	19	<u>40,399</u>	<u>60,211</u>
<b>Total other income</b>		<b>961,284</b>	<b>1,017,477</b>
<b>Insurance premiums and claims</b>			
Net premiums earned	20	206,811	165,354
Net claims and benefits incurred for life insurance contracts and others	21	<u>(546,557)</u>	<u>(265,541)</u>
<b>Total net premiums earned less claims and benefits</b>		<b>(339,746)</b>	<b>(100,187)</b>
<b>Other expenses</b>			
Salaries and employee benefits	22	(558,967)	(532,838)
Administrative expenses	23	(582,496)	(550,919)
Depreciation and amortization		(118,604)	(102,774)
Impairment loss on financial instruments		2,326	(9,296)
Expenses related to rental income		(2,441)	(599)
Others	19	<u>(103,168)</u>	<u>(88,734)</u>
<b>Total other expenses</b>		<b>(1,363,350)</b>	<b>(1,285,160)</b>
<b>Income before translation result and Income Tax</b>		1,141,000	972,671
Translation result		(16,014)	13,448
Income Tax		<u>(313,932)</u>	<u>(239,790)</u>
<b>Net profit for the period</b>		<b>811,054</b>	<b>746,329</b>
<b>Attributable to:</b>			
IFS's shareholders		805,673	741,988
Non-controlling interest		<u>5,381</u>	<u>4,341</u>
		<b>811,054</b>	<b>746,329</b>
<b>Earnings per share attributable to IFS's shareholders basic and diluted (stated in Soles)</b>	24	<u>7.30</u>	<u>6.95</u>
<b>Weighted average number of outstanding shares (in thousand)</b>	24	<u>110,379</u>	<u>106,707</u>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of other comprehensive income

For the nine-month periods ended September 30, 2018 and 2017 (restated)

	<b>30.09.2018</b> S/(000)	<b><u>Restated</u></b> <b>30.09.2017</b> S/(000) (Note 4.1)
<b>Net profit for the period</b>	<b>811,054</b>	<b>746,329</b>
<b>Other comprehensive income</b>		
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods:		
Net gain on fair value on financial instruments	580,470	249,897
Net movement on cash flow hedges	(4,466)	(2,065)
Translation of foreign operations	11,287	(17,689)
	<hr/>	<hr/>
<b>Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods, net of Income Tax</b>	<b><u>587,291</u></b>	<b><u>230,143</u></b>
<b>Total other comprehensive income for the period, net of Income Tax</b>	<b><u>1,398,345</u></b>	<b><u>976,472</u></b>
<b>Attributable to:</b>		
IFS's shareholders	1,393,759	971,163
Non-controlling interest	4,586	5,309
	<hr/>	<hr/>
	<b><u>1,398,345</u></b>	<b><u>976,472</u></b>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of changes in equity

For the nine-month periods ended September 30, 2018 and 2017 (restated)

	Number of shares		Unrealized results, net										
	Issued	In treasury	Capital stock	Treasury stock	Capital surplus	Reserves	Financial instruments (assets and liabilities) through other comprehensive income	Cash flow hedges reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling - interest	Total
	(in thousands)	(in thousands)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Balances as of January 1, 2017- Reported</b>	113,110	(6,179)	963,446	(522,106)	268,077	2,600,000	(83,807)	1,291	98,874	1,553,336	4,879,111	119,235	4,998,346
Change in accounting policy - Insurance premium reserves (Note 4.1)	-	-	-	-	-	-	(479,476)	-	-	479,476	-	-	-
<b>Balances as of January 1, 2017- Restated</b>	<u>113,110</u>	<u>(6,179)</u>	<u>963,446</u>	<u>(522,106)</u>	<u>268,077</u>	<u>2,600,000</u>	<u>(563,283)</u>	<u>1,291</u>	<u>98,874</u>	<u>2,032,812</u>	<u>4,879,111</u>	<u>119,235</u>	<u>4,998,346</u>
Net profit for the period - Restated (Note 4.1)	-	-	-	-	-	-	-	-	-	741,988	741,988	4,341	746,329
Other comprehensive income – Restated (Note 4.1)	-	-	-	-	-	-	248,915	(2,051)	(17,689)	-	229,175	968	230,143
Total comprehensive income - Restated (Note 4.1)	-	-	-	-	-	-	248,915	(2,051)	(17,689)	741,988	971,163	5,309	976,472
Declared and paid dividends, Note 15(a)	-	-	-	-	-	-	-	-	-	(475,773)	(475,773)	-	(475,773)
Net variation of treasury stock held by Subsidiary, Note 15(b)	-	(499)	-	(52,679)	-	-	-	-	-	-	(52,679)	-	(52,679)
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,722)	(2,722)
Constitution of reserves, Note 15(e)	-	-	-	-	-	1,100,000	-	-	-	(1,100,000)	-	-	-
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	24,081	24,081	-	24,081
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	22,426	22,426	(88,646)	(66,220)
Others	-	-	-	-	-	-	-	-	-	(1,199)	(1,199)	(73)	(1,272)
<b>Balances as of September 30, 2017- Restated</b>	<u>113,110</u>	<u>(6,678)</u>	<u>963,446</u>	<u>(574,785)</u>	<u>268,077</u>	<u>3,700,000</u>	<u>(314,368)</u>	<u>(760)</u>	<u>81,185</u>	<u>1,244,335</u>	<u>5,367,130</u>	<u>33,103</u>	<u>5,400,233</u>
<b>Balances as of January 1, 2018- Reported</b>	113,110	(5,428)	963,446	(467,200)	268,077	3,700,000	370,012	(36)	76,394	889,850	5,800,543	36,364	5,836,907
Change in accounting policy - Insurance premium reserves (Note 4.1)	-	-	-	-	-	-	(675,095)	-	-	675,095	-	-	-
<b>Balances as of January 1, 2018- Restated</b>	<u>113,110</u>	<u>(5,428)</u>	<u>963,446</u>	<u>(467,200)</u>	<u>268,077</u>	<u>3,700,000</u>	<u>(305,083)</u>	<u>(36)</u>	<u>76,394</u>	<u>1,564,945</u>	<u>5,800,543</u>	<u>36,364</u>	<u>5,836,907</u>
Effect of first adoption of IFRS 9 (Note 4.2)	-	-	-	-	-	-	(43,936)	-	-	(57,271)	(101,207)	(714)	(101,921)
<b>Balances as of January 1, 2018 after IFRS 9</b>	<u>113,110</u>	<u>(5,428)</u>	<u>963,446</u>	<u>(467,200)</u>	<u>268,077</u>	<u>3,700,000</u>	<u>(349,019)</u>	<u>(36)</u>	<u>76,394</u>	<u>1,507,674</u>	<u>5,699,336</u>	<u>35,650</u>	<u>5,734,986</u>
Net profit for the period	-	-	-	-	-	-	-	-	-	805,673	805,673	5,381	811,054
Other comprehensive income	-	-	-	-	-	-	581,297	(4,498)	11,287	-	588,086	(795)	587,291
Total comprehensive income	-	-	-	-	-	-	581,297	(4,498)	11,287	805,673	1,393,759	4,586	1,398,345
Declared and paid dividends, Note 15(a)	-	-	-	-	-	-	-	-	-	(510,688)	(510,688)	-	(510,688)
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,969)	(2,969)
Constitution of reserves, Note 15(e)	-	-	-	-	-	1,000,000	-	-	-	(1,000,000)	-	-	-
Net variation of treasury stock held by Subsidiary, Note 15(b)	-	3,010	-	259,022	-	-	-	-	-	123,705	382,727	862	383,589
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	8,972	8,972	63	9,035
Others	-	-	-	-	-	-	-	-	-	(12,147)	(12,147)	613	(11,534)
<b>Balances as of September 30, 2018</b>	<u>113,110</u>	<u>(2,418)</u>	<u>963,446</u>	<u>(208,178)</u>	<u>268,077</u>	<u>4,700,000</u>	<u>232,278</u>	<u>(4,534)</u>	<u>87,681</u>	<u>923,189</u>	<u>6,961,959</u>	<u>38,805</u>	<u>7,000,764</u>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of cash flows

For the nine-month periods ended September 30, 2018 and 2017 (restated)

	<b>30.09.2018</b>	<b><u>Restated</u></b>
	S/(000)	30.09.2017 S/(000)
<b>Cash flows from operating activities</b>		
Net profit for the year	811,054	746,329
<b>Plus (minus)</b>		
Provision for loan losses, net of recoveries	451,259	639,183
Depreciation and amortization	118,604	102,774
Provision for sundry risk	2,172	10,083
Deferred Income Tax	67,894	(13,097)
Net gain on sale of securities	(21,369)	(137,300)
Impairment on financial instruments	(2,326)	9,296
Net gain on financial assets at fair value through profit or loss	(24,393)	(14,391)
Valuation (gain) loss from investment property	(31,149)	8,768
Translation result	16,014	(13,448)
Gain on sale of investment property	(1,559)	-
Decrease in accrued interest receivable	30,697	16,124
Increase in accrued interest payable	17,592	20,760
<b>Net changes in assets and liabilities</b>		
Increase in loans	(3,681,854)	(1,421,840)
Increase in accounts receivable and other assets	(167,606)	(14,817)
Decrease in restricted funds	317,576	793,762
Decrease in deposits and obligations	(1,543,903)	(1,523,247)
(Decrease) increase in due to banks and correspondents	(253,219)	360,817
(Decrease) increase in accounts payable, provisions and other liabilities	(197,687)	550,312
Purchase of investments at fair value through profit or loss, net	<u>(319,511)</u>	<u>2,389</u>
<b>Net cash used in operating activities</b>	<u>(4,411,714)</u>	<u>122,457</u>

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

## Consolidated statements of cash flows (continued)

	<b>30.09.2018</b>	<b><u>Restated</u></b> <b>30.09.2017</b>
	S/(000)	S/(000)
<b>Cash flows from investing activities</b>		
Purchase of investments at fair value through other comprehensive income and investments at amortized cost, net	(333,848)	(1,021,166)
Purchase of property, furniture and equipment	(37,328)	(64,260)
Purchase of intangible assets	(76,317)	(100,761)
Purchase of investment property	(112,652)	(49,152)
Sale of investment property	194,080	-
Purchase of subsidiaries	<u>-</u>	<u>(66,220)</u>
<b>Net cash (used in) provided by investing activities</b>	<u>(366,065)</u>	<u>(1,235,339)</u>
<b>Cash flows from financing activities</b>		
Net increase in bonds, notes and other obligations	637,602	-
Net increase (decrease) in receivable inter-bank funds	372,486	(226,042)
Net increase (decrease) in payable inter-bank funds	203,545	(241,734)
Sale (purchase) of treasury stock, net	383,589	(52,679)
Dividends payed	(510,688)	(475,773)
Dividend payed to non-controlling interest	<u>(2,969)</u>	<u>(2,722)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>1,083,565</u>	<u>(998,950)</u>
Net decrease in cash and cash equivalents	(3,694,214)	(2,178,052)
Translation loss on cash and cash equivalents	(13,686)	(130,759)
Cash and cash equivalents at the beginning of the year	<u>9,225,617</u>	<u>8,497,047</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>5,517,717</u>	<u>6,188,236</u>

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



# Intercorp Financial Services Inc. and Subsidiaries

## Notes to the consolidated financial statements

As of September 30, 2018, January 1, 2018 and December 31, 2017 (restated)

### 1. Business activity and relevant events

#### 1.1 Business activity -

Intercorp Financial Services Inc. and Subsidiaries (henceforth "IFS", "the Company" or "the Group") is a limited liability holding company incorporated in the Republic of Panama on September 19, 2006, and is a Subsidiary of Intercorp Perú Ltd. (henceforth "Intercorp Perú"), a holding Company incorporated in 1997 in the Commonwealth of the Bahamas. As of September 30, 2018, Intercorp Perú holds 76.46 percent of IFS's capital stock, equivalent 75.94 percent of outstanding capital stock (79.12 percent of capital stock and 78.07 percent of outstanding capital stock as of December 31, 2017).

IFS's legal domicile is located at Av. Carlos Villarán 140 Urb. Santa Catalina, La Victoria, Lima, Peru.

As of September 30, 2018, January 1, 2018 and December 31, 2017, IFS held 99.30 percent of the capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "Interbank" or "the Bank") and approximately 100.00 percent of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro") and Inteligo Group Corp. (henceforth "Inteligo"). In addition, as of September 30, 2018, IFS holds 99.42 percent of the capital stock of Hipotecaria Sura Empresa Administradora Hipotecaria S.A. (henceforth "Hipotecaria Sura"). As of December 31, 2017, IFS holds 99.39 percent and 99.40 percent of the capital stock of Seguros Sura S.A. (henceforth "Seguros Sura") and Hipotecaria Sura Empresa Administradora Hipotecaria S.A. (henceforth "Hipotecaria Sura").

The main activities of IFS's Subsidiaries as well as their assets, liabilities, equity, operating income, net income balances and other relevant information are presented in Note 3.

The accompanying consolidated financial statements as of September 30, 2018, January 1, 2018, December 31, 2017 (restated) and September 30, 2017 (restated), were approved by Board of Directors held on November 6, 2018. The audited consolidated financial statements of IFS and Subsidiaries as of December 31, 2017, were approved by the General Shareholders' Meeting held on April 2, 2018.

#### 1.2 Relevant events –

##### 1.2.1. Restatement of financial statements for previous periods.-

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

During the first quarter of 2018, with the purpose of adequately reflecting the insurance business performance, said Subsidiaries changed their accounting policy in order to recognize such effect as unrealized results, within the net equity. In application of the accounting standards in force, this accounting policy change had a retroactive effect, thus the financial information of previous periods was modified.

## Notes to the consolidated financial statements (continued)

As consequence of the change made by said Subsidiaries, IFS also restated its financial information corresponding to previous periods. See Note 4.1 for further detail on the restatement performed by the Company.

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

Starting on January 1, 2018, the Company and its Subsidiaries have adopted IFRS 9, which replaces IAS 39 “Financial Instruments: Recognition and Measurement”. Likewise, the Company has used the exception established by the standard that allows not restating the information of previous periods.

The difference in book value of financial assets and liabilities resulting from the adoption of IFRS 9, amounted to S/101,207,000 and has been recognized in the initial balances as of January 1, 2018 (transition period) as a reduction in the retained earnings of the Company. See Note 4.2 for further detail.

### **1.2.3. Modification of parameters used by Subsidiary for the computation of insurance contract liabilities (technical reserves).-**

#### **1.2.3.1 Modification of interest rates**

During the second quarter of 2018, Interseguro modified the assumptions for the estimation of interest rates used for the discount of pension reserves. As result, the level of reserves diminished by approximately S/520 million. This amount was recorded as a liability reduction in reserves with a respective increase in unrealized results in the net equity of Interseguro.

In accordance with the accounting standards in force, the change was performed in the second quarter, in a prospective manner, without modifying the reported balances of previous periods.

In the accompanying consolidated financial statements, said change is also reflected as a liability reduction in reserves and an increase in the caption “Unrealized results” of the equity, net.

#### **1.2.3.2 Adoption of new Mortality Tables**

In March 2018, through Resolution No. 886-2018, the Superintendence of Banking, Insurance and AFP (SBS), published new mortality tables aimed to reflect the recent changes in mortality or life expectancy of the affiliates and pensioners of the Private System of Pension Funds Administration. According to Peruvian regulation, said regulation will enter into force in January 2019 and its adoption will be gradual throughout a 10-year period.

Notwithstanding the aforementioned, for purposes of estimation of the technical reserves under IFRS, Interseguro adopted the new mortality tables from the second quarter of 2018, and consequently determined greater liabilities in reserves for approximately S/145 million, which were recorded as expenses in its income statements.

In the accompanying consolidated financial statements, said change is also reflected as a liability increase in reserves and greater expenses at the date of adoption. See further detail in Note 14.

## Notes to the consolidated financial statements (continued)

### 2. Acquisition of subsidiaries

In May 2017, IFS signed a share purchase agreement with Sura Asset Management S.A. (Colombia), Sura Asset Management Perú S.A. (Peru) and Grupo Wiese (Peru), for the direct and indirect acquisition of up to 100 percent of shares of Seguros Sura S.A. and 100 percent of Hipotecaria Sura. The acquisition was approved by the Superintendencia of Banking and AFPs (henceforth "SBS") on September 28, 2017.

Consequently, on November 2, 2017, IFS acquired 60.10 percent of the capital stock of Seguros Sura and 70 percent of the capital stock of Hipotecaria Sura. At the same date, Interseguro acquired 9.19 percent of the capital stock of Seguros Sura. Posteriorly, on November 22, IFS acquired 30.10 percent of the capital stock of Seguros Sura and 29.40 percent of the capital stock of Hipotecaria Sura. The acquisition of the latest two percentages was performed through the acquisition of the companies Negocios e Inmuebles S.A. and Holding Retail Perú S.A.

In March 2018, the merging between Interseguro and Seguros Sura has concluded, pursuant to the approvals issued by the SBS and within the legal deadlines.

As of September 30, 2018, IFS holds 99.84 percent of the capital stock of Interseguro and 99.42 percent of the capital stock of Hipotecaria Sura.

In application of current accounting standards, these acquisitions were recorded in accordance with the Acquisition method established by IFRS 3 "Business Combinations". In accordance with this method, the assets and liabilities were recorded at their fair value on acquisition date (November 2, 2017), including certain intangible assets that the acquired entities had not previously recognized.

It is worth mentioning that the net assets recognized in the financial statements as of December 31, 2017, were based on preliminary estimations of the fair value at the purchase date, as detailed below:

Estimate (preliminary)	S/(000)
Total net assets identified	263,693
Goodwill	628,218
Consideration transferred	<u>891,911</u>

As of September 30, 2018, the Company has completed the fair value estimation of the net assets of the acquired entities, at the purchase date, as detailed below:

Estimate (definitive)	S/(000)
Total net assets identified	418,643
Goodwill	473,268
Consideration transferred	<u>891,911</u>

In accordance with IFRS 3, IFS has adjusted retroactively the amounts recognized at the purchase date in order to reflect the new information.

## Notes to the consolidated financial statements (continued)

### 3. Subsidiaries

IFS's Subsidiaries are the following:

(a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -

Interbank is incorporated in Peru and is authorized by the SBS to operate as a universal bank in accordance with Peruvian legislation. The Bank's operations are governed by 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 September 30, 2018, Interbank had 268 offices and a branch established in the Republic of Panama (272 offices and a branch established in the Republic of Panama as of December 31, 2017). Additionally, it holds 100 percent of the shares of the following Subsidiaries:

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

(b) Interseguro Compañía de Seguros S.A. and Subsidiaries -

Interseguro is incorporated in Peru and its operations are governed by the Banking and Insurance Act. It is authorized by the SBS to issue life and general risk insurance contracts.

As of September 30, 2018 and December 31, 2017, Interseguro controls the following Subsidiaries:

Entity	Activity
Centro Comercial Estación Central S.A.	Administration of "Centro Comercial Estación Central", located in downtown Lima; as of December 31, 2017, Interseguro holds 75 percent of its shares. As of September 30, 2018, Interseguro sold its interest to a related company.
Empresa Administradora Hipotecaria S.A.	Was incorporated in February 2014 in Peru. In the month of April 2018, this company was extinguished.

Also, Interseguro holds contributions in Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (henceforth “Patrimonio Fideicometido – Interproperties Perú”), structured entity, incorporated in April 2008, and in which several investors (related parties to the Group) contributed investment properties; each investor or investors have ownership of and specific control over the contributed investment property. The fair values of the properties contributed by Interseguro, which were included in this structured entity as of September 30, 2018 and December 31, 2017, amounted to S/419,944,000 and S/608,689,000, respectively; see Note 9. 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). The Group has ownership of and decision making power

**Notes to the consolidated financial statements (continued)**

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.

Regarding the “Patrimonio Fideicometido”, as of December 31, 2016, Inteligo Real Estate (a related entity, Subsidiary of Intercorp Perú) and Interseguro held 27.17 percent and 72.83 percent, respectively, of an investment property located in San Isidro, Lima. On September 26, 2017, Interseguro purchased the Inteligo Real Estate’s share, thus obtaining the whole ownership of such investment property. The consideration transferred for the acquisition amounted to US\$20,542,000 (equivalent to S/66,577,000), which corresponds to the purchase of the non-controlling interest that is reflected as an increase in the cost of Interseguros’ investment; additionally, S/21,462,000 were recognized as equity transaction.

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

During 2017, Interseguro launched the product named “Renta Particular Plus” for S/128,200,000. This allowed to maintain the product portfolio level and the long-term cash fundraising, while counterbalancing the retirement income reduction due to the modification of the Private Pension System Law.

(c) Inteligo Group Corp. and Subsidiaries -

Inteligo is an entity incorporated in the Republic of Panama. As of September 30, 2018 and December 31, 2017, it holds 100 percent of the shares of the following Subsidiaries:

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

(d) Seguros Sura S.A. -

Seguros Sura was incorporated in Peru and its operations were governed by Banking and Insurance Act, it was authorized to issue life and general risk insurance contracts. Seguros Sura merged with Interseguro as of March 30, 2018.

## Notes to the consolidated financial statements (continued)

- (e) Hipotecaria Sura Empresa Administradora Hipotecaria S.A. -  
Hipotecaria Sura is incorporated in Peru, its regulated by the SBS and its main activity is the granting of mortgage loans and since 2015, it has not granted any new mortgage loans. As of September 30, 2018, Hipotecaria Sura is under the process of liquidation.
  
- (f) Negocios e Inmuebles S.A. and Holding Retail Perú S.A. -  
These entities were acquired by IFS as part of the purchase of Seguros Sura and Hipotecaria Sura. As of December 31, 2017, the only activity of these entities is to maintain collectively 30.7 percent of Seguros Sura's capital stock and 30.0 percent of Hipotecaria Sura's capital stock. As of September 30, 2018 and as a result of the merger of Interseguro with Seguros Sura, these subsidiaries received shares of Interseguro in exchange for its shares in Seguros Sura, becoming a direct and indirect shareholders of 8.5 percent of Interseguro.
  
- (g) San Borja Global Opportunities S.A.C. -  
Its corporate purpose is the commercialization of products and services through the Internet, telephony or related. As of September 30, 2018, it has a paid-in capital of S/1,461,000 (as of December 31, 2017, it did not have operations and had a paid-in capital of S/1,000).

## Notes to the consolidated financial statements (continued)

The table below presents a summary of the main captions of the consolidated financial statements of the main Subsidiaries, before adjustments and eliminations for consolidation, as of September 30, 2018 and December 31, 2017 and for the nine-month periods ended as of September 30, 2018 and 2017 (restated); see also segments information in Note 26:

	Interbank and Subsidiaries			Interseguro and Subsidiaries			Inteligo and Subsidiaries			Seguros Sura (*)		
	30.09.2018 S/(000)	01.01.2018 S/(000)	31.12.2017 S/(000)	30.09.2018 S/(000)	01.01.2018 S/(000)	31.12.2017 S/(000)	30.09.2018 S/(000)	01.01.2018 S/(000)	31.12.2017 S/(000)	30.09.2018 S/(000)	01.01.2018 S/(000)	31.12.2017 S/(000)
<b>Consolidated statements of financial position</b>												
Cash and due from banks	6,829,035	10,655,092	10,655,092	127,418	71,713	71,713	244,114	377,485	377,485	-	124,848	124,848
Investments at fair value through profit or loss and available-for-sale investments	-	-	4,861,490	-	-	5,216,629	-	-	1,198,427	-	-	4,935,100
Investments at fair value through profit or loss and other comprehensive income	4,420,099	4,861,490	-	10,275,341	5,216,629	-	1,538,306	1,198,427	-	-	4,935,100	-
Held-to-maturity investments	-	-	1,248,474	-	-	-	-	-	-	-	-	-
Debt instruments at amortized cost	1,842,458	1,248,474	-	-	-	-	-	-	-	-	-	-
Loans, net	30,157,830	26,870,816	26,869,700	-	-	-	1,299,735	1,334,573	1,334,573	-	-	-
Investment property	-	-	-	1,052,254	862,774	862,774	-	-	-	-	255,835	255,835
<b>Total assets</b>	<b>45,084,890</b>	<b>45,511,375</b>	<b>45,478,588</b>	<b>11,909,168</b>	<b>6,468,402</b>	<b>6,468,402</b>	<b>3,216,576</b>	<b>3,013,889</b>	<b>3,013,892</b>	<b>-</b>	<b>5,470,294</b>	<b>5,470,294</b>
Deposits and obligations	29,079,102	30,559,296	30,559,296	-	-	-	2,166,109	2,268,248	2,268,248	-	-	-
Due to banks and correspondents	3,828,248	4,386,725	4,386,725	3,471	20,568	20,568	321,753	100	100	-	-	-
Bonds, notes and other obligations	5,279,717	4,537,205	4,537,205	176,988	165,348	165,348	-	-	-	-	9,960	9,960
Insurance contract liabilities	-	-	-	9,857,190	5,466,506	5,466,506	-	-	-	-	4,909,236	4,909,236
<b>Total liabilities</b>	<b>39,871,460</b>	<b>40,689,772</b>	<b>40,555,067</b>	<b>10,446,427</b>	<b>5,884,935</b>	<b>5,884,935</b>	<b>2,512,742</b>	<b>2,304,094</b>	<b>2,304,094</b>	<b>-</b>	<b>4,983,330</b>	<b>4,983,330</b>
<b>Equity attributable to IFS's shareholders</b>	<b>5,213,430</b>	<b>4,821,603</b>	<b>4,923,521</b>	<b>1,462,741</b>	<b>583,282</b>	<b>583,282</b>	<b>703,834</b>	<b>709,795</b>	<b>709,798</b>	<b>-</b>	<b>486,964</b>	<b>486,964</b>
<b>Non-controlling interest – equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### For the nine-month periods ended September, 30

	Interbank and Subsidiaries		Interseguro and Subsidiaries		Inteligo and Subsidiaries	
	30.09.2018 S/(000)	30.09.2017 S/(000)	30.09.2018 S/(000)	30.09.2017 S/(000)	30.09.2018 S/(000)	30.09.2017 S/(000)
<b>Consolidated income statements</b>						
Net interest and similar income	1,840,597	1,711,748	453,547	216,713	78,922	73,494
Provision for loan losses, net of recoveries	(452,031)	(641,840)	-	-	772	2,657
Net gain from sale and valuation of investment property	-	-	32,708	(8,768)	-	-
Fee income from financial services, net	593,875	589,350	(3,445)	(2,625)	92,197	85,962
Total net premiums earned less claims and benefits	-	-	(339,746)	(100,187)	-	-
Impairment loss on financial instruments	5	-	316	(5,789)	2,005	(3,507)
<b>Net profit for the period attributable to IFS's shareholders</b>	<b>782,985</b>	<b>631,514</b>	<b>(39,518)</b>	<b>23,248</b>	<b>141,568</b>	<b>146,915</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(54)</b>	<b>-</b>	<b>-</b>

(\*) As of September 30, 2018, the balances of Seguros Sura are presented as part of the balances of Interseguro, as a result of the merger.

## Notes to the consolidated financial statements (continued)

### 4. Main accounting principles and practices

The accompanying separate financial statements have been prepared from the accounting records of IFS, in accordance with the IFRS issued by the International Accounting Standards Board (henceforth "IASB"). As of September 30, 2018, the accounting principles and practices are consistent with of standards applied as of December 31, 2017, which are included in the audited financial statements dated March 19, 2018, except for the following:

#### 4.1 Restatement on financial statements of previous periods -

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

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

Equity, net	Balances as of December 31, 2017		
	Reported	Adjustments <sup>1/</sup>	Restated
	S/(000)	S/(000)	S/(000)
Capital stock	963,446	-	963,446
Treasury stock	(467,200)	-	(467,200)
Capital surplus	268,077	-	268,077
Reserves	3,700,000	-	3,700,000
Unrealized results, net	446,370	(675,095)	(228,725)
Retained earnings	889,850	675,095	1,564,945
<b>Total equity, net</b>	<b>5,800,543</b>	<b>-</b>	<b>5,800,543</b>

1/ Correspond to the cumulative effect as of December 31, 2017 (S/675,095,000).

Additionally, as a result of the change in the accounting policy, the net income for the nine-month periods ended as of September 30, 2017 has been restated, as shown below:



## Notes to the consolidated financial statements (continued)

### Consolidated income statements

	For the nine-month periods ended September 30, 2017		
	<b>Reported</b>	<b>Adjustment <sup>2/</sup></b>	<b>Restated</b>
	S/(000)	S/(000)	S/(000)
Interest and similar income	2,811,540	-	2,811,540
Interest and similar expenses	(831,816)	-	(831,816)
<b>Net interest and similar income</b>	<b>1,979,724</b>	<b>-</b>	<b>1,979,724</b>
Provision for loan losses, net of recoveries	(639,183)	-	(639,183)
<b>Net interest and similar income after provision for loan losses, net of recoveries</b>	<b>1,340,541</b>	<b>-</b>	<b>1,340,541</b>
<b>Other income</b>			
Fee income from financial services, net	645,026	-	645,026
Net gain on foreign exchange transactions	150,508	-	150,508
Net gain on sale of securities	137,300	-	137,300
Net trading income	14,391	-	14,391
Rental income	18,809	-	18,809
Fair value loss on investment property	(8,768)	-	(8,768)
Others	60,211	-	60,211
<b>Total other income</b>	<b>1,017,477</b>	<b>-</b>	<b>1,017,477</b>
<b>Insurance premiums and claims</b>			
Net premiums earned (incurred)	15,646	149,708	165,354
Net claims and benefits incurred for life insurance contracts and others	(265,541)	-	(265,541)
<b>Total net premiums earned less claims and benefits</b>	<b>(249,895)</b>	<b>149,708</b>	<b>(100,187)</b>
<b>Other expenses</b>			
Salaries and employee benefits	(532,838)	-	(532,838)
Administrative expenses	(550,919)	-	(550,919)
Depreciation and amortization	(102,774)	-	(102,774)
Impairment loss on financial instruments	(9,296)	-	(9,296)
Expenses related to rental income	(599)	-	(599)
Others	(88,734)	-	(88,734)
<b>Total other expenses</b>	<b>(1,285,160)</b>	<b>-</b>	<b>(1,285,160)</b>
<b>Income before translation result and Income Tax</b>	<b>822,963</b>	<b>149,708</b>	<b>972,671</b>
Translation result	13,448	-	13,448
Income Tax	(239,790)	-	(239,790)
<b>Net profit for the period</b>	<b>596,621</b>	<b>149,708</b>	<b>746,329</b>
<b>Attributable to:</b>			
IFS's shareholders	592,280	149,708	741,988
Non-controlling interest	4,341	-	4,341
	<b>596,621</b>	<b>149,708</b>	<b>746,329</b>
<b>Earnings per share attributable to IFS's shareholders basic and diluted (stated in Soles)</b>	<b>5.55</b>	<b>-</b>	<b>6.95</b>
<b>Weighted average number of outstanding shares (in thousand)</b>	<b>106,707</b>	<b>-</b>	<b>106,707</b>

<sup>2/</sup> Correspond to the effect for the nine-month period ended September 30, 2017 (S/149,708,000).

## Notes to the consolidated financial statements (continued)

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

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

The main impacts of said adoption are described below:

#### (a) Classification and Measurement – Financial Assets

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

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

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

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

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

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

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

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

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

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

## Notes to the consolidated financial statements (continued)

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

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

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

### **(b.1) Measurement of the expected credit loss**

The parameters for measuring the expected credit loss are the following:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

PD estimations are performed at a determined date, and are obtained from the Group’s risk rating models.

The LGD is the debt percentage that is estimated as loss in case of default. The Group calculates the LGD parameters with historical information of the recovery rates for the different products. LGD models consider: the guarantee and the recovery costs of the guarantee.

The EAD represents the expected exposure at the default date. The Group calculates the EAD of the counterpart and the possible changes in the current amount according to the contract, including amortization and pre-payments. The EAD of a financial asset shall be the book value at the moment of default. In the case of loan commitments and financial guarantees, the EAD shall consider the used amount, as well as the potential future amounts that can be extracted or reimbursed pursuant to the contract, which shall be estimated in function of the historical records and macroeconomic factors. The EAD includes the direct and indirect (contingent) credit risk, which is determined by the credit conversion factor (CCF).

The Group uses a 12-month PD for financial assets whose credit risk has not increased significantly since their initial recognition. For the rest of financial assets, the Group shall measure the expected loss considering the default risk for the expected remaining period.

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

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

## Notes to the consolidated financial statements (continued)

- “Stage” 3: A lifetime expected credit loss is recognized in credit-impaired financial assets. The interest income is measured based on the net carrying amount of the financial asset.

### Forward-looking information

According to IFRS 9, the Group includes prospective information in order to determine its expected credit loss. This process implies the use of economic scenarios and taking into account the probability of occurrence for each scenario. This information can be external and can use economic data and forecasts published by regulatory entities.

### (c) Classification – Financial liabilities

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

### (d) Contract derecognition and amendment

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

### (e) Hedge accounting

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

### (f) Transition

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

The impact of the first adoption of IFRS 9 for the Company and its Subsidiaries amounted to S/101,207,000, was recorded in retained earnings as of January 1, 2018, and is made up as follows:

	Unrealized results, net	Retained earnings	Total equity (*)
	S/(000)	S/(000)	S/(000)
Higher loan provisions for calculation of expected loss in Subsidiaries	-	(101,207)	(101,207)
Higher impairment on investments at fair value through other comprehensive income	31,567	(31,567)	-
Impact of reclassification of investments (debt and equity) from available-for-sale to fair value through profit or loss	<u>(75,503)</u>	<u>75,503</u>	<u>-</u>
Total	<u>(43,936)</u>	<u>(57,271)</u>	<u>(101,207)</u>

(\*) Attributable to IFS's shareholders

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

Notes to the consolidated financial statements (continued)

**Reconciliation of the consolidated statements of financial position**

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

	Note	Balances according to IAS 39 as of December 31, 2017		Reclassifications	Adjustments due to first adoption IFRS 9	Balances according to IFRS 9 as of January 1, 2018	
		Classification	S/(000)	S/(000)	S/(000)	S/(000)	Classification
<b>Assets</b>							
Cash and due from banks:		Loans and accounts receivable	11,204,843	-	-	11,204,843	Amortized cost
Inter-bank funds		Loans and accounts receivable	403,526	-	-	403,526	Amortized cost
Investments at fair value through profit or loss	6	Fair value through profit or loss	216,008	1,139,630	-	1,355,638	Fair value through profit or loss
Available-for-sale investments	7(b)	Available-for-sale	15,459,660	(15,459,660)	-	-	-
Held-to-maturity investments	7(g)	To maturity	1,248,475	(1,248,475)	-	-	-
Investments at fair value through other comprehensive income	7(a)	-	-	14,320,030	-	14,320,030	Fair value through other comprehensive income
Investments at amortized cost	7(g)	-	-	1,248,475	-	1,248,475	Amortized cost
Loans, net		Loans and accounts receivable	28,204,168	-	1,116	28,205,284	Amortized cost
Accounts receivable and other assets, net		Loans and accounts receivable	570,965	-	(5)	570,960	Amortized cost
Accounts receivable from operations with derivatives		Fair value through profit or loss	92,820	-	-	92,820	Fair value through profit or loss
Due from customers on acceptances		Loans and accounts receivable	41,715	-	-	41,715	Amortized cost
Non-financial assets		N/A	2,939,429	-	-	2,939,429	N/A
Deferred Income Tax asset, net		N/A	53,277	-	42,646	95,923	N/A
<b>Total assets</b>			<b>60,434,886</b>	<b>-</b>	<b>43,757</b>	<b>60,478,643</b>	
<b>Liabilities</b>							
Deposits and obligations		Amortized cost	32,607,637	-	-	32,607,637	Amortized cost
Inter-bank funds		Amortized cost	30,008	-	-	30,008	Amortized cost
Due to banks and correspondents		Amortized cost	4,407,392	-	-	4,407,392	Amortized cost
Bonds, notes and other obligations		Amortized cost	5,602,358	-	-	5,602,358	Amortized cost
Due from customers on acceptances		Amortized cost	41,715	-	-	41,715	Amortized cost
Insurance contract liabilities		Amortized cost	10,554,926	-	-	10,554,926	Amortized cost
Accounts payable and other financial liabilities		Amortized cost	1,025,470	-	145,678	1,171,148	Amortized cost
Accounts payable for operations with derivatives		Fair value through profit or loss	133,921	-	-	133,921	Fair value through profit or loss
Non-financial liabilities		N/A	194,295	-	-	194,295	N/A
Deferred Income Tax liability, net		N/A	257	-	-	257	N/A
<b>Total liabilities</b>			<b>54,597,979</b>	<b>-</b>	<b>145,678</b>	<b>54,743,657</b>	
Equity attributable to IFS's shareholders:		N/A	5,800,543	-	(101,207)	5,699,336	N/A
Non-controlling interest		N/A	36,364	-	(714)	35,650	N/A
<b>Total equity, net</b>			<b>5,836,907</b>	<b>-</b>	<b>(101,921)</b>	<b>5,734,986</b>	

## Notes to the consolidated financial statements (continued)

### Reconciliation of the statements of other comprehensive income

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

	S(000)
<b><u>Retained earnings</u></b>	
Balance under IAS 39 (as of December 31, 2017) – restated	1,564,945
<b><u>Adjustments or reclassifications related to adoption of IFRS 9</u></b>	
Recognition of expected losses under IFRS 9 including those measured at fair value through other comprehensive income	(132,774)
Impact of reclassification of available-for-sale investments to fair value through profit or loss	75,503
Balance under IFRS 9 (as of January 1, 2018)	<u>1,507,674</u>
<b><u>Unrealized results</u></b>	
Balance under IAS 39 (as of December 31, 2017) – restated	(228,725)
<b><u>Adjustments or reclassifications related to adoption of IFRS 9</u></b>	
Impact of reclassification of available-for-sale investments to fair value through profit or loss	(75,503)
Recognition of expected losses under IFRS 9 of investments at fair value through other comprehensive income	31,567
Balance under IFRS 9 (as of January 1, 2018)	<u>(272,661)</u>
<b>Total impact on net Equity due to adoption of IFRS 9 (*)</b>	<u>(101,207)</u>

(\*) Attributable to IFS's shareholders

### 4.3 Modification of parameters used by Subsidiary for the computation of insurance contract liabilities (technical reserves) -

During the second quarter of 2018, Interseguro modified the assumptions for the estimation of interest rates used for the discount of pension reserves; see Note 1.2.3.1 for further detail. In addition, adopted new Mortality Tables; see Note 1.2.3.2 for further detail.

## Notes to the consolidated financial statements (continued)

### 5. Cash and due from banks

(a) This caption is made up as follows:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
Cash and clearing (b)	1,603,610	2,073,078
Deposits in the Central Reserve Bank of Peru – BCRP (b)	2,853,453	5,878,533
Deposits in banks (c)	1,060,654	1,274,006
Accrued interest	2,613	1,807
	<u>5,520,330</u>	<u>9,227,424</u>
Restricted funds (d)	<u>1,655,935</u>	<u>1,977,419</u>
<b>Total</b>	<u><u>7,176,265</u></u>	<u><u>11,204,843</u></u>

(b) In accordance with rules in force, Interbank is required to maintain a legal reserve in order to honor its obligations with the public. This reserve is comprised of funds kept in Interbank and BCRP vaults and is made up as follows:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
<b>Legal reserve</b>		
Deposits in BCRP	2,853,452	5,178,949
Cash in vaults	<u>1,584,657</u>	<u>1,948,711</u>
Subtotal legal reserve	4,438,109	7,127,660
<b>Non-mandatory reserve</b>		
Overnight BCRP deposits	-	699,584
Cash and clearing	<u>17,415</u>	<u>124,163</u>
Subtotal non-mandatory reserve	<u>17,415</u>	<u>823,747</u>
Cash and due from banks not subject to legal reserve	1,539	204
<b>Total</b>	<u><u>4,457,063</u></u>	<u><u>7,951,611</u></u>

The legal reserve funds maintained at the BCRP are non-interest bearing; except for the part that exceeds the minimum reserve, which accrue interest at an annual rate established by the BCRP. As of September 30, 2018, the excess in foreign currency accrued interest in US Dollars at an annual average rate of 0.54 percent (0.37 percent as of December 31, 2017). As of December 31, 2017, the excess amount in Soles accrued interest in Soles at an annual average rate of 0.05 percent.

In Management's opinion, Interbank has complied with the requirements established by the rules in force related to the computation of the legal reserve.

## Notes to the consolidated financial statements (continued)

(c) Deposits in domestic banks and abroad are mainly in Soles and US Dollars, they are freely available and accrue interests at market rates. As of September 30, 2018 and December 31, 2017, the Group does not have significant deposits in any specific financial institution.

(d) The Group maintains restricted funds related to:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
Repurchase agreements with BCRP (*)	1,575,533	1,882,244
Derivative financial instruments, Note 10(d)	73,837	90,093
Others	<u>6,565</u>	<u>5,082</u>
<b>Total</b>	<u>1,655,935</u>	<u>1,977,419</u>

(\*) As of September 30, 2018, correspond to deposits maintained in BCRP which guarantee repurchase agreements amounting to S/1,564,081,000 including interests (guaranteed repurchase agreements amounting to S/1,890,962,000 including interests, as of January 1, 2018 (December 31, 2017)), see Note 12(b).

Cash and cash equivalents presented in the consolidated statements of cash flows exclude the restricted funds and accrued interest.



## Notes to the consolidated financial statements (continued)

### 6. Investments at fair value through profit or loss

The detail of caption as of September 30, 2018 and January 1, 2018 under IFRS 9 and December 31, 2017 according IAS 39, is as follows:

	<b>Market value</b>		
	<b>30.09.2018</b>	<b>01.01.2018</b>	<b>31.12.2017</b>
	S/(000)	S/(000)	S/(000)
		(*)	
Shares, mutual funds and investment funds participations	1,587,244	1,328,969	189,339
Corporate and leasing bonds	46,708	26,239	26,239
Peruvian Sovereign Bonds	58,391	-	-
	<u>1,692,343</u>	<u>1,355,208</u>	<u>215,578</u>
Accrued interest	1,108	430	430
	<u>1,693,451</u>	<u>1,355,638</u>	<u>216,008</u>
<b>Total</b>	<u>1,693,451</u>	<u>1,355,638</u>	<u>216,008</u>

(\*) Until December 31, 2017, the most part of these investments were recorded as available-for-sale investments. As of January 1, 2018, as part of the adoption of IFRS 9, the Group designated these investments as investments at fair value through other comprehensive income.

Notes to the consolidated financial statements (continued)

7. Investments at fair value through other comprehensive income

(a) The detail of item as of September 30, 2018 and January 1, 2018 under IFRS 9, is as follows:

	30.09.2018				01.01.2018			
	Amortized Cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Amortized Cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)
		Gains S/(000)	Losses S/(000)			Gains S/(000)	Losses S/(000)	
<b>Debt instruments</b>								
Corporate, leasing and subordinated bonds	7,394,088	137,520	(187,501)	7,344,107	7,073,038	203,199	(53,372)	7,222,865
Peruvian Sovereign Bonds (d)	2,855,264	24,001	(101,125)	2,778,140	2,439,351	81,636	(29,896)	2,491,091
Negotiable Certificates of Deposit issued by BCRP (e)	1,591,782	482	(531)	1,591,733	1,933,640	2,328	(18)	1,935,950
Bonds guaranteed by the Peruvian Government	943,979	11,370	(13,659)	941,690	857,344	17,485	(7,028)	867,801
Sovereign and Global Bonds of foreign countries	511,853	138	(12,288)	499,703	402,976	1,648	(2,480)	402,144
Global Bonds of the Republic of Peru	448,268	49	(13,689)	434,628	478,144	1,411	(2,355)	477,200
Indexed Certificates of Deposit issued by BCRP	-	-	-	-	169,002	-	(1,598)	167,404
Certificates of deposits payable in US Dollars issued by BCRP	-	-	-	-	21,446	-	(1)	21,445
<b>Total</b>	<b>13,745,234</b>	<b>173,560</b>	<b>(328,793)</b>	<b>13,590,001</b>	<b>13,374,941</b>	<b>307,707</b>	<b>(96,748)</b>	<b>13,585,900</b>
<b>Listed shares</b>								
Biopharma Credit PLC	237,529	20,699	-	258,228	199,303	7,718	-	207,021
InRetail Perú Corp. (e)	70,653	135,669	-	206,322	70,653	92,333	-	162,986
Energía del Sur	71,307	-	(12,356)	58,951	71,307	-	(7,165)	64,142
Other foreign and peruvian entities	331,370	5,805	(30,291)	306,884	130,177	4,399	(6,665)	127,911
<b>Non-listed shares</b>								
Others	953	682	-	1,635	936	670	-	1,606
	711,812	162,855	(42,647)	832,020	472,376	105,120	(13,830)	563,666
	14,457,046	336,415	(371,440)	14,422,021	13,847,317	412,827	(110,578)	14,149,566
Accrued interest				141,148				170,464
<b>Total</b>				<b>14,563,169</b>				<b>14,320,030</b>

## Notes to the consolidated financial statements (continued)

(b) The detail of item as of December 31, 2017 under IAS 39, is as follows:

	2017 (*)			
	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)
		Gains S/(000)	Losses S/(000)	
<b>Debt instruments</b>				
Corporate, leasing and subordinated bonds	7,073,038	197,914	(48,087)	7,222,865
Peruvian Sovereign Bonds	2,439,351	67,811	(16,071)	2,491,091
Negotiable Certificates of Deposit issued by BCRP	1,933,640	2,328	(18)	1,935,950
Mutual funds and investment funds participations	895,304	82,440	(21,427)	956,317
Bonds guaranteed by the Peruvian Government	857,344	15,883	(5,426)	867,801
Global Bonds of the Republic of Peru	478,144	1,330	(2,274)	477,200
Indexed Certificates of Deposit issued by BCRP	169,002	-	(1,598)	167,404
Certificates of deposits payable in US Dollars issued by BCRP	21,446	-	(1)	21,445
Global Bonds of Canada	402,976	1,648	(2,480)	402,144
<b>Total</b>	<b>14,270,245</b>	<b>369,354</b>	<b>(97,382)</b>	<b>14,542,217</b>
<b>Listed shares</b>				
Biopharma Credit PLC	280,601	11,359	-	291,960
InRetail Perú Corp.	75,376	92,830	-	168,206
Energía del Sur	71,307	-	(7,167)	64,140
Peruvian and foreign entities	152,927	6,075	(6,475)	152,527
<b>Non-listed shares and participations</b>				
Royalty Pharma	60,766	7,774	-	68,540
Others	936	670	-	1,606
	<u>641,913</u>	<u>118,708</u>	<u>(13,642)</u>	<u>746,979</u>
	<u>14,912,158</u>	<u>488,062</u>	<u>(111,024)</u>	<u>15,289,196</u>
Accrued interest				170,464
<b>Total</b>				<b><u>15,459,660</u></b>

(\*) Until December 31, 2017, these investments were recorded as Available-for-sale investments. As of January 1, 2018, as part of the first adoption of IFRS 9, S/1,139,630,000 were classified as investments at fair value through profit or loss and S/14,320,030,000 as investments at fair value through other comprehensive income.

## Notes to the consolidated financial statements (continued)

- (c) As of September 30, 2018, Interbank holds repurchase agreements with BCRP for approximately S/298,567,000, including accrued interests, which are guaranteed with Negotiable Certificates of Deposit issued by BCRP, classified and restricted, for approximately S/305,708,000, see Note 12(b).
- (d) During 2018, Interbank reclassified Peruvian Sovereign Bonds classified as financial instruments through other comprehensive income to debt instruments at amortized cost whose carrying value and cumulative unrealized gain recorded in equity at such date amounted to approximately S/152,134,000 and S/1,160,000, respectively (during 2017, it was reclassified Peruvian Sovereign Bonds whose carrying value and cumulative unrealized gain recorded in equity amounted to approximately S/62,796,000 and S/298,000, respectively); such unrealized gains and losses will be transferred to each period's results through the remaining term of the instruments. As a result of these transfers, Interbank has recorded in the results of the 2018 and 2017 a net loss of approximately S/2,117,000 and S/1,964,000, respectively.
- (e) As of September 30, 2018 and January 1, 2018, the Group held approximately 2,473,621 shares, which represented 2.41 percent, of InRetail Perú Corp.'s capital stock (a related entity).
- (f) The table below presents the fair value of debt instruments through other comprehensive income as of September 30, 2018:

	Total
	S/(000)
<b>Instruments issued and rated in Peru:</b>	
AAA	759,978
AA- / AA+	2,391,491
A- / A+	291,386
BBB- / BBB+	483
BB- / BB+	4,743
	<u>3,448,081</u>
<b>Instruments issued in Peru and rated abroad:</b>	
A- / A+	2,830,430
BBB- / BBB+	2,312,871
BB- / BB+	194,497
	<u>5,337,798</u>
<b>Instruments issued and rated abroad:</b>	
AAA	89,841
AA- / AA+	154,806
A- / A+	330,504
BBB- / BBB+	2,179,737
BB- / BB+	128,538
	<u>2,883,426</u>
<b>Unrated</b>	
Certificates of Deposit issued by the BCRP	1,591,733
Others	328,963
	<u>1,920,696</u>
<b>Total debt instruments</b>	<u>13,590,001</u>

## Notes to the consolidated financial statements (continued)

- (g) As of September 30, 2018 and January 1, 2018 (December 31, 2017), debt instruments at amortized cost are entirely comprised of Peruvian Sovereign Bonds amounting to S/1,842,459,000 and S/1,248,475,000, respectively, including accrued interests. The balances as of January 1, 2018 and December 31, 2017 correspond to the same debt instruments.

As of September 30, 2018 and January 1, 2018 (December 31, 2017), these investments have maturities between August 2020 and August 2037, have accrued interest at effective annual rates between 4.05 percent and 6.33 percent. The estimated fair value of these instruments amounts to approximately S/1,846,129,000, as of September 30, 2018 (As of January 1, 2018 (December 31, 2017) accrue interest at effective annual rates between 4.05 and 6.33 and their fair value amounts to S/1,303,196,000).

As of September 30, 2018 and January 1, 2018 (December 31, 2017), Interbank holds repurchase agreements with BCRP for approximately S/371,381,000 and S/332,850,000, including accrued interests, which are guaranteed with Peruvian Sovereign Bonds, classified and restricted, for approximately S/392,130,000 and S/362,644,000, see Note 12(b).

## Notes to the consolidated financial statements (continued)

### 8. Loans, net

(a) The detail of loan portfolio as of September 30, 2018, January 1, 2018 and December 31, 2017, is as follows:

	<b>30.09.2018</b>	<b>01.01.2018</b>	<b>31.12.2017</b>
	S/(000)	S/(000)	S/(000)
<b>Direct loans</b>			
Loans	24,317,393	21,833,083	21,833,083
Credit cards	4,524,358	3,798,746	3,798,746
Leasing	1,695,289	1,706,745	1,706,745
Discounted notes	448,146	547,857	547,857
Factoring	291,605	162,598	162,598
Advances and overdrafts	123,244	57,774	57,774
Refinanced loans	215,514	273,448	273,448
Past due and under legal collection loans	815,181	794,450	794,450
	<u>32,430,730</u>	<u>29,174,701</u>	<u>29,174,701</u>
<b>Plus (minus)</b>			
Accrued interest from performing loans	298,755	286,543	286,543
Unearned interest and interest collected in advance	(49,027)	(54,958)	(54,958)
Allowance for loan losses (c)	<u>(1,222,955)</u>	<u>(1,201,002)</u>	<u>(1,202,118)</u>
<b>Total direct loans, net</b>	<u>31,457,503</u>	<u>28,205,284</u>	<u>28,204,168</u>
<b>Indirect loans</b>	<u>4,105,874</u>	<u>4,266,504</u>	<u>4,266,504</u>

(b) The classification of the direct loan portfolio is as follows:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
Commercial loans (*)	15,141,535	13,545,195
Consumer loans	10,379,599	9,187,000
Mortgage loans	6,191,202	5,756,403
Small and micro-business loans	<u>718,394</u>	<u>686,103</u>
<b>Total</b>	<u>32,430,730</u>	<u>29,174,701</u>

(\*) In September 2018 Interbank acquired a portfolio of commercial loans from Bancolombia Panama S.A. and Bancolombia Puerto Rico Internacional, Inc; the net value of the loan portfolio amounted to approximately S/246,002,000. In the same month, Interbank acquired a portfolio of commercial loan from Itaú CorpBanca New York Branch; the net value of the loan portfolio amounted to approximately S/197,948,000.

Notes to the consolidated financial statements (continued)

(c) The changes in the allowance for loan losses (direct and indirect) as of September 30, 2018 and 2017, January 1, 2018 and December 31, 2017, are as follows:

	30.09.2018				
	Commercial	Mortgage	Consumer	Small and micro-business	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Balance at 31.12.2017</b>	<b>243,115</b>	<b>66,543</b>	<b>881,874</b>	<b>63,431</b>	<b>1,254,963</b>
First adoption of IFRS 9	48,284	38,554	64,768	(7,044)	144,562 (*)
<b>Balance at 01.01.2018</b>	<b>291,399</b>	<b>105,097</b>	<b>946,642</b>	<b>56,387</b>	<b>1,399,525</b>
Provision	(5,798)	1,813	418,030	37,214	451,259
Recovery of written-off loans	963	-	105,861	3,429	110,253
Written-off portfolio	(25,006)	29	(531,720)	(29,303)	(586,000)
Sale of loan portfolio	(5,935)	-	(1,245)	-	(7,180)
Translation result	1,973	743	3,373	94	6,183
Others	(333)	(1,108)	(12,758)	(62)	(14,261)
<b>End of period balances (**)</b>	<b>257,263</b>	<b>106,574</b>	<b>928,183</b>	<b>67,759</b>	<b>1,359,779</b>

(\*) Corresponds to higher provisions for indirect exposure for S/145, 678,000, net of lower provisions for direct loans for S/1,116,000.

	30.09.2017				
	Commercial	Mortgage	Consumer	Small and micro-business	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Balance at 01.01.2017</b>	221,134	60,497	851,927	57,200	1,190,758
Provision	33,947	12,193	571,297	21,746	639,183
Recovery of written-off loans	161	-	89,552	3,509	93,222
Written-off portfolio	(8,509)	(955)	(590,199)	(20,638)	(620,301)
Sale of loan portfolio	-	-	(3,969)	-	(3,969)
Translation result	(4,377)	(1,696)	(1,096)	(259)	(7,428)
Others	(45)	-	(18,024)	-	(18,069)
<b>End of period balances</b>	<b>242,311</b>	<b>70,039</b>	<b>899,488</b>	<b>61,558</b>	<b>1,273,396</b>
<b>Balance at 31.12.2017</b>	<b>243,115</b>	<b>66,543</b>	<b>881,874</b>	<b>63,431</b>	<b>1,254,963</b>

(\*\*) As of September 30, 2018, the allowance for loan losses includes the allowance for direct and indirect loans amounting to S/1,222,955,000 and S/136,824,000, respectively (S/1,201,002,000 and S/198,523,000, respectively, as of January 1, 2018). The allowance for loan losses for indirect loans is presented in the "Accounts payable, provisions and other liabilities" caption of the consolidated statements of financial position; see Note 10(a).

In Management's opinion, the allowance for loan losses recorded as of September 30, 2018 and January 1, 2018, has been established in accordance with IFRS 9 and it is sufficient to cover incurred losses on the loan portfolio.

Notes to the consolidated financial statements (continued)

9. Investment property

(a) The detail of caption as of September 30, 2018, January 1, 2018 and December 31, 2017, is as follows:

	30.09.2018	01.01.2018 and 31.12.2017	Acquisition or construction year	Hierarchy level (i)	Valorization methodology	
					30.09.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)				
<b>Land -</b>						
San Isidro – Lima	244,587	240,715	2009	Level 3	Appraisal	Appraisal
Miraflores – Lima	69,267	72,421	2017	Level 3	Appraisal	Appraisal
San Martín de Porres – Lima	63,104	63,299	2015	Level 3	Appraisal	Appraisal
Piura	49,611	40,142	2008	Level 3	Appraisal	Appraisal
Yanahuara - Arequipa	29,779	26,323	2017	Level 3	Appraisal	Appraisal
Sullana	16,134	25,419	2012	Level 3	Appraisal	Appraisal
Santa Clara - Lima	10,118	9,937	2017	Level 3	Appraisal	Appraisal
Chimbote	7,260	9,399	2015	Level 3	Appraisal	Appraisal
Others	15,513	15,464	-	Level 3	Appraisal	Appraisal
	<u>505,373</u>	<u>503,119</u>				
<b>Completed investment property</b>						
<b>Shopping Malls "Real Plaza" -</b>						
Talara	38,994	37,932	2015	Level 3	DCF	DCF
Pucallpa (c)	-	190,676	2014	Level 3	-	Appraisal + DCF
	<u>38,994</u>	<u>228,608</u>				
<b>Buildings -</b>						
Orquideas - San Isidro - Lima	141,988	133,230	2017	Level 3	DCF	DCF
Ate Vitarte - Lima	65,755	57,781	2006	Level 3	DCF	DCF
Ate Vitarte (UTP Headquarters) - Lima	52,360	-	2018	Level 3	DCF	DCF
Chorrillos - Lima	35,945	24,798	2017	Level 3	DCF	DCF
Maestro - Huancayo	32,548	30,510	2017	Level 3	DCF	DCF
Cusco	26,221	23,794	2017	Level 3	DCF	DCF
Panorama - Lima	21,687	20,653	2016	Level 3	DCF	DCF
Trujillo	15,087	15,369	2016	Level 3	DCF	DCF
Cercado de Lima	12,562	11,577	2017	Level 3	DCF	DCF
Others	63,133	30,281	-	Level 3	Appraisal + DCF	Appraisal + DCF
	<u>467,286</u>	<u>347,993</u>				
<b>Built on leased land -</b>						
San Juan de Lurigancho - Lima	40,601	37,726	2017	Level 3	DCF	DCF
Others	-	1,162	-	Level 3	-	DCF
	<u>40,601</u>	<u>38,888</u>				
<b>Total</b>	<u>1,052,254</u>	<u>1,118,608</u>				

DCF: Discounted cash flow

(i) As of September 30, 2018, January 1, 2018 and December 31, 2017, there were no transfers between levels of hierarchy.

(ii) As of September 30, 2018, January 1, 2018 and December 31, 2017, there are no liens on investment properties.



## Notes to the consolidated financial statements (continued)

- (b) The movement of investment property for the nine month-periods ended September 30, 2018 and 2017, is as follows:

	<b>2018</b>	<b>2017</b>
	S/(000)	S/(000)
<b>Beginning balance</b>	1,118,608	745,185
Additions	112,652	49,152
Sales (c)	(192,521)	-
Transfers	(17,634)	-
Valuation gain (loss)	<u>31,149</u>	<u>(8,768)</u>
<b>Ending balance</b>	<u>1,052,254</u>	<u>785,569</u>
<b>Balance as of December 31, 2017 and January 1, 2018</b>		<u>1,118,608</u>

- (c) In January 2018, Interseguro sold, in cash and at fair value, the Real Plaza Pucallpa Shopping Mall, a lot located in Lurín (Lot A) and the building of Estación Central, to related entities, recognizing a net gain amounting to approximately S/1,559,000. The results of the sale of investment properties are presented as “Gain on sale of investment property” in the consolidated income statements.

## Notes to the consolidated financial statements (continued)

### 10. Accounts receivable and other assets, net; accounts payable, provisions and other liabilities

(a) These captions are comprised of the following:

	30.09.2018	01.01.2018	31.12.2017
	S/(000)	S/(000)	S/(000)
<b>Accounts receivable and other assets</b>			
<b>Financial instruments</b>			
Other accounts receivable, net	266,301	239,666	239,671
Accounts receivable from sale of investments	290,847	60,892	60,892
Assets for technical reserves for claims and premiums by reinsurers	142,511	124,441	124,441
Accounts receivable related to derivative financial instruments (d)	108,386	92,820	92,820
Operations in process (c)	95,316	67,783	67,783
Insurance operations receivables, net	42,759	27,200	27,200
Accounts receivable from reinsurers and coinsurers	41,337	36,427	36,427
Credit card commissions receivable	14,456	14,551	14,551
<b>Total</b>	<u>1,001,913</u>	<u>663,780</u>	<u>663,785</u>
<b>Non-financial instruments</b>			
Intangible assets, net	494,743	488,715	488,715
Goodwill, acquisition of Subsidiaries, Note 2	473,268	473,268	473,268
Deferred charges	89,599	78,114	78,114
Investments in associates	58,911	55,993	55,993
Prepaid Income Tax	36,376	44,429	44,429
Prepaid rights to related entity, Note 25(f)	9,281	10,876	10,876
Value Added Tax credit (b)	7,086	50,571	50,571
Others	18,774	6,216	6,216
	<u>1,188,038</u>	<u>1,208,182</u>	<u>1,208,182</u>
<b>Total</b>	<u>2,189,951</u>	<u>1,871,962</u>	<u>1,871,967</u>
<b>Accounts payable, provisions and other liabilities</b>			
<b>Financial instruments</b>			
Other accounts payable	480,268	425,102	425,102
Accounts payable for acquisitions of investments	269,295	96,804	96,804
Obligations for insurance contract, Note 3(b)	249,188	129,592	129,592
Operations in process (c)	166,486	148,483	148,483
Allowance for indirect loan losses, Note 8(c)	136,824	198,523	52,845
Accounts payable related to derivative financial instruments (d)	128,512	133,921	133,921
Workers' profit sharing and salaries payable	113,527	114,084	114,084
Accounts payable to reinsurers and coinsurers	59,151	58,560	58,560
	<u>1,603,251</u>	<u>1,305,069</u>	<u>1,159,391</u>
<b>Non-financial instruments</b>			
Deferred income	60,484	54,161	54,161
Taxes payable	53,355	65,261	65,261
Provision for other contingencies	45,123	52,914	52,914
Others	30,403	21,959	21,959
	<u>189,365</u>	<u>194,295</u>	<u>194,295</u>
<b>Total</b>	<u>1,792,616</u>	<u>1,499,364</u>	<u>1,353,686</u>

Notes to the consolidated financial statements (continued)

- (b) Corresponds to the Value-Added Tax resulting from the purchase of goods devoted mostly to grant financial leasing loans, which is recovered through the collection of the loans.
- (c) Operations in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets accounts in the following month. These transactions do not affect the consolidated results.
- (d) The following table presents, as of September 30, 2018, January 1, 2018 (December 31, 2017), the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts. The notional amount is the nominal amount of the derivative's underlying asset and it is the base over which changes in the fair value of derivatives are measured:

	30.09.2018				01.01.2018 and 31.12.2017			
	Assets	Liabilities	Notional amount	Maturity	Assets	Liabilities	Notional amount	Maturity
	S/(000)	S/(000)	S/(000)		S/(000)	S/(000)	S/(000)	
Derivatives held for trading (i) -	22,050	18,599	5,088,197	Between October 2018 and February 2020	22,221	17,138	5,473,643	Between January 2018 and October 2018
Forward exchange contracts	22,074	14,671	1,991,864	Between October 2018 and December 2029	16,463	11,937	2,220,102	Between February 2018 and December 2029
Interest rate swaps	39,846	40,487	884,407	Between October 2018 and January 2025	51,697	47,405	989,181	Between January 2018 and January 2025
Currency swaps	848	1,282	192,616	Between October 2018 and September 2019	6	1,587	227,647	Between January 2018 and April 2018
Options	-	50,900	194,231	January 2023	-	51,669	190,759	January 2023
Cross currency swaps	84,818	125,939	8,351,315		90,387	129,736	9,101,332	
<b>Derivatives held as hedges</b>								
Cash flow hedges:								
Cross currency swaps, Note 13(g)	23,359	-	1,155,000	January 2023	-	-	-	-
Cross currency swaps, Note 13(e)	-	2,573	66,000	October 2020	-	4,185	64,820	October 2020
Cross currency swaps, Note 13(f)	-	-	495,000	October 2027	505	-	486,150	October 2027
Interest rate swaps, Note 12d(i)	209	-	165,000	October 2018	1,036	-	162,050	October 2018
Interest rate swaps, Note 12d(ii)	-	-	-	-	675	-	129,640	August 2018
Interest rate swaps, Note 12d(iii)	-	-	-	-	217	-	162,050	January 2018
	23,568	2,573	1,881,000		2,433	4,185	1,004,710	
	108,386	128,512	10,232,315		92,820	133,921	10,106,042	

As of September 30, 2018, January 1, 2018 and December 31, 2017, certain derivative financial instruments required collateral deposits; see Note 5(d).

- (i) Derivatives held for trading are traded mainly to satisfy clients' needs. The Group may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption includes any derivatives which do not comply with IFRS 9 hedging accounting requirements.

## Notes to the consolidated financial statements (continued)

### 11. Deposits and obligations

- (a) The detail of caption as of September 30, 2018, January 1, 2018 and December 31, 2017 is made up as follows:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
Saving deposits	10,231,711	9,092,846
Time deposits	9,891,016	11,562,024
Demand deposits	9,339,318	10,364,653
Compensation for service time	1,596,242	1,582,278
Other obligations	<u>13,588</u>	<u>5,836</u>
<b>Total</b>	<u>31,071,875</u>	<u>32,607,637</u>

- (b) Interest rates applied to deposits and obligations are determined by the Bank based on interest rates prevailing on the Peruvian market.
- (c) As of September 30, 2018 and January 1, 2018 (December 31, 2017), of the total of deposits and obligations, approximately S/9,170,698,000 and S/8,689,589,000, respectively, of deposits and obligations are covered by the Peruvian Deposit Insurance Fund.

### 12. Due to banks and correspondents

- (a) The detail of caption as of September 30, 2018, January 1, 2018 and December 31, 2017 is made up as follows:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
<b>By type -</b>		
Central Reserve Bank of Peru (b)	2,217,198	2,205,423
Promotional credit lines (c)	1,422,594	1,441,931
Loans received from foreign entities (d)	486,753	712,777
Loans received from Peruvian entities	<u>3,470</u>	<u>20,668</u>
	4,130,015	4,380,799
Interest and commissions payable	<u>23,457</u>	<u>26,593</u>
	<u>4,153,472</u>	<u>4,407,392</u>
<b>By term -</b>		
Short term	2,646,174	2,447,091
Long term	<u>1,507,298</u>	<u>1,960,301</u>
Total	<u>4,153,472</u>	<u>4,407,392</u>

- (b) As of September 30, 2018 and January 1, 2018 (December 31, 2017), correspond to currency repurchase operations according to which Interbank receives Soles for approximately S/1,562,800,000 and S/1,880,200,000, respectively, and delivers US Dollars to the BCRP (for an amount equivalent to the one

## Notes to the consolidated financial statements (continued)

received). The US Dollars delivered are recorded as restricted funds; see Note 5(d). As of September 30, 2018, these obligations have maturities between December 2018 and June 2019 and bear an effective interest rate of 3.06 and 4.21 percent; these operations accrued interest payable for approximately S/1,281,000 (with maturities between April 2018 and June 2019 and bear an effective interest rate of 3.00 and 6.38 percent; these operations accrued interest payable for approximately S/10,762,000, as of January 1, 2018 (December 31, 2017)).

Additionally, as of September 30, 2018 and January 1, 2018 (December 31, 2017), it includes repurchase agreements, according to which Interbank receive Soles for approximately S/654,398,000 and S/325,223,000, respectively, and delivers securities of its investment portfolio as guarantees (Negotiable Certificates of Deposit issued by BCRP and Peruvian Sovereign Bonds), recorded as investments at fair value through other comprehensive income and investments at amortized cost; see Note 7(c) and 7(g). As of September 30, 2018, these operations have maturities between November 2018 and July 2020, and accrue interests at annual effective rates between 3.17 and 4.72 percent (maturities between June 2018 and July 2020 and accrue interests at annual effective rates between 4.05 and 4.72 percent, as of January 1, 2018 and December 31, 2017).

- (c) The promotional credit lines represent loans in Soles and US dollars received from Corporación Financiera de Desarrollo (COFIDE) with the purpose of promoting development in Peru. These liabilities are guaranteed with the loan portfolio up to the used amount and include specific terms on how the funds should be used, the financial conditions that must be maintained and other administrative matter. In Management's opinion, the Group is complying with all these requirements. As of September 30, 2018, these loans accrued an effective annual interest rate that fluctuated between 7.55 and 10.0 percent in Soles and between 6.67 and 8.85 percent in foreign currency and have maturities between October 2018 and November 2031 (7.55 and 10.00 percent in Soles and 4.62 and 8.55 percent in foreign currency and maturities between December 2018 and November 2031, as of January 1, 2018 and December 31, 2017).
- (d) As of September 30, 2018, January 1, 2018 and December 31, 2017, includes the following:

Bank	Country	Final maturity	30.09.2018	01.01.2018 and 31.12.2017
			S/(000)	S/(000)
Credit Suisse First Boston	Luxemburgo	October 2018	224,400	-
Wells Fargo Bank & Co. (i)	United States of America	October 2018	165,000	162,050
Bank J. Safra Sarasin	Switzerland	October 2018	92,400	-
Others	Panama	November 2018	4,953	-
JP Morgan Chase & Co. (ii)	United States of America	January 2018	-	129,640
Development Bank of Latin America	Supranational	January 2018	-	243,075
HSBC Bank PLC (iii)	United Kingdom	January 2018	-	162,050
Foreign Trade Bank of Latin America, Inc.	Supranational	January 2018	-	15,962
			486,753	712,777

## Notes to the consolidated financial statements (continued)

Transactions with foreign entities bore an effective annual average interest rate of 3.26 percent during 2018 (2.23 percent during 2017).

- (i) Corresponds to two loans received in September 2016 for US\$40,000,000 and US\$10,000,000 (equivalent as a whole to approximately S/165,000,000) which bear interest at a 3-month Libor rate plus 1.20 percent and at a 3-month Libor rate plus 1.10 percent, respectively. In October 2016, Interbank signed two interest rate swaps contracts, which were designated as cash flow hedges; see Note 10(d). Through these operations, the loans were economically converted into fixed rate obligations.
- (ii) Corresponds to a loan received by Interbank in July 2016 for US\$40,000,000 (equivalent to approximately S/129,640,000) which bears interest at a 6-month Libor rate plus 1.15 percent. In July 2016, the Bank signed an interest rate swap contract, which was designated as cash flow hedge; see Note 10(d). Through this operation the loan was economically converted into a fixed rate obligation.
- (iii) Corresponds to a loan received by Interbank in December 2015 for US\$50,000,000 (equivalent to approximately S/162,050,000) which accrued interests at a 3 month Libor rate plus 0.90 percent. In July 2016, Interbank signed an interest rate swap contract, which was designated as cash flow hedge; see Note 10(d). Through this transaction the loan was economically converted into a fixed rate obligation.

## Notes to the consolidated financial statements (continued)

### 13. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued (000)	30.09.2018 S/(000)	01.01.2018 and 31.12.2017 S/(000)
<b>Local issuances</b>							
<b>Subordinated bonds – first program (b)</b>							
Second (B series)	Interbank	9.50%	Semi-annually	2023	US\$30,000	92,040	89,977
Third (A series)	Interbank	3.5% + VAC (*)	Semi-annually	2023	S/ 110,000	70,000	70,000
Fifth (A series)	Interbank	8.50%	Semi-annually	2019	S/3,300	3,300	3,300
Sixth (A series)	Interbank	8.16%	Semi-annually	2019	US\$15,110	49,863	48,972
Eighth (A series)	Interbank	6.91%	Semi-annually	2022	S/137,900	137,108	137,125
Second, first tranche	Interseguro	6.97%	Semi-annually	2024	US\$35,000	115,500	113,435
Second, second tranche	Interseguro	6.00%	Semi-annually	2024	US\$15,000	49,500	48,615
First	Interseguro	6.67%	Quartely	December 2018	US\$3,000	9,900	9,723
						<u>527,211</u>	<u>521,147</u>
<b>Subordinated bonds – second program (b)</b>							
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	149,764	149,729
Third (A series)	Interbank	7.50%	Semi-annually	2023	US\$50,000	157,221	155,192
						<u>306,985</u>	<u>304,921</u>
<b>Total local issuances</b>						<u>834,196</u>	<u>826,068</u>
<b>International issuances</b>							
Subordinated bonds (c)	Interbank	6.625%	Semi-annually	2029	US\$300,000	984,884	966,729
Junior subordinated notes (d)	Interbank	8.50%	Semi-annually	2070	US\$200,000	656,514	643,314
Senior bonds – First and second issuance (e)	Interbank	5.75%	Semi-annually	2020	US\$386,678	1,281,654	2,109,565
Senior bonds (f)	IFS	4.125%	Semi-annually	2027	US\$300,000	973,655	957,476
Senior bonds (g)	Interbank	3.375%	Semi-annually	2023	US\$484,895	1,520,630	-
<b>Total international issuances</b>						<u>5,417,337</u>	<u>4,677,084</u>
<b>Total local and international issuances</b>						<u>6,251,533</u>	<u>5,503,152</u>
Interest payable						<u>127,043</u>	<u>99,206</u>
<b>Total</b>						<u>6,378,576</u>	<u>5,602,358</u>

(\*) The Spanish term “VAC - Valor de Actualización Constante” is referred to an amount subject to adjustments.

## Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees and in accordance to SBS rules they qualify as second level equity (Tier 2), see Note 15(f).
- (c) Starting in March 2024, the applicable interest rate will be a floating rate of 3-month Libor for US Dollars deposits plus 576 basis points payable quarterly. Starting on that date and on any interest payment date, Interbank can redeem all the notes without penalties.

In accordance with SBS regulation, this issuance qualifies as second tier equity (Tier 2) in the determination of the effective equity; see Note 15(f).

As of December 31, 2017, Management does not intend to redeem these bonds before their maturity date.

- (d) Starting in April 2020, the applicable interest rate will be a floating rate of 3-month Libor plus 674 basis points payable on a semi-annual basis, provided that the floating rate for any interest period will not be less than 10.5 percent per annum. Starting on that date, Interbank can redeem all the notes, without penalties. Interest payments are non-cumulative if they cease to be made, due to Interbank's right to cancel interest payments for mandatory prohibitions established by the SBS, or if it is determined that Interbank is in non-compliance with applicable minimum regulatory capital requirements. In such cases, Interbank may not declare, pay or distribute any dividend for the period in which interest payments are not made. The payment of principal will take place on the maturity date of the notes or when the Interbank redeems the notes.

This issuance qualifies as Tier 1 equity, nevertheless, the SBS establishes a 17.65 percent limit, which is computed over the capital, reserves and retained earnings with capitalization agreement; any excess qualifies as Tier 2 equity; see Note 15(f).

As of September 30, 2018, Management does not intend to redeem these bonds before their maturity date.

- (e) Starting in April 2016, Interbank can redeem these bonds, at the coupon payment date, paying a penalty equal to the United States Treasury rate plus 50 basis points. The principal payment of both issuances will take place on the maturity date of the bonds or when Interbank redeems them.

In January 2018, Interbank exchanged of said liability was made, see Note 13(g).

In June 2017, Interbank signed cross currency swaps for US\$20,000,000 (equivalent to approximately S/65,440,000), which were designated as cash flow hedges, see Note 10(d); through these operations part of the amount of these bonds was economically converted to Soles.

- (f) From 2018 until July 2027, IFS, on any time, can redeem these bonds, paying a penalty equal to the United States Treasury rate plus 30 basis points. The payment of principal will take place on the maturity date of the notes or when IFS redeems the notes.

In October 2017, IFS signed a cross currency swap for US\$150,000,000 (equivalent to approximately S/490,800,000), which were designated as a cash flow hedge, see Note 10(d); through these operations part of the amount of these bonds was economically converted to Soles.



## Notes to the consolidated financial statements (continued)

As of September 30, 2018, Management does not intend to redeem these bonds before their maturity date.

- (g) In January 2018, Interbank issued corporate bonds called “3.375% Senior Unsecured Notes” for US\$200,000,000, under Rule 114A and Regulation S of the U.S. Securities Act of 1993 of the United States of America.

Also, on January 24, 2018 and February 9, 2018, the Bank made an exchange offer addressed to the holders of the corporate bonds denominated “5.750% Senior Notes due 2020” issued by the Panama Branch, for the purpose of exchanging these bonds for bonds “3.375% Senior Notes”. The exchange corporate bonds amounted to US\$263,322,000, while the new corporate bonds issued amounted to US\$284,895,000.

During 2018, Interbank signed six cross currency swap contracts for US\$350,000,000, which were designated as cash flow hedges, see Note 10(d); through these operations part of the amount of these bonds was economically converted to Soles.

- (h) International issuances are listed at the Luxembourg Stock Exchange. On the other hand, local and international issuances have financial and operating covenants, which, in Management’s opinion, do not limit its operations. The Group has complied with financial and operating covenants as of the dates of the consolidated statements of financial position.

## Notes to the consolidated financial statements (continued)

### 14. Insurance contract liabilities

(a) This caption is comprised of the following:

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
	(Note 1.2.3)	
Technical reserves (b)	9,755,254	10,314,311
Claims reserves (c)	<u>281,119</u>	<u>240,615</u>
	<u>10,036,373</u>	<u>10,554,926</u>
<b>By term</b>		
Short term	638,445	583,692
Long term	<u>9,397,928</u>	<u>9,971,234</u>
<b>Total</b>	<u>10,036,373</u>	<u>10,554,926</u>

Notes to the consolidated financial statements (continued)

(b) The movement of technical reserves disclosed by type of insurance for the periods ended September 30, 2018 and 2017, is as follows:

	30.09.2018 (see Note 1.2.3.1)					30.09.2017 (Restated; see Note 4.1)				
	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Beginning balances</b>	9,075,517	676,928	525,384	36,482	10,314,311	4,526,171	121,592	152,957	37,540	4,838,260
Insurance subscriptions	187,510	-	7,097	35,104	229,711	310,252	-	3,077	24,756	338,085
Interest rate effect	(900,970)	(99)	-	-	(901,069)	145,219	-	-	-	145,219
Acquisition of Mapfre	-	-	-	-	-	181,849	855	-	-	182,704
Time passage adjustments (*)	25,989	12,823	58,414	(31,659)	65,567	(54,604)	7,452	30,890	(25,034)	(41,296)
Maturities and recoveries	-	-	(28,867)	-	(28,867)	-	-	(8,328)	-	(8,328)
Exchange differences	67,159	68	9,043	(669)	75,601	(49,923)	-	(3,690)	(12)	(53,625)
<b>Ending balances</b>	<b>8,455,205</b>	<b>689,720</b>	<b>571,071</b>	<b>39,258</b>	<b>9,755,254</b>	<b>5,058,964</b>	<b>129,899</b>	<b>174,906</b>	<b>37,250</b>	<b>5,401,019</b>

(\*) The table below presents the composition of the adjustments due to time passage as of September 30, 2018 and 2017:

	30.09.2018 (see Note 1.2.3.2)				30.09.2017 (Restated)			
	Annuities (**)	Life insurance	General insurance	Total	Annuities (**)	Life insurance	General insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Aging insured population effect	(152,574)	58,414	(31,659)	(125,819)	(66,873)	30,890	(25,034)	(61,017)
Inflation and other effects	191,386	-	-	191,386	19,721	-	-	19,721
<b>Time passage adjustments</b>	<b>38,812</b>	<b>58,414</b>	<b>(31,659)</b>	<b>65,567</b>	<b>(47,152)</b>	<b>30,890</b>	<b>(25,034)</b>	<b>(41,296)</b>

(\*\*) It includes retirement, disability and survival annuities.

(c) Below is the balance of technical reserves for outstanding claims (according to the type of insurance) as of September 30, 2018, January 1, 2018 and December 31, 2017:

	30.09.2018					01.01.2018 and 31.12.2017				
	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Reported claims	2,240	152,979	39,437	10,909	205,565	1,320	128,991	39,315	10,047	179,673
IBNR	-	53,535	21,646	373	75,554	-	42,583	18,085	274	60,942
	<b>2,240</b>	<b>206,514</b>	<b>61,083</b>	<b>11,282</b>	<b>281,119</b>	<b>1,320</b>	<b>171,574</b>	<b>57,400</b>	<b>10,321</b>	<b>240,615</b>

Notes to the consolidated financial statements (continued)

The movement of technical reserves for claims for the six-month periods ended September 30, 2018 and 2017, is as follows:

<b>30.09.2018</b>					
	<b>Annuities</b> S/(000)	<b>Retirement, disability and survival annuities</b> S/(000)	<b>Life insurance</b> S/(000)	<b>General insurance</b> S/(000)	<b>Total</b> S/(000)
<b>Beginning balances</b>	1,320	171,574	57,400	10,321	240,615
Claims	423,489	94,106	35,996	15,275	568,866
Adjustments to prior years claims	-	69,264	6,104	(2,816)	72,552
Payments	(422,964)	(128,429)	(35,190)	(11,527)	(598,110)
Exchange difference	395	(1)	(3,227)	29	(2,804)
<b>Ending balances</b>	<b>2,240</b>	<b>206,514</b>	<b>61,083</b>	<b>11,282</b>	<b>281,119</b>
<b>30.09.2017</b>					
	<b>Annuities</b> S/(000)	<b>Retirement, disability and survival annuities</b> S/(000)	<b>Life insurance</b> S/(000)	<b>General insurance</b> S/(000)	<b>Total</b> S/(000)
<b>Beginning balances</b>	991	124,062	38,122	9,078	172,253
Claims	216,928	(32,216)	21,755	11,713	218,180
Adjustments to prior years claims	-	36,228	11,715	2,013	49,956
Payments	(216,550)	(59,609)	(30,020)	(13,685)	(319,864)
Exchange difference	(7)	-	(130)	(46)	(183)
<b>Ending balances</b>	<b>1,362</b>	<b>68,465</b>	<b>41,442</b>	<b>9,073</b>	<b>120,342</b>

(d) In Management's opinion, these balances reflect the exposure of life and general insurance contracts as of September 30, 2018 and 2017, in accordance with IFRS 4.

## Notes to the consolidated financial statements (continued)

### 15. Net equity

#### (a) Capital stock -

As of September 30, 2018 and December 31, 2017, IFS's capital stock is represented by 113,110,864 common shares subscribed and paid-in. IFS's shares quote in the Lima Stock Exchange; have no nominal value and their issuance value was US\$9.72 per share.

The General Shareholders' Meeting of IFS, held on April 02, 2018, agreed to distribute dividends charged to 2017 earnings for approximately US\$157,750,000 (equivalent to approximately S/510,688,000).

The General Shareholders' Meeting of IFS, held on April 10, 2017, agreed to distribute dividends charged to 2016 earnings for approximately US\$146,482,000 (equivalent to approximately S/475,773,000).

#### (b) Treasury stock held by Subsidiaries -

As of September 30, 2018, January 1, 2018 and December 31, 2017, the Group holds shares issued by IFS, as detailed below:

Entity	30.09.2018		01.01.2018 and 31.12.2017	
	Number of shares (000)	Cost S/(000)	Number of shares (000)	Cost S/(000)
Interbank	1,986	164,295	4,996	423,317
IFS	432	43,883	432	43,883
Total	2,418	208,178	5,428	467,200

During the first quarter of 2018, Interbank sold approximately 3,009,490 of shares issued by IFS at market values, for an amount of US\$121,133,000 (equivalent to approximately S/389,565,000). The net profit generated in the sale amounted to S/123,705,000 and is presented in the caption "Retained earnings" of the consolidated net equity of IFS.

In December 2017, Interbank sold approximately 1,000,000 shares for approximately US\$34,542,000 (equivalent to approximately S/111,287,000) and Inteligo Bank sold 250,000 shares for approximately US\$9,227,000 (equivalent to approximately S/31,282,000). As a result, IFS recorded a gain that is presented in the caption "Retained earnings" for S/34,984,000.

#### Stock buyback program

In the Shareholders' Meeting of IFS, held on May 25, 2016, the program of acquisition of own issuance shares was approved. Such acquisition, as agreed, may be carried out on one or more occasions, as appropriate to the IFS's interests, according to the market conditions and other legal limits and factors in force at the time of the acquisition. These acquisitions shall be subject to the current legal limit (ten percent limit of the capital stock) established in Article 84 of the Securities Market Act. Likewise, the Shareholders' Meeting set a limit for the acquisitions made under this program, which may not exceed 3,500,000 shares (equivalent to 3.09 percent of the Company's capital stock). In this sense, during 2017, IFS and its Subsidiaries bought treasury shares for 500,000 shares for an amount of approximately S/52,774,000. Also, in said Meeting, it was approved to delegate to Management of IFS the termination of this program, when it deems appropriate.

**Notes to the consolidated financial statements (continued)**

On August 9, 2017, Management, pursuant to said delegation, informed the Board of Directors of IFS the termination of the program of acquisition of own issuance shares.

- (c) Capital surplus -  
Corresponds to the difference between the nominal value of the shares issued and their public offering price, which was performed in 2007. Capital surplus is presented net of the expenses incurred and related to the issuance of such shares.
  
- (d) Unrealized results on financial instruments (assets and liabilities) -  
This caption is made up as follows as of September 30, 2018 and 2017:

	<b>30.09.2018</b>	<b><u>Restated</u></b>
	S/(000)	30.09.2017
		S/(000)
		(Note 4.1)
Net gain on financial instruments through other comprehensive income	581,297	248,915
Cash flow hedge reserves	(4,498)	(2,051)
Exchange differences on translation of foreign operations	<u>11,287</u>	<u>(17,689)</u>
<b>Total</b>	<b><u>588,086</u></b>	<b><u>229,175</u></b>

## Notes to the consolidated financial statements (continued)

(e) Reserves

The Board of Directors of IFS, held on June 25, 2018 and May 09, 2018, agreed to constitute a reserve of up to S/1,000,000,000 charged to retained earnings.

The Board of Directors of IFS, held on September 18, 2017, agreed to constitute a reserve of up to S/600,000,000 charged to retained earnings as of June 30, 2017.

The Board of Directors of IFS, held on August 9, 2017, agreed to constitute a reserve of up to S/500,000,000 charged to retained earnings as of December 31, 2016.

(f) Shareholders' equity for legal purposes (regulatory capital)

IFS and Inteligo Group Corp. are not required to establish a regulatory capital for statutory purposes. As of September 30, 2018 and December 31, 2017, the regulatory capital required for Interbank, Interseguro, Seguros Sura e Hipotecaria Sura, is calculated based on the separate financial statements of each subsidiary prepared following the accounting principles and practices stated by the SBS. Also, as of those dates, the regulatory capital required for Inteligo Bank is calculated in accordance with the requirements of the Central Bank of the Bahamas. The regulatory capital required for Interbank, Interseguro e Inteligo Bank is detailed below:

### Interbank's regulatory capital

According to the provisions of Legislative Decree No. 1028, Interbank's regulatory capital must be equal to or greater than 10 percent of the assets and contingent credits weighted by total risk represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the assets and contingent credits weighted by credit risk.

In application of Legislative Decree No. 1028, as amended, as of September 30, 2018, January 1, 2018 and December 31, 2017, Interbank maintains the following amounts related to its assets and contingent credits weighted by risk and regulatory capital (basic and supplementary):

	<b>30.09.2018</b>	<b>01.01.2018 and 31.12.2017</b>
	S/(000)	S/(000)
Total risk weighted assets and credits	42,396,434	37,745,504
Total regulatory capital	6,886,721	6,066,349
Basic regulatory capital (Level 1)	4,912,773	4,250,426
Supplementary regulatory capital (Level 2)	1,973,948	1,815,923
<b>Global capital to regulatory capital ratio</b>	16.24%	16.07%

As of September 30, 2018 and January 1, 2018 (December 31, 2017), Interbank has complied with "Regulations for the Regulatory Capital Requirement for Operational Risk", "Market Risk" and "Credit Risk", respectively, as amended. These standards establish, mainly, the methodologies to be applied by financial entities to calculate the assets and credits weighted per type of risk.

In July 2011, the SBS issued Resolution No. 8425-2011, which states that financial entities must determine an additional regulatory capital level and develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The

## Notes to the consolidated financial statements (continued)

additional regulatory capital requirement shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rate risk in the bank book, among others. As of September 30, 2018 and January, 2018 (December 31, 2017), the additional regulatory capital estimated by Interbank amounts to approximately S/702,142,000 and S/710,314,000, respectively.

### Interseguro's regulatory capital

In accordance with SBS Resolution No. 1124-2006 and amended standards, Interseguro and Seguros Sura are forced to hold a level of regulatory capital in order to maintain a minimum equity to support technical risks and other risks that could affect it. The regulatory capital must be greater than the amount resulting from the sum of the solvency net equity, the guarantee fund and the regulatory capital intended to cover credit risks.

The solvency net equity is represented by the greater amount between the solvency margin and the minimal capital. As of September 30, 2018, January 1, 2018 and December 31, 2017, the solvency net equity is represented by the solvency margin. The solvency margin is the complementary support that insurance entities must maintain to deal with possible situations of excess claims not foreseen in the establishment of technical reserves.

The total solvency margin corresponds to the sum of the solvency margins of each branch in which these companies operate.

Also, the guarantee fund represents the additional equity support that insurance companies must maintain to deal with the other risks that can affect them and that are not covered by the solvency net equity, such as investment risks and other risks. The monthly amount of said fund must be equivalent to 35 percent of the solvency net equity, calculated in accordance with SBS Resolution No. 1124-2006, as amended.

The regulatory capital for statutory purposes of Interseguro and Seguros Sura, as of September 30, 2018 and January 1, 2018 (December 31, 2017), is as follows:

	Interseguro		Seguros Sura	
	30.09.2018 S/(000) (*)	01.01.2018 and 31.12.2017 S/(000)	30.09.2018 S/(000) (*)	01.01.2018 and 31.12.2017 S/(000)
<b>Regulatory capital</b>	1,039,049	549,281	-	488,262
<b>Less:</b>				
Solvency equity (solvency margin)	550,462	301,671	-	231,720
Guarantee fund	192,661	105,584	-	81,102
<b>Surplus</b>	295,926	142,026	-	175,440

(\*) As of September 30, 2018, the balances of Seguros Sura are presented as part of the balances of Interseguro, as a result of the merger culminated as of March 30, 2018.



**Notes to the consolidated financial statements** (continued)

**Inteligo Bank’s regulatory capital**

The Central Bank of the Bahamas requires Inteligo Bank to maintain a regulatory capital of not less than 8 percent of its risk weighted assets. Inteligo Bank’s capital ratio as of September 30, 2018, January 1, 2018 and December 31, 2017 is the following:

	<b>30.09.2018</b> US\$(000)	<b>01.01.2018 and 31.12.2017</b> US\$(000)
Total eligible capital	<u>203,228</u>	<u>212,459</u>
Total risk weighted assets	<u>818,143</u>	<u>652,229</u>
<b>Capital adequacy ratio (in percentage)</b>	<b><u>24.84</u></b>	<b><u>32.57</u></b>

In the Group Management’s opinion, its Subsidiaries have complied with the requirements set forth.

## Notes to the consolidated financial statements (continued)

### 16. Tax situation

- (a) IFS and its Subsidiaries incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas (see Note 3), are not subject to Income Tax, or any other taxes on capital gains, equity or property; nevertheless, IFS is subject to an additional tax on dividends received from its Subsidiaries incorporated and domiciled in Peru; see paragraph (b). The Subsidiaries incorporated and domiciled in Peru (see Note 3) are subject to the Peruvian Tax legislation, see paragraph (c).

On the other hand, there are 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 of stock 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 cases in which the issuer is jointly and severally liable thereof.

In this sense, the Income Tax Act establishes that two assumptions of indirect transfer of shares arise when: (i) 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; and (ii) in any 12-month period, shares or ownership interests are sold that represent 10 percent or more of the capital stock of a non-domiciled legal entity.

- (b) Shareholders not domiciled or individuals entities are subject to an additional tax on dividends received from entities domiciled in Peru. The corresponding tax is withheld by the entity that distributes the dividends. In this regard, since IFS controls the entities that distribute the dividends, it recognizes the amount of the additional Income Tax as expense of the financial year of the dividends. In this sense, as of September 30, 2018 and 2017, the Group has recorded expenses for S/26,007,000 and S/17,243,000, respectively, included in the caption “Income Tax” of the consolidated income statements.

As of September 30, 2018 and January 1, 2018 (December 31, 2017), dividends distributed by Peruvian Subsidiaries to IFS are subject to a withholding of 5.0 percent of the profits generated from the year 2017.

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

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.

- (d) 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. SUNAT is also entitled to challenge the Income Tax assessment performed by taxpayers in their tax returns.

The Value-Added-Tax and Income Tax returns of Interbank, Hipotecaria Sura and Interseguro for the years 2012 to 2017 are pending to be audited by SUNAT.

## Notes to the consolidated financial statements (continued)

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank was notified with Tax Assessments and Fine Imposing Resolutions regarding mainly the assessments of the Income Tax years 2000 to 2006, for which it filed Tax Claims and Tax Appeals. In March 2009, August 2010 and December 2011, the Tax Authority issued Intendancy Resolutions regarding tax years 2000 to 2006 for which Interbank filed the corresponding appeals. In December 2014, the Tax Authority issued Resolution of Intendancy No. 0150140011647 declaring partly accepted the appeal filed by the Bank corresponding to the 2001 Income Tax. On the part not accepted by SUNAT, Interbank filed a new appeal. In February 2016, Interbank obtained the Tax Court Resolution No.00783-3-2016, which declares as partially founded the case concerning to the 2001 Income Tax. In February 2017, the Lima's Superior Court of Justice declared invalid the judgment in first instance ordering the judge to re-issue a new decision about the case concerning to the 2002 Income Tax. On September 29, 2017, Interbank obtained the Tax Court Resolution No.08225-1-2017, which declares as partially founded the case concerning to the 2004 Income Tax. In August 2018, Interbank obtained the Tax Court Resolution No.06098-4-2018, which declares as partially founded the case concerning to the 2000 Income Tax. In the opinion of Management and its legal advisors, any possible additional tax assessment would not have any material consequences on the Bank's financial statements as of September 30, 2018 and January 1, 2018 (December 31, 2017).

Regarding the tax litigations followed by the Bank related to the annual Income Tax returns for the years 2000 to 2006, the Management and its external legal advisors estimate as remote contingency, as of December 31, 2016, that the most relevant matter subject to discrepancy with the Tax Authority corresponds to whether the "interests in suspense" are subject to Income Tax or not. In this sense, the Bank considers that the interests in suspense do not constitute accrued income, in accordance with the SBS and the IFRS, which is also supported by a ruling of the Permanent Constitutional and Social Law Chamber of the Supreme Court issued in August 2009.

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

The tax liability requested for this concept and other minors by the Tax Authority as of December 31, 2017, amounts to approximately S/359 million, out of which S/50 million correspond to taxes and the difference to fines and interest arrears.

From the tax and legal analysis carried out, the Management and its external legal advisors consider that there is sufficient technical support for the prevalence of the Bank's position; as a result, it has not recorded any provision for this contingency as of September 30, 2018 and January 1, 2018 (December 31, 2017).

In February 2018, SUNAT notified Interbank of the start of the partial audit/inspection proceeding corresponding to the assessment of the Income Tax of tax year 2014. In September 2018, SUNAT closed said process, as a result, no additional payments of the tax in question.

As of this date, the Bank is under inspection process by the Tax Authority for the years 2012 and 2013. In the opinion of Management and its legal advisors, any additional liquidation of taxes may not be significant for the consolidated financial statements as of September 30, 2018 and January 1, 2018 (December 31, 2017).

## Notes to the consolidated financial statements (continued)

Since tax regulations are subject to interpretation by SUNAT, it is not possible to determine to date whether such tax audits procedures would 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 September 30, 2018 and January 1, 2018 (December 31, 2017).

- (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 consolidated financial statements (continued)

### 17. Interest and similar income and expenses

This caption is comprised of the following:

	<b>For the nine-month periods ended September 30</b>	
	<b>2018</b> S/(000)	<b>2017</b> S/(000)
<b>Interest and similar income</b>		
Interest and fees on loan portfolio	2,470,871	2,388,682
Interest on investments	641,182	389,956
Dividends on investments	43,963	10,198
Interest on due from banks and inter-bank funds	34,165	20,652
Other interest and similar income	<u>2,520</u>	<u>2,052</u>
<b>Total</b>	<u>3,192,701</u>	<u>2,811,540</u>
<b>Interest and similar expenses</b>		
Interest and fees on deposits and obligations	408,767	399,612
Interest on bonds, notes and other obligations	276,694	230,140
Interest and fees on obligations with financial institutions	131,021	168,281
Deposit insurance fund fees	30,084	27,770
Other interest and similar expenses	<u>12,064</u>	<u>6,013</u>
<b>Total</b>	<u>858,630</u>	<u>831,816</u>

## Notes to the consolidated financial statements (continued)

### 18. Fee income from financial services, net

This caption is comprised of the following:

	For the nine-month periods ended September 30	
	2018 S/(000)	2017 S/(000)
<b>Income</b>		
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card services	459,486	447,898
Commissions for banking services	139,118	130,909
Funds management fees	110,560	102,798
Fees for indirect loans	47,161	43,769
Collection services fees	27,783	24,553
Brokerage and custody services fees	7,410	6,950
Others	26,032	19,641
<b>Total</b>	<b>817,550</b>	<b>776,518</b>
<b>Expenses</b>		
Commissions to Brands by credit cards's use	62,748	49,904
Debtor's life insurance premiums	50,172	38,825
Fees paid to foreign banks	11,307	9,321
Brokerage and custody services fees	1,650	2,146
Others	36,502	31,296
<b>Total</b>	<b>162,379</b>	<b>131,492</b>
<b>Net</b>	<b>655,171</b>	<b>645,026</b>

## Notes to the consolidated financial statements (continued)

### 19. Other income and expenses

(a) This caption is comprised of the following:

	For the nine-month periods ended September 30	
	2018	2017
	S/(000)	S/(000)
<b>Other income</b>		
Equity in income of investments in associates	13,168	11,462
Other technical income for insurance operations	9,430	7,323
Services rendered to third parties	2,315	3,502
ATM rental income	2,985	2,999
Gain from sale of written-off-loans	2,976	5,093
Other income	9,525	29,832
<b>Total other income</b>	<u>40,399</u>	<u>60,211</u>
<b>Other expenses</b>		
Commissions from insurance activities	34,855	39,275
Sundry technical insurance expenses	30,109	10,738
Donations	3,774	4,816
Provision for sundry risk	2,172	10,083
Administrative and tax penalties	2,622	1,785
Other expenses	29,636	22,037
<b>Total other expenses</b>	<u>103,168</u>	<u>88,734</u>

Notes to the consolidated financial statements (continued)

20. Net premiums earned

This caption is comprised of the following for the nine-month periods ended September 30, 2018 and 2017:

	Premiums assumed		Adjustment of technical reserves		Gross premium earned (*)		Premiums ceded to reinsurers		Net premiums earned	
	(1)		(2)		(3) = (1) - (2)		(4)		(5) = (3) - (4)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Life insurance</b>										
Annuities (**)	187,732	168,932	(213,499)	(163,328)	(25,767)	5,604	-	-	(25,767)	5,604
Group life	81,111	98,246	1,065	(315)	82,176	97,931	(3,342)	(2,501)	78,834	95,430
Individual life	96,895	40,330	(36,150)	(22,834)	60,745	17,496	(4,365)	(1,589)	56,380	15,907
Retirement, disability and survival (***)	119,802	10,689	(12,823)	(7,451)	106,979	3,238	(75,604)	(9,830)	31,375	(6,592)
Others	3	8	(1,560)	(2,409)	(1,557)	(2,401)	-	(1)	(1,557)	(2,402)
<b>Total life insurance</b>	<b>485,543</b>	<b>318,205</b>	<b>(262,967)</b>	<b>(196,337)</b>	<b>222,576</b>	<b>121,868</b>	<b>(83,311)</b>	<b>(13,921)</b>	<b>139,265</b>	<b>107,947</b>
<b>Total general insurance</b>	<b>72,322</b>	<b>58,105</b>	<b>(3,443)</b>	<b>558</b>	<b>68,879</b>	<b>58,663</b>	<b>(1,333)</b>	<b>(1,256)</b>	<b>67,546</b>	<b>57,407</b>
<b>Total</b>	<b>557,865</b>	<b>376,310</b>	<b>(266,410)</b>	<b>(195,779)</b>	<b>291,455</b>	<b>180,531</b>	<b>(84,644)</b>	<b>(15,177)</b>	<b>206,811</b>	<b>165,354</b>

(\*) It includes the annual variation of technical reserves and unearned premiums.

(\*\*) The variation of the adjustment of technical reserves is due to variation in the rates with which technical reserves are determined.

(\*\*\*) As part of the Private Pension System reform that started in 2013, as regards to the coverage of survival and disability of the pension insurance, the affiliates portfolio was divided into seven parts so that insurance companies manage obligations and rights as a whole. In this way, when an affiliate needs a pension from the pension insurance, the pension will be divided into seven parts and each insurance company will have to assume a corresponding part. This coverage is allocated through a public tender. In December 2016, the call for the "Third Public Tender No. 03/2016" was made to cover the period from January 1, 2017 to December 31, 2018; Interseguro did not win the allocation, but Seguros Sura was awarded a seventh part of this coverage, which is 70 percent reinsured.

21. Net claims and benefits incurred for life insurance contracts and others

This caption is comprised of the following for the nine-month periods ended September 30, 2018 and 2017:

	Gross claims and benefits		Ceded claims and benefits		Net insurance claims and benefits	
	2018	2017	2018	2017	2018	2017
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Life insurance</b>						
Annuities	(423,449)	(216,928)	-	-	(423,449)	(216,928)
Group life	(33,530)	(30,262)	212	1,705	(33,318)	(28,557)
Individual life	(6,168)	(926)	1,224	250	(4,944)	(676)
Retirement, disability and survival	(163,329)	(4,012)	92,285	(2,266)	(71,044)	(6,278)
Others	(2,402)	(2,283)	1,057	2,843	(1,345)	560
<b>General Insurance</b>	<b>(12,459)</b>	<b>(13,726)</b>	<b>2</b>	<b>64</b>	<b>(12,457)</b>	<b>(13,662)</b>
	<b>(641,337)</b>	<b>(268,137)</b>	<b>94,780</b>	<b>2,596</b>	<b>(546,557)</b>	<b>(265,541)</b>



## Notes to the consolidated financial statements (continued)

### 22. Salaries and employee benefits

This caption is comprised of the following:

	<b>For the nine-month periods ended September 30</b>	
	<b>2018</b>	<b>2017</b>
	S/(000)	S/(000)
Salaries	402,304	382,722
Workers' profit sharing	55,011	52,650
Social security	36,996	34,268
Vacations, health insurance and others	34,650	35,590
Severance indemnities	30,006	27,608
<b>Total</b>	<b>558,967</b>	<b>532,838</b>

### 23. Administrative expenses

This caption is comprised of the following:

	<b>For the nine-month periods ended September 30</b>	
	<b>2018</b>	<b>2017</b>
	S/(000)	S/(000)
Services received from third parties	556,228	527,814
Taxes and contributions	26,268	23,105
<b>Total</b>	<b>582,496</b>	<b>550,919</b>

Services received from third parties correspond mainly to securities transportation services, repair and maintenance services, rental of premises (agencies), telecommunications, advertising, among others.

## Notes to the consolidated financial statements (continued)

### 24. Earnings per share

The following table presents the calculation of the weighted average number of shares and the basic and diluted earnings per share, determined and calculated based on the earnings attributable to the Group:

	<b>Outstanding shares</b>	<b>Shares considered</b>	<b>Effective days in the year</b>	<b>Weighted average</b>
	(in thousands)	(in thousands)		(in thousands)
<b>Period 2017</b>				
Balance as of January 1, 2017	106,931	106,931	270	106,931
Sale of treasury stock	1	1	101	0.4
Purchase of treasury stock, Note 15(b)	<u>(500)</u>	<u>(500)</u>	121	<u>(224)</u>
<b>Balance as of September 30, 2017</b>	<u>106,432</u>	<u>106,432</u>		<u>106,707</u>
<b>Net profit for the period S/(000) - restated</b>				<u>741,988</u>
<b>Basic and diluted earnings per share (Soles)</b>				<u>6.95</u>
<b>Period 2018</b>				
Balance as of January 1, 2018	107,682	107,682	270	107,682
Sale of treasury stock, Note 15(b)	<u>3,010</u>	<u>3,010</u>	242	<u>2,697</u>
<b>Balance as of September 30, 2018</b>	<u>110,692</u>	<u>110,692</u>		<u>110,379</u>
<b>Net profit for the period S/(000)</b>				<u>805,673</u>
<b>Basic and diluted earnings per share (Soles)</b>				<u>7.30</u>

## Notes to the consolidated financial statements (continued)

### 25. Transactions with shareholders, related parties and affiliated entities

(a) The table below presents the main transactions with shareholders, related parties and affiliated companies as of September 30, 2018, January 1, 2018 and December 31, 2017:

	<b>30.09.2018</b>	<b>01.01.2018</b>	<b>31.12.2017</b>
	S/(000)	S/(000)	S/(000)
		(Note 4.2)	
<b>Assets</b>			
<b>Fair value through profit or loss</b>			
Participations - Royalty Pharma	179,333	68,540	-
Negotiable Certificates of Deposit - Financiera Oh! S.A.	20,561	3,817	3,817
Negotiable Certificates of Deposit - Colegios Peruanos S.A.C.	5,027	-	-
Shares - InRetail Perú Corp	6,607	5,220	-
Participation in investment funds - NGCP	2,822	2,342	2,342
Corporate bonds - InRetail Shopping Malls S.A.	69	-	-
Corporate bonds - San Miguel Industrias PET S.A	-	1,649	1,649
<b>Fair value through other comprehensive income</b>			
Shares - InRetail Perú Corp, Note 7(e)	206,322	162,986	-
Corporate bonds - InRetail Shopping Malls S.A.	94,444	65,334	-
Corporate bonds - Colegios Peruanos S.A.C.	62,541	64,985	-
Corporate bonds - Financiera Oh! S.A.	-	27,843	-
Corporate bonds - Intercorp Perú Ltd.	15,826	16,051	-
Corporate bonds - Cineplex S.A.	8,058	13,399	-
Corporate bonds - Inretail Consumer	-	10,194	-
Corporate bonds - Intercorp Retail Inc.	-	6,874	-
<b>Available-for-sale investments</b>			
Shares - InRetail Perú Corp, Note 7(b)	-	-	168,206
Corporate bonds - InRetail Shopping Malls S.A.	-	-	65,334
Corporate bonds - Colegios Peruanos S.A.C.	-	-	64,985
Corporate bonds - Financiera Oh! S.A.	-	-	27,843
Corporate bonds - Intercorp Perú Ltd.	-	-	16,051
Corporate bonds - Cineplex S.A.	-	-	13,399
Corporate bonds - Inretail Consumer	-	-	10,194
Corporate bonds - Intercorp Retail Inc.	-	-	6,874
Participations - Royalty Pharma, Note 7(b)	-	-	68,540
	<u>601,610</u>	<u>449,234</u>	<u>449,234</u>
Loan portfolio, net (b)	1,080,792	828,597	828,597
Accounts receivable from Homecenters Peruanos S.A. (g)	20,876	23,009	23,009
Accounts receivable related to derivative financial instruments	5,591	5,832	5,832
Other assets (f)	5,096	15,089	15,089
<b>Liabilities</b>			
Deposits and obligations	545,305	311,092	311,092
Other liabilities	877	2,251	2,251
Accounts payable related to derivative financial instruments	-	723	723
<b>Off-balance sheet accounts</b>			
Indirect loans (b)	144,837	133,571	133,571

## Notes to the consolidated financial statements (continued)

	<b>For the nine-month periods ended September 30</b>	
	<b>2018</b> S/(000)	<b>2017</b> S/(000)
<b>Income (expenses)</b>		
Interest and similar income	54,308	51,859
Interest and similar expenses	(8,541)	(7,265)
Valuation of financial derivative instruments	(201)	49
Rental income	10,553	2,440
Gain on sale of investment properties	1,559	-
Administrative expenses	(25,892)	(23,241)
Others, net	23,160	30,197

- (b) As of September 30, 2018, January 1, 2018 and December 31, 2017, the detail of loans (direct and indirect) is the following:

	<b>30.09.2018</b> S/(000)	<b>01.01.2018 and 31.12.2017</b> S/(000)
Supermercados Peruanos S.A.	184,537	205,596
InRetail Pharma S.A (before Eckerd Perú S.A.)	174,483	24,788
Nessus Hoteles Perú S.A.	103,608	67,767
GTP Inversionistas S.A.C.	99,819	105,527
Colegios Peruanos S.A.	81,529	50,816
Homecenters Peruanos S.A.	75,771	61,561
San Miguel Industrias Ecuador	65,410	32,500
Financiera Oh! S.A.	65,293	349
Agrícola Don Ricardo S.A.C.	57,171	57,933
San Miguel Industrias PET S.A.	49,001	40,923
Cineplex S.A.	46,209	56,911
Tiendas Peruanas S.A.	34,698	24,281
Procesos de Medios de Pago S.A.	28,429	30,127
Bembos S.A.C.	27,959	27,657
PF Interproperties Perú	20,125	21,291
Other less than 20 millions	111,587	154,141
	1,225,629	962,168

- (c) As of September 30, 2018 and January 1, 2018 (December 31, 2017), the directors, executives and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by the Peruvian law, which regulates and limits on certain transactions with employees, directors and officers of financial entities. As of September 30, 2018, January 1, 2018 (December 31, 2017),

## Notes to the consolidated financial statements (continued)

direct loans to employees, directors and officers amounted to S/213,915,000 and S/183,550,000, respectively; said loans are repaid monthly and bear interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with shares of any Subsidiary.

- (d) The Group's key personnel compensations, as of September 30, 2018 and 2017, are presented below:

	<b>For the nine-month periods ended September 30</b>	
	<b>2018</b> S/(000)	<b>2017</b> S/(000)
Salaries	17,903	14,522
Board of Directors' compensation	1,151	1,151
	<hr/>	<hr/>
Total	19,054	15,673
	<hr/>	<hr/>

- (e) As of September 30, 2018 and January 1, 2018 (December 31, 2017), the Group holds participations in different mutual funds managed by Interfondos that are classified as investment at fair value through profit or loss and amounts to S/9,586,000 and S/324,000, respectively.
- (f) It corresponds mainly to prepaid expenses for spaces ceded to Interbank in the stores of Supermercados Peruanos S.A. for the operation of financial agencies until the year 2030, and for an amount of approximately S/9,281,000 and S/10,876,000 as of September 30, 2018 and January 1, 2018 (December 31, 2017), respectively; see Note 10(a). Interbank may renew the term of the agreement for an additional term of 15 years.
- (g) It corresponds to a loan with maturity in 2046 and bears interest at market value.
- (h) In Management's opinion, transactions with related companies have been performed under standard market conditions and within the limits permitted by the SBS. Taxes generated by these transactions and the taxable base used for computing them are those customarily used in the industry and they are determined according to the tax rules in force.

## Notes to the consolidated financial statements (continued)

### 26. Business segments

The Chief Operating Decision Maker (“CODM”) of IFS is the Chief Executive Officer (“CEO”). The Group presents three operating segments based on products and services, as follows:

#### Banking

Mainly loans, credit facilities, deposits and current accounts.

#### Insurance

It provides annuities and conventional life insurance products, as well as other retail insurance products.

#### Wealth management

It provides brokerage and investment management services. Inteligo serves mainly Peruvian citizens.

The operating segments monitor the operating results of their business units separately for the purpose of making decisions on the distribution of resources and performance assessment. Segment performance is evaluated based on operating profit or loss and it is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty exceeded 10 percent of the Group’s total revenues for the periods as of September 30, 2018 and 2017.

Notes to the consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the nine-month periods ended September 30, 2018 and 2017:

	2018					2017				
	Banking S/(000)	Insurance S/(000) (**)	Wealth management S/(000)	Holding and eliminations S/(000)	Total S/(000)	Banking S/(000)	Insurance S/(000)	Wealth management S/(000)	Holding and eliminations S/(000)	Total S/(000)
<b>Total income (*)</b>										
Third party	3,438,698	702,519	229,976	(26,247)	4,344,946	3,340,644	460,056	247,366	(53,695)	3,994,371
Inter-segment	(38,349)	-	11,251	27,098	-	(53,339)	(36)	(439)	53,814	-
<b>Total income</b>	<b>3,400,349</b>	<b>702,519</b>	<b>241,227</b>	<b>851</b>	<b>4,344,946</b>	<b>3,287,305</b>	<b>460,020</b>	<b>246,927</b>	<b>119</b>	<b>3,994,371</b>
<b>Extracts of results</b>										
Interest and similar income	2,622,676	462,489	110,456	(2,920)	3,192,701	2,495,407	225,311	114,943	(24,121)	2,811,540
Interest and similar expenses	(782,079)	(40,853)	(31,534)	(4,164)	(858,630)	(783,659)	(8,598)	(41,449)	1,890	(831,816)
<b>Net interest and similar income</b>	<b>1,840,597</b>	<b>421,636</b>	<b>78,922</b>	<b>(7,084)</b>	<b>2,334,071</b>	<b>1,711,748</b>	<b>216,713</b>	<b>73,494</b>	<b>(22,231)</b>	<b>1,979,724</b>
Provision for loan losses, net of recoveries	(452,031)	-	772	-	(451,259)	(641,840)	-	2,657	-	(639,183)
<b>Net interests and similar income after provision for loan losses</b>	<b>1,388,566</b>	<b>421,636</b>	<b>79,694</b>	<b>(7,084)</b>	<b>1,882,812</b>	<b>1,069,908</b>	<b>216,713</b>	<b>76,151</b>	<b>(22,231)</b>	<b>1,340,541</b>
Fee income from financial services, net	593,875	(3,445)	92,197	(27,456)	655,171	589,350	(2,625)	85,962	(27,661)	645,026
Net gain on sale of securities	(111,487)	(9,560)	18,711	123,705	21,369	35,215	48,225	53,861	(1)	137,300
Gain on sale of IFS shares	123,705	-	-	(123,705)	-	-	-	-	-	-
Other income	213,856	58,154	8,610	4,124	284,744	220,672	23,792	(7,400)	(1,909)	235,155
Total net premiums earned minus claims and benefits	-	(339,746)	-	-	(339,746)	-	(100,187)	-	-	(100,187)
Depreciation and amortization	(100,031)	(11,986)	(6,560)	(27)	(118,604)	(93,765)	(3,243)	(5,766)	-	(102,774)
Impairment loss on financial instruments	5	316	2,005	-	2,326	-	(5,789)	(3,507)	-	(9,296)
Other expenses	(1,027,859)	(188,493)	(53,391)	22,671	(1,247,072)	(978,155)	(154,214)	(53,988)	13,263	(1,173,094)
<b>Income before translation result and Income Tax</b>	<b>1,080,630</b>	<b>(73,124)</b>	<b>141,266</b>	<b>(7,772)</b>	<b>1,141,000</b>	<b>843,225</b>	<b>22,672</b>	<b>145,313</b>	<b>(38,539)</b>	<b>972,671</b>
Translation result	(5,062)	(6,139)	(408)	(4,405)	(16,014)	11,317	522	1,120	489	13,448
Income Tax	(292,583)	-	710	(22,059)	(313,932)	(223,028)	-	482	(17,244)	(239,790)
<b>Net profit for the period</b>	<b>782,985</b>	<b>(79,263)</b>	<b>141,568</b>	<b>(34,236)</b>	<b>811,054</b>	<b>631,514</b>	<b>23,194</b>	<b>146,915</b>	<b>(55,294)</b>	<b>746,329</b>
<b>Attributable to:</b>										
IFS's shareholders	782,985	(79,263)	141,568	(39,617)	805,673	631,514	23,248	146,915	(59,689)	741,988
Non-controlling interest	-	-	-	5,381	5,381	-	(54)	-	4,395	4,341
	<b>782,985</b>	<b>(79,263)</b>	<b>141,568</b>	<b>(34,236)</b>	<b>811,054</b>	<b>631,514</b>	<b>23,194</b>	<b>146,915</b>	<b>(55,294)</b>	<b>746,329</b>

(\*) Corresponds to interest and similar income, other income and net premiums earned.

(\*\*) Insurance segment includes certain attributable concepts related with the acquisition of Sura (interest expense S/31,910,800, amortization S/7,834,300, among other expenses of the period).

Notes to the consolidated financial statements (continued)

27. Financial instruments classification

Following are presented the carrying amounts of financial assets and liabilities in the consolidated statements of financial position, classified by category in accordance with IFRS 9 “Financial Instruments” as of September 30, 2018 and January 1, 2018:

	As of September 30, 2018						As of January 1, 2018					
	Financial assets at fair value						Financial assets at fair value					
	For trading or hedging purposes	Loans and receivable accounts at amortized cost	Investments at fair value through other comprehensive income	Investments at amortized cost	Financial liabilities at amortized cost	Total	For trading or hedging purposes	Loans and receivable accounts at amortized cost	Investments at fair value through other comprehensive income	Investments at amortized cost	Financial liabilities at amortized cost	Total
S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Financial Assets</b>												
Cash and due from banks	-	7,176,265	-	-	-	7,176,265	-	11,204,843	-	-	-	11,204,843
Inter-bank funds	-	30,007	-	-	-	30,007	-	403,526	-	-	-	403,526
Investments at fair value through profit or loss	1,693,451	-	-	-	-	1,693,451	1,355,638	-	-	-	-	1,355,638
Investments at fair value through other comprehensive income	-	-	14,563,169	-	-	14,563,169	-	-	14,320,030	-	-	14,320,030
Investments at amortized cost	-	-	-	1,842,459	-	1,842,459	-	-	-	1,248,475	-	1,248,475
Loan portfolio, net	-	31,457,503	-	-	-	31,457,503	-	28,205,284	-	-	-	28,205,284
Due from customers on acceptances	-	117,392	-	-	-	117,392	-	41,715	-	-	-	41,715
Accounts receivable and other assets, net	108,386	893,527	-	-	-	1,001,913	92,820	570,960	-	-	-	663,780
	1,801,837	39,674,694	14,563,169	1,842,459	-	57,882,159	1,448,458	40,426,328	14,320,030	1,248,475	-	57,443,291
<b>Financial liabilities</b>												
Deposits and obligations	-	-	-	-	31,071,875	31,071,875	-	-	-	-	32,607,637	32,607,637
Inter-bank funds	-	-	-	-	233,553	233,553	-	-	-	-	30,008	30,008
Due to banks and correspondents	-	-	-	-	4,153,472	4,153,472	-	-	-	-	4,407,392	4,407,392
Bonds, notes and other obligations	-	-	-	-	6,378,576	6,378,576	-	-	-	-	5,602,358	5,602,358
Due from customers on acceptances	-	-	-	-	117,392	117,392	-	-	-	-	41,715	41,715
Insurance contract liabilities	-	-	-	-	10,036,373	10,036,373	-	-	-	-	10,554,926	10,554,926
Accounts payable, provision and other liabilities	128,512	-	-	-	1,474,739	1,603,251	133,921	-	-	-	1,171,148	1,305,069
	128,512	-	-	-	53,465,980	53,594,492	133,921	-	-	-	54,415,184	54,549,105



## Notes to the consolidated financial statements (continued)

### 28. Financial risk management

It comprises the management of the main risks, that due to the nature of their operations, IFS and its Subsidiaries are exposed to; and correspond to: credit risk, market risk, liquidity risk, and insurance and real estate risk.

- Credit risk: possibility of loss due to inability or lack of willingness to pay of debtors, counterparts or third parties bound to comply with their contractual obligations.
- Market risk: probability of losses in positions on and off the consolidated statements of financial position derived from variations in market conditions. It generally includes the following types of risk: exchange rate, fair value by type of interest; price, among others.
- Liquidity risk: possibility of loss due to noncompliance with the requirements of financing and fund application that arise from mismatches of cash flows.
- Insurance risk: possibility that the actual cost of claims and payments will differ from the estimates.

## Notes to the consolidated financial statements (continued)

### (ii) Foreign exchange risk

The Group is exposed to fluctuations in the exchange rates of foreign currency prevailing in its financial position and cash flows. Management sets limits on the levels of exposure by currency and in total and overnight positions, which are monitored daily. Most of the assets and liabilities in foreign currency are stated in US Dollars. Transactions in foreign currency are made at the exchange rates of free market.

As of September 30, 2018, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.298 per US\$1 bid and S/3.302 per US\$1 ask (S/3.238 and S/3.245 as of December 31, 2017, respectively). As of September 30, 2018, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.300 per US\$1 (S/3.241 as of December 31, 2017).

The table below presents the detail of the Group's position:

	As of September 30, 2018				As of January 01, 2018			
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
<b>Assets</b>								
Cash and due from banks	5,876,229	995,997	304,039	7,176,265	9,497,021	1,385,533	322,289	11,204,843
Inter-bank funds	-	30,007	-	30,007	113,449	290,077	-	403,526
Investments at fair value through profit or loss	1,567,470	98,404	27,577	1,693,451	1,144,416	121,687	89,535	1,355,638
Available-for-sale investments (*)	-	-	-	-	-	-	-	-
Investments at fair value through other comprehensive income	5,636,465	8,094,684	-	13,731,149	5,594,846	8,161,518	-	13,756,364
Investments at amortized cost	-	1,842,459	-	1,842,459	-	1,248,475	-	1,248,475
Loan portfolio, net	9,774,253	21,683,250	-	31,457,503	8,442,858	19,762,426	-	28,205,284
Due from customers on acceptances	93,712	-	23,680	117,392	21,138	-	20,577	41,715
Accounts receivable and other assets	258,356	722,753	20,804	1,001,913	167,848	495,196	741	663,785
	<u>23,206,485</u>	<u>33,467,554</u>	<u>376,100</u>	<u>57,050,139</u>	<u>24,981,576</u>	<u>31,464,912</u>	<u>433,142</u>	<u>56,879,630</u>
<b>Liabilities</b>								
Deposits and obligations	13,027,112	17,776,503	268,260	31,071,875	14,469,686	17,877,317	260,634	32,607,637
Inter-bank funds	-	233,553	-	233,553	-	30,008	-	30,008
Due to banks and correspondents	778,084	3,375,388	-	4,153,472	1,031,657	3,375,735	-	4,407,392
Bonds, notes and other obligations	5,993,118	385,458	-	6,378,576	5,215,011	387,347	-	5,602,358
Due from customers on acceptances	93,712	-	23,680	117,392	21,138	-	20,577	41,715
Insurance contract liabilities	4,089,898	5,946,475	-	10,036,373	4,142,822	6,412,104	-	10,554,926
Accounts payable, provision and other liabilities	229,309	1,348,948	24,994	1,603,251	260,343	963,096	81,630	1,305,069
	<u>24,211,233</u>	<u>29,066,325</u>	<u>316,934</u>	<u>53,594,492</u>	<u>25,140,657</u>	<u>29,045,607</u>	<u>362,841</u>	<u>54,549,105</u>
<b>Assets (Liabilities) net</b>								
Forwards position, net	(531,999)	572,465	(40,466)	-	(406,225)	458,390	(52,165)	-
Currency swaps position, net	(89,211)	89,211	-	-	54,369	(54,369)	-	-
Cross currency swaps position, net	1,521,768	(1,521,768)	-	-	295,391	(295,391)	-	-
Options position, net	(537)	537	-	-	(388)	388	-	-
<b>Monetary position, net</b>	<u>(104,727)</u>	<u>3,541,674</u>	<u>18,700</u>	<u>3,455,647</u>	<u>(215,934)</u>	<u>2,528,323</u>	<u>18,136</u>	<u>2,330,525</u>

(\*) Until December 31, 2017, mutual funds and investment funds participations and shares for approximately S/1,150,000,000, recorded as available-for-sale investments, were not part of the Group's monetary position.

## Notes to the consolidated financial statements (continued)

As of September 30, 2018, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$724,217,000, equivalent to S/2,389,915,000 (US\$673,040,000, equivalent to S/2,181,322,000 as of January 1, 2018 and December 31, 2017).

The Group manages the exchange rate risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Group's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the Sol. The global position includes spot positions and also derivative positions. Any increase or decrease of the foreign currency's value would affect the consolidated income statements. A mismatch of the monetary position would make the Group's consolidated statements of financial position vulnerable to the foreign currency fluctuation (exchange rate shock).

The table below shows the analysis of variations of the US Dollar, the main currency to which the Group has exposure as of September 30, 2018 and January 1, 2018 (December 31, 2017). The analysis determines the effect of a reasonably possible variation of the exchange rate of US Dollar against the Sol, considering all the other variables held constant in the consolidated statements of other comprehensive income before Income Tax. A negative amount shows a potential net reduction in the consolidated income statements, whereas a positive amount reflects a net potential increase:

Sensitivity analysis	Changes in currency rates %	30.09.2018 S/(000)	01.01.2018 and 31.12.2017 S/(000)
<b>Devaluation</b>			
US Dollar	5	5,236	10,797
US Dollar	10	10,473	21,593
US Dollar	15	15,709	32,390
<b>Revaluation</b>			
US Dollar	5	(5,236)	(10,797)
US Dollar	10	(10,473)	(21,593)
US Dollar	15	(15,709)	(32,390)

Notes to the consolidated financial statements (continued)

29. Fair value

(a) Financial instruments measured at their fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at their fair value, including the level of hierarchy of fair value. The amounts are based on the balances presented in the consolidated statements of financial position:

	As of September 30, 2018				As of January 1, 2018			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
<b>Financial Assets</b>								
<b>Fair value through profit or loss</b>								
Debt instruments	98,235	7,972	-	106,207	17,925	8,744	-	26,669
Shares and mutual funds and investment funds participations	783,088	336,214	467,942	1,587,244	482,888	584,344	261,737	1,328,969
<b>Investments at fair value through other comprehensive income</b>								
Debt instruments	10,036,069	3,553,932	-	13,590,001	9,271,323	4,314,577	-	13,585,900
Shares of the private sector, foreign entities and others	624,063	1,635	-	625,698	399,074	1,606	-	400,680
InRetail Peru Corp.	206,322	-	-	206,322	162,986	-	-	162,986
<b>Derivatives receivable</b>	-	108,386	-	108,386	-	92,820	-	92,820
	11,747,777	4,008,139	467,942	16,223,858	10,334,196	5,002,091	261,737	15,598,024
Accrued interest				141,148				170,464
<b>Total financial assets</b>				16,365,006				15,768,488
<b>Financial liabilities</b>								
<b>Derivatives payable</b>	-	128,512	-	128,512	-	133,921	-	133,921

Notes to the consolidated financial statements (continued)

	As of December 31, 2017 (IAS 39)			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
<b>Financial assets</b>				
<b>Trading securities</b>	200,962	12,704	2,342	216,008
<b>Available-for-sale investments</b>				
Debt instruments	9,271,323	4,314,577	-	13,585,900
Mutual funds and investment funds participations	185,079	580,383	190,855	956,317
Shares of the private sector, foreign entities and others	216,666	1,607	-	218,273
BioPharma Credit PLC	291,960	-	-	291,960
Royalty Pharma	-	-	68,540	68,540
InRetail Perú Corp.	168,206	-	-	168,206
<b>Derivatives receivable</b>	-	92,820	-	92,820
	<u>10,334,196</u>	<u>5,002,091</u>	<u>261,737</u>	<u>15,598,024</u>
Accrued interest				<u>170,464</u>
<b>Total financial assets</b>				<u>15,768,488</u>
<b>Financial liabilities</b>				
<b>Derivatives payable</b>	<u>-</u>	<u>133,921</u>	<u>-</u>	<u>133,921</u>

Financial assets included in Level 1 are those measured on the basis of information that is available on the market, to the extent that their quoted prices reflect an active and liquid market and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

Financial instruments included in Level 2 are valued based on the market prices of other instruments with similar characteristics or with financial valuation models based on information of variables observable in the market (interest rate curves, price vectors, etc.).

Financial assets included 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. The valuation requires Management to make certain assumptions about the model variables and data, including cash flow forecast, discount rate, credit risk and volatility.

As of September 30, 2018 and January 1, 2018, the unrealized gain on Level 3 financial instruments amounts to S/45,172,000 and S/26,562,000, respectively, and the unrealized loss amounts to S/10,817,000 and S/945,000, respectively. During 2018 and 2017, there were no transfers of financial instruments from Level 3 to Level 1 or to Level 2.

Notes to the consolidated financial statements (continued)

(b) Financial instruments not measured at their fair value

The table below presents the disclosure of the comparison between the carrying amounts and fair values of the Group's financial instruments that are not measured at their fair value, presented by level of hierarchy of their fair value:

	As of September 30, 2018					As of January 1, 2018				
	Level 1	Level 2	Level 3	Fair Value	Valor en libros	Level 1	Level 2	Level 3	Fair Value	Valor en libros
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Assets</b>										
Cash and due from banks	-	7,176,265	-	7,176,265	7,176,265	-	11,204,843	-	11,204,843	11,204,843
Inter-bank funds	-	30,007	-	30,007	30,007	-	403,526	-	403,526	403,526
Investments at amortized cost	1,646,740	199,389	-	1,846,129	1,842,459	879,559	423,637	-	1,303,196	1,248,475
Loan portfolio, net	-	32,060,214	-	32,060,214	31,457,503	-	29,019,417	-	29,019,417	28,205,284
Due from customers on acceptances	-	117,392	-	117,392	117,392	-	41,715	-	41,715	41,715
Other accounts receivable and other assets, net	-	893,527	-	893,527	893,527	-	570,960	-	570,960	570,960
<b>Total</b>	<b>1,646,740</b>	<b>40,476,794</b>	<b>-</b>	<b>42,123,534</b>	<b>41,517,153</b>	<b>879,559</b>	<b>41,664,098</b>	<b>-</b>	<b>42,543,656</b>	<b>41,674,803</b>
<b>Liabilities</b>										
Deposits and obligations	-	31,091,969	-	31,091,969	31,071,875	-	32,629,914	-	32,629,914	32,607,637
Inter-bank funds	-	233,553	-	233,553	233,553	-	30,008	-	30,008	30,008
Due to banks and correspondents	-	4,160,117	-	4,160,117	4,153,472	-	4,434,484	-	4,434,484	4,407,392
Bonds, notes and notes issued	5,520,242	913,614	-	6,433,856	6,378,576	5,244,757	735,428	-	5,980,185	5,602,358
Due from customers on acceptances	-	117,392	-	117,392	117,392	-	41,715	-	41,715	41,715
Insurance contract liabilities	-	10,036,373	-	10,036,373	10,036,373	-	10,554,926	-	10,554,926	10,554,926
Accounts payable and other liabilities	-	1,474,739	-	1,474,739	1,474,739	-	1,171,148	-	1,171,148	1,171,148
<b>Total</b>	<b>5,520,242</b>	<b>48,027,757</b>	<b>-</b>	<b>53,547,999</b>	<b>53,465,980</b>	<b>5,244,757</b>	<b>49,597,623</b>	<b>-</b>	<b>54,842,380</b>	<b>54,415,184</b>

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of each financial instrument and they include the following:

- (i) Long-term fixed-rate and variable-rate loans are assessed by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these loans. As of September 30, 2018 and January 1, 2018 (December 31, 2017), the book value of loans, net of allowances, were not significantly different from their calculated fair values.
- (ii) Instruments whose fair value approximates their book value - For financial assets and financial liabilities that are liquid or have short-term maturity (less than 3 months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable-rate financial instruments.
- (iii) Fixed-rate financial instruments - The fair value of fixed-rate financial assets and financial liabilities at amortized cost is determined by comparing market interest rates when they were first recognized with current market rates related to similar financial instruments for their remaining term to maturity. The fair value of fixed interest rate deposits is based on discounted cash flows using market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued, the fair value is determined based on quoted market prices. When quotations are not available, a discounted cash flow model is used based on the yield curve of the adequate interest rate for the remaining term to maturity.

## Notes to the consolidated financial statements (continued)

### 30. Fiduciary activities and management of funds

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held in trust are not included in the consolidated financial statements.

As of September 30, 2018, January 1, 2018 and December 31, 2017, the value of the managed off-balance sheet financial assets is as follows:

	<b>30.09.2018</b> S/(000)	<b>01.01.2018 and 31.12.2017</b> S/(000)
Assets under management	13,160,142	11,982,512
Mutual funds	<u>4,559,097</u>	<u>4,247,369</u>
<b>Total</b>	<u><u>17,719,239</u></u>	<u><u>16,229,881</u></u>

### 34. Additional explanation for English translation

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