Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of December 31, 2018, January 1, 2018, December 31, 2017 and for the years ended December 31, 2018 and 2017

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Content

Consolidated financial statements

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of financial position

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

	Note	31.12.2018	01.01.2018	Restated 31.12.2017
		S/(000)	S/(000)	S/(000)
			(Note 4.2)	(Note 4.1)
Assets				
Cash and due from banks:	5			
Non-interest bearing		3,102,248	2,963,085	2,963,085
Interest bearing		3,991,629	6,264,339	6,264,339
Restricted funds		1,286,534	1,977,419	1,977,419
		8,380,411	**11,204,843**	**11,204,843**
Inter-bank funds		495,037	403,526	403,526
Investments at fair value through profit or loss	6	1,571,468	1,355,638	216,008
Available-for-sale investments	7(b)	-	-	15,459,660
Investments at fair value through other comprehensive income	7(a)	14,173,910	14,320,030	-
Held-to-maturity investments	7(f)	-	-	1,248,475
Investments at amortized cost	7(f)	1,884,067	1,266,491	-
Loans, net:	8			
Loans, net of unearned interest		34,325,721	29,406,286	29,406,286
Allowance for loan losses		(1,305,471)	(1,201,002)	(1,202,118)
		33,020,250	**28,205,284**	**28,204,168**
Investment property	9	986,538	1,118,608	1,118,608
Property, furniture and equipment, net		622,525	612,639	612,639
Due from customers on acceptances		132,961	41,715	41,715
Accounts receivable and other assets, net	10	2,474,822	1,837,519	1,837,519
Deferred Income Tax asset, net		79,475	95,923	53,277
Total assets		**63,821,464**	**60,462,216**	**60,400,438**

	Note	31.12.2018	01.01.2018	Restated 31.12.2017
		S/(000)	S/(000)	S/(000)
			(Note 4.2)	(Note 4.1)
Liabilities and equity				
Deposits and obligations:	11			
Non-interest bearing		5,321,025	4,791,792	4,791,792
Interest bearing		28,360,925	27,815,845	27,815,845
		33,681,950	32,607,637	32,607,637
Inter-bank funds		-	30,008	30,008
Due to banks and correspondents	12	4,293,361	4,407,392	4,407,392
Bonds, notes and other obligations	13	6,496,778	5,602,358	5,602,358
Due from customers on acceptances		132,961	41,715	41,715
Insurance contract liabilities	14	10,300,468	10,520,478	10,520,478
Accounts payable, provisions and other liabilities	10	1,827,418	1,499,364	1,353,686
Deferred Income Tax liability, net		52	257	257
Total liabilities		**56,732,988**	**54,709,209**	**54,563,531**
Equity, net	15			
Equity attributable to IFS's shareholders:				
Capital stock		963,446	963,446	963,446
Treasury stock		(208,178)	(467,200)	(467,200)
Capital surplus		268,077	268,077	268,077
Reserves		4,700,000	3,700,000	3,700,000
Unrealized results, net		121,686	(254,770)	(228,725)
Retained earnings		1,203,043	1,507,674	1,564,945
		7,048,074	5,717,227	5,800,543
Non-controlling interest		40,402	35,780	36,364
Total equity, net		**7,088,476**	**5,753,007**	**5,836,907**
Total liabilities and equity, net		**63,821,464**	**60,462,216**	**60,400,438**

Intercorp Financial Services Inc. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2018 and 2017 (restated)

	Note	31.12.2018	Restated 31.12.2017
		S/(000)	S/(000)
			(Note 4.1)
Interest and similar income	17	4,321,282	3,809,020
Interest and similar expenses	17	(1,170,586)	(1,119,889)
Net interest and similar income		**3,150,696**	**2,689,131**
Provision for loan losses, net of recoveries	8(c)	(660,072)	(827,935)
Net interest and similar income after provision for loan losses, net of recoveries		**2,490,624**	**1,861,196**
Other income			
Fee income from financial services, net	18	893,352	864,368
Net gain on foreign exchange transactions		228,160	201,829
Net gain on sale of securities		14,240	184,847
Net gain on financial assets at fair value through profit or loss		8,860	18,443
Rental income on investment property		32,878	27,284
Gain on sale of investment property	9(c)	4,655	-
Fair value gain (loss) on investment property	9(b)	47,765	(1,878)
Others	19	69,043	87,439
Total other income		**1,298,953**	**1,382,332**
Insurance premiums and claims			
Net premiums earned	20	328,566	259,349
Net claims and benefits incurred for life insurance contracts and others	21	(736,032)	(412,276)
Total net premiums earned less claims and benefits		**(407,466)**	**(152,927)**
Other expenses			
Salaries and employee benefits	22	(755,914)	(714,582)
Administrative expenses	23	(794,180)	(745,690)
Depreciation and amortization		(164,698)	(145,162)
Impairment loss on financial instruments		13,077	(20,759)
Expenses related to rental income		(3,901)	(659)
Others	19	(137,714)	(119,667)
Total other expenses		**(1,843,330)**	**(1,746,519)**
Income before translation result and Income Tax		1,538,781	1,344,082
Translation result		(31,872)	15,898
Income Tax		(415,515)	(326,526)
Net profit for the year		**1,091,394**	**1,033,454**
Attributable to:			
IFS's shareholders		1,084,280	1,027,379
Non-controlling interest		7,114	6,075
		1,091,394	**1,033,454**
Earnings per share attributable to IFS's shareholders basic and diluted (stated in Soles)	24	9.82	9.63
Weighted average number of outstanding shares (in thousand)	24	110,436	106,736

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 years ended December 31, 2018 and 2017 (restated)

	31.12.2018 S/(000)	Restated 31.12.2017 S/(000) (Note 4.1)
Net profit for the year	**1,091,394**	**1,033,454**
Other comprehensive income		
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods:		
Net gain on fair value on financial instruments	321,654	258,670
Net movement on cash flow hedges	28,119	(1,346)
Translation of foreign operations	26,589	(22,480)
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods, net of Income Tax	**376,362**	**238,844**
Total other comprehensive income for the year, net of Income Tax	**1,467,756**	**1,268,298**
Attributable to:		
IFS's shareholders	1,460,736	1,261,772
Non-controlling interest	7,020	6,526
	1,467,756	**1,268,298**

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 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)
Balances as of January 1, 2017- Reported	113,110	(6,179)	963,446	(522,106)	268,077	2,600,000	(83,817)	1,301	98,874	1,553,336	4,879,111	119,235	4,998,346
Change in accounting policy - Technical reserves (Note 4.1)	-	-	-	-	-	-	(479,476)	-	-	479,476	-	-	-
Balances as of January 1, 2017- Restated	113,110	(6,179)	963,446	(522,106)	268,077	2,600,000	(563,293)	1,301	98,874	2,032,812	4,879,111	119,235	4,998,346
Net profit for the year - Restated (Note 4.1)	-	-	-	-	-	-	-	-	-	1,027,379	1,027,379	6,075	1,033,454
Other comprehensive income - Restated (Note 4.1)	-	-	-	-	-	-	258,210	(1,337)	(22,480)	-	234,393	451	234,844
Total comprehensive income - Restated (Note 4.1)	-	-	-	-	-	-	258,210	(1,337)	(22,480)	1,027,379	1,261,772	6,526	1,268,298
Declared and paid dividends, Note 15(a)	-	-	-	-	-	-	-	-	-	(475,773)	(475,773)	-	(475,773)
Dividends paid to non-controlling interest of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,722)	(2,722)
Constitution of reserves, Note 15(e)	-	-	-	-	-	1,100,000	-	-	-	(1,100,000)	-	-	-
Purchase of treasury stock held by Subsidiary, Note 15(b)	-	(500)	-	(52,774)	-	-	-	-	-	-	(52,774)	-	(52,774)
Sale of treasury stock held by Subsidiary, Note 15(b)	-	1,251	-	107,680	-	-	-	-	-	34,984	142,664	175	142,839
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	24,081	24,081	161	24,242
Acquisition of Subsidiary, Note 2	-	-	-	-	-	-	-	-	-	-	-	1,912	1,912
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	21,462	21,462	(88,039)	(66,577)
Others	-	-	-	-	-	-	-	-	-	-	-	(884)	(884)
Balances as of December 31, 2017- Restated	**113,110**	**(5,428)**	**963,446**	**(467,200)**	**268,077**	**3,700,000**	**(305,083)**	**(36)**	**76,394**	**1,564,945**	**5,800,543**	**36,364**	**5,836,907**
Balances as of January 1, 2018- Reported	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	-	-	-
Balances as of January 1, 2018- Restated	113,110	(5,428)	963,446	(467,200)	268,077	3,700,000	(305,083)	(36)	76,394	1,564,945	5,800,543	36,364	5,836,907
Effect of first adoption of IFRS 9 (Note 4.2)	-	-	-	-	-	-	(26,045)	-	-	(57,271)	(83,316)	(584)	(83,900)
Balances as of January 1, 2018 after IFRS 9	113,110	(5,428)	963,446	(467,200)	268,077	3,700,000	(331,128)	(36)	76,394	1,507,674	5,717,227	35,780	5,753,007
Net profit for the year	-	-	-	-	-	-	-	-	-	1,084,280	1,084,280	7,114	1,091,394
Other comprehensive income	-	-	-	-	-	-	321,920	27,947	26,589	-	376,456	(94)	376,362
Total comprehensive income	-	-	-	-	-	-	321,920	27,947	26,589	1,084,280	1,460,736	7,020	1,467,756
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)	-	3,009	-	259,022	-	-	-	-	-	123,705	382,727	862	383,589
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	8,972	8,972	63	9,035
Others	-	-	-	-	-	-	-	-	-	(10,900)	(10,900)	(354)	(11,254)
Balances as of December 31, 2018	**113,110**	**(2,419)**	**963,446**	**(208,178)**	**268,077**	**4,700,000**	**(9,208)**	**27,911**	**102,983**	**1,203,043**	**7,048,074**	**40,402**	**7,088,476**

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2018 and 2017 (restated)

	31.12.2018	Restated 31.12.2017
	S/(000)	S/(000)
Cash flows from operating activities		
Net profit for the year	1,091,394	1,033,454
Plus (minus)		
Provision for loan losses, net of recoveries	660,072	827,935
Depreciation and amortization	164,698	145,162
Provision for sundry risk	3,504	9,748
Deferred Income Tax	13,728	(4,376)
Net gain on sale of securities	(14,240)	(184,847)
Impairment loss, net on financial instruments	(13,077)	20,759
Net gain on financial assets at fair value through profit or loss	(8,860)	(18,443)
Valuation (gain) loss from investment property	(47,765)	1,878
Translation result	31,872	(15,898)
Gain on sale of investment property	(4,655)	-
Increase in accrued interest receivable	(64,215)	(70,112)
Increase (decrease) in accrued interest payable	24,627	(15,887)
Net changes in assets and liabilities		
Increase in loans	(5,418,648)	(2,035,076)
(Decrease) increase in accounts receivable and other assets	(252,326)	471,490
Decrease in restricted funds	673,905	1,307,577
Increase in deposits and obligations	1,045,763	2,509,351
Decrease in due to banks and correspondents	(124,017)	(900,386)
Increase in accounts payable, provisions and other liabilities	357,842	194,162
(Purchase) sale of investments at fair value through profit or loss, net	(187,822)	29,381
Net cash (used in) provided by operating activities	(2,068,220)	3,305,872

Consolidated statements of cash flows (continued)

	31.12.2018	Restated 31.12.2017
	S/(000)	S/(000)
Cash flows from investing activities		
Purchase of investments at fair value through other comprehensive income and investments at amortized cost, net	(276,066)	(1,275,199)
Purchase of property, furniture and equipment	(71,512)	(84,685)
Purchase of intangible assets	(127,478)	(160,515)
Purchase of investment property	(131,227)	(124,089)
Sale of investment property	223,498	-
Purchase of subsidiaries, net of received cash	-	(660,527)
Net cash (used in) provided by investing activities	(382,785)	(2,305,015)
Cash flows from financing activities		
Net increase in bonds, notes and other obligations	585,139	956,575
Net increase in receivable inter-bank funds	(93,821)	(400,537)
Net decrease in payable inter-bank funds	(30,008)	(300,938)
Sale of treasury stock, net	383,589	90,065
Dividends payed	(510,688)	(475,773)
Dividend payed to non-controlling interest	(2,969)	(2,722)
Purchase of non-controlling interest	-	(66,577)
Net cash provided by (used in) financing activities	331,242	(199,907)
Net (decrease) increase in cash and cash equivalents	(2,119,763)	800,950
Translation loss on cash and cash equivalents	(18,794)	(72,380)
Cash and cash equivalents at the beginning of the year	9,225,617	8,497,047
Cash and cash equivalents at the end of the year, Note 5(e)	7,087,060	9,225,617

Intercorp Financial Services Inc. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 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 December 31, 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 December 31, 2018, January 1, 2018 and December 31, 2017 , IFS held approximately 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 December 31, 2018, IFS holds 99.42 percent of the capital stock of Hipotecaria Sura Empresa Administradora Hipotecaria S.A. – In liquidation (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.

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 December 31, 2018, January 1, 2018 and December 31, 2017 (restated), were approved by Board of Directors held on February 13, 2019. 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.

As consequence of the change made by these 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/83,316,000 (attributable to IFS’s shareholders) 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) - (Prospective change)

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.

2. Acquisition of subsidiaries (Seguros Sura and Hipotecaria Sura)

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.

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. The price of the transaction as a whole was S/891,911,000 (US$275,865,000).

The acquisition was approved by the Superintendence of Banking and AFPs (henceforth "SBS") on September 28, 2017, through SBS Resolution No.382, according to which a maximum period of six months was established to formalize the merger between Interseguro and Seguros Sura. At the date of this report, the merging between Interseguro and Seguros Sura has concluded within the legal deadlines.

As of December 31, 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, 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	891,911

As of December 31, 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	453,090
Goodwill	438,821
Consideration transferred	891,911

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

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 December 31, 2018, Interbank had 269 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, see Note 31	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 December 31, 2018 and 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 December 31, 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 closed.

On the other hand, 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 December 31, 2018 and 2017, amounted to S/430,030,000 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 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).

(c) Inteligo Group Corp. and Subsidiaries -

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

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activity is to provide private and institutional banking services mainly to Peruvian citizens.
Inteligo Sociedad Agente de Bolsa S.A.	Brokerage firm incorporated in Peru.
Inteligo Perú Holdings S.A.C.	Activities and administration of investments in financial sectors, incorporated in Peru. As of December 31, 2018 has a paid-in capital of S/1,000.

(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.

(e) Hipotecaria Sura Empresa Administradora Hipotecaria S.A. – In liquidation

Hipotecaria Sura is incorporated in Peru, its regulated by the SBS and its main corporate purpose is the granting of mortgage loans and since 2015, it has not granted any new mortgage loans. As of December 31, 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 December 31, 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 new corporate purpose is the commercialization of products and services through the internet, telephony or related. As of December 31, 2018, it has a paid-in capital of S/1,461,000.

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 December 31, 2018, January 1, 2018 and December 31, 2017 and for the years ended December 31, 2018 and 2017 (restated); see also segments information in Note 26:

	Interbank and Subsidiaries			**Interseguro and Subsidiaries**			**Inteligo and Subsidiaries**		
	31.12.2018	**01.01.2018**	**31.12.2017**	**31.12.2018**	**01.01.2018**	**31.12.2017**	**31.12.2018**	**01.01.2018**	**31.12.2017**
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Consolidated statements of financial position									
Cash and due from banks	7,726,699	10,655,092	10,655,092	206,659	196,561	196,561	465,497	377,485	377,485
Investments at fair value through profit or loss and available-for-sale investments	-	-	4,861,490	-	-	10,151,729	-	-	1,198,427
Investments at fair value through profit or loss and other comprehensive income	3,970,317	4,861,490	-	10,249,731	10,151,729	-	1,574,714	1,198,427	-
Held-to-maturity investments	-	-	1,248,474	-	-	-	-	-	-
Debt instruments at amortized cost	1,884,067	1,266,490	-	-	-	-	-	-	-
Loans, net	31,444,123	26,870,816	26,869,700	-	-	-	1,576,277	1,334,573	1,334,573
Investment property	-	-	-	986,538	1,118,608	1,118,608	-	-	-
Total assets	**47,573,375**	**45,529,391**	**45,478,588**	**12,011,764**	**11,940,640**	**11,940,640**	**3,732,178**	**3,013,892**	**3,013,892**
Deposits and obligations	31,286,749	30,559,296	30,559,296	-	-	-	2,622,423	2,268,248	2,268,248
Due to banks and correspondents	3,968,790	4,386,725	4,386,725	763	20,568	20,568	323,808	100	100
Bonds, notes and other obligations	5,386,171	4,537,205	4,537,205	172,082	175,308	175,308	-	-	-
Insurance contract liabilities	-	-	-	10,155,732	10,375,742	10,375,742	-	-	-
Total liabilities	**42,071,509**	**40,689,772**	**40,555,067**	**10,797,239**	**10,868,269**	**10,868,269**	**2,967,308**	**2,304,094**	**2,304,094**
Equity attributable to IFS's shareholders	**5,501,866**	**4,839,619**	**4,923,521**	**1,214,525**	**1,072,186**	**1,072,186**	**764,870**	**709,798**	**709,798**
Non-controlling interest – equity	**-**	**-**	**-**	**-**	**185**	**185**	**-**	**-**	**-**
Consolidated income statements									
Net interest and similar income	2,493,577	-	2,300,986	599,009	-	323,389	107,819	-	96,083
Provision for loan losses, net of recoveries	(660,858)	-	(830,474)	-	-	-	786	-	2,539
Net gain from sale and valuation of investment property	-	-	-	52,420	-	(1,878)	-	-	-
Fee income from financial services, net	817,861	-	789,747	(4,593)	-	(3,692)	123,626	-	116,927
Total net premiums earned less claims and benefits	-	-	-	(407,466)	-	(152,927)	-	-	-
Impairment loss on financial instruments	(72)	-	-	11,349	-	(5,496)	1,800	-	(15,263)
Net profit for the year attributable to IFS's shareholders	**1,025,142**	**-**	**904,916**	**(7,834)**	**-**	**53,115**	**183,303**	**-**	**187,766**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(89)**	**-**	**-**	**-**

(*) For comparative purposes, the balances of Seguros Sura, as of December 31, 2017 and January 1, 2018, are presented as part of the balances of Interseguro.

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 December 31, 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 corresponding to 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:

	Balances as of December 31, 2017		
Equity, net	**Reported**	**Adjustments 1/**	**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
Total equity, net	5,800,543	-	5,800,543

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 year ended December 31, 2017 has been restated, as shown below:

Consolidated income statements

	For the year ended December 31, 2017		
	Reported	**Adjustment [2/]**	**Restated**
	S/(000)	S/(000)	S/(000)
Interest and similar income	3,809,020	-	3,809,020
Interest and similar expenses	(1,119,889)	-	(1,119,889)
Net interest and similar income	**2,689,131**	**-**	**2,689,131**
Provision for loan losses, net of recoveries	(827,935)	-	(827,935)
Net interest and similar income after provision for loan losses, net of recoveries	**1,861,196**	**-**	**1,861,196**
Other income			
Fee income from financial services, net	864,368	-	864,368
Net gain on foreign exchange transactions	201,829	-	201,829
Net gain on sale of securities	184,847	-	184,847
Net trading income	18,443	-	18,443
Rental income	27,284	-	27,284
Fair value loss on investment property	(1,878)	-	(1,878)
Others	87,439	-	87,439
Total other income	**1,382,332**	**-**	**1,382,332**
Insurance premiums and claims			
Net premiums earned (incurred)	63,730	195,619	259,349
Net claims and benefits incurred for life insurance contracts and others	(412,276)	-	(412,276)
Total net premiums earned less claims and benefits	**(348,546)**	**195,619**	**(152,927)**
Other expenses			
Salaries and employee benefits	(714,582)	-	(714,582)
Administrative expenses	(745,690)	-	(745,690)
Depreciation and amortization	(145,162)	-	(145,162)
Impairment loss on financial instruments	(20,759)	-	(20,759)
Expenses related to rental income	(659)	-	(659)
Others	(119,667)	-	(119,667)
Total other expenses	**(1,746,519)**	**-**	**(1,746,519)**
Income before translation result and Income Tax	1,148,463	195,619	1,344,082
Translation result	15,898	-	15,898
Income Tax	(326,526)	-	(326,526)
Net profit for the year	**837,835**	**195,619**	**1,033,454**
Attributable to:			
IFS's shareholders	831,760	195,619	1,027,379
Non-controlling interest	6,075	-	6,075
	837,835	**195,619**	**1,033,454**
Earnings per share attributable to IFS's shareholders basic and diluted (stated in Soles)	7.79	-	9.63
Weighted average number of outstanding shares (in thousand)	106,736	-	106,736

2/ Correspond to the impact for the full year.

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:

- 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.

- "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/83,316,000, 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 on investments at amortized cost in previous periods from available for sale	17,891	-	17,891
Impact of reclassification of investments (debt and equity) from available-for-sale to fair value through profit or loss	(75,503)	75,503	-
Total	(26,045)	(57,271)	(83,316)

(*) Attributable to IFS's shareholders

The reconciliation of the consolidated statements of financial position of the Company and Subsidiaries, as of December 31, 2017 (according to IAS 39) and as of January 1, 2018 (for first adoption IFRS 9), is presented below:

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:

		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**	
	Note	Classification	S/(000)	S/(000)	S/(000)	S/(000)	Classification
						-	
Assets							
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(f)	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(f)	-	-	1,248,475	18,016	1,266,491	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	-	-	570,965	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	2,904,981	-	-	2,904,981	N/A
Deferred Income Tax asset, net		N/A	53,277	-	42,646	95,923	N/A
Total assets			60,400,438	-	61,778	60,462,216	
Liabilities							
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	10,520,478	-	-	10,520,478	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
Total liabilities			54,563,531	-	145,678	54,709,209	
Equity attributable to IFS's shareholders:		N/A	5,800,543	-	(83,316)	5,717,227	N/A
Non-controlling interest		N/A	36,364	-	(584)	35,780	N/A
Total equity, net			5,836,907	-	(83,900)	5,753,007	

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)
Retained earnings	
Balance under IAS 39 (as of December 31, 2017) – restated	1,564,945
Adjustments or reclassifications related to adoption of IFRS 9	
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)	1,507,674
Unrealized results	
Balance under IAS 39 (as of December 31, 2017) – restated	(228,725)
Adjustments or reclassifications related to adoption of IFRS 9	
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
Adjustments to the cost of investments at amortized cost reclassified from available for sale in previous periods	17,891
Balance under IFRS 9 (as of January 1, 2018)	(254,770)

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

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.

5. Cash and due from banks

(a) This caption is made up as follows:

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Cash and clearing (b)	1,860,441	2,073,078
Deposits in the Central Reserve Bank of Peru – BCRP (b)	3,639,927	5,878,533
Deposits in banks (c)	1,586,692	1,274,006
Accrued interest	6,817	1,807
	7,093,877	9,227,424
Restricted funds (d)	1,286,534	1,977,419
Total	8,380,411	11,204,843

(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:

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Legal reserve		
Deposits in BCRP	3,370,087	5,178,949
Cash in vaults	1,738,690	1,948,711
Subtotal legal reserve	5,108,777	7,127,660
Non-mandatory reserve		
Overnight BCRP deposits	269,840	699,584
Cash	121,496	124,163
Subtotal non-mandatory reserve	391,336	823,747
Cash and due from banks not subject to legal reserve	255	204
Total	5,500,368	7,951,611

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 December 31, 2018, the excess in foreign currency accrued interest in US Dollars at an annual average rate of 1.95 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 requeriments established by the rules in force related to the computation of the legal reserve.

(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 December 31, 2018 and 2017, the Group does not have significant deposits in any specific financial institution.

(d) The Group maintains restricted funds related to:

	31.12.2018	**01.01.2018 and 31.12.2017**
	S/(000)	S/(000)
Repurchase agreements with BCRP (*)	1,189,454	1,882,244
Derivative financial instruments, Note 10(d)	92,456	90,093
Others	4,624	5,082
Total	1,286,534	1,977,419

(*) As of December 31, 2018, correspond to deposits maintained in BCRP which guarantee repurchase agreements amounting to S/1,156,825,000 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).

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

6. Investments at fair value through profit or loss

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

	Market value		
	31.12.2018	**01.01.2018**	**31.12.2017**
	S/(000)	S/(000) (*)	S/(000)
Shares, mutual funds and investment funds participations	1,503,402	1,328,969	189,339
Corporate and leasing bonds	41,583	26,239	26,239
Peruvian Sovereign Bonds	21,397	-	-
Global Bonds issued by foreign countries	3,501	-	-
	1,569,883	1,355,208	215,578
Accrued interest	1,585	430	430
Total	1,571,468	1,355,638	216,008

(*) 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 profit or loss.

7. Investments at fair value through other comprehensive income

(a) The detail of item as of December 31, 2018 and January 1, 2018 under IFRS 9, is as follows:

	31.12.2018				01.01.2018			
		Unrealized gross amount				Unrealized gross amount		
	Amortized Cost	Gains	Losses	Estimated fair value	Amortized Cost	Gains	Losses	Estimated fair value
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Debt instruments								
Corporate, leasing and subordinated bonds	7,687,065	100,107	(306,027)	7,481,145	7,073,038	203,199	(53,372)	7,222,865
Peruvian Sovereign Bonds	2,702,571	63,863	(83,104)	2,683,330	2,439,351	81,636	(29,896)	2,491,091
Negotiable Certificates of Deposit issued by BCRP (c)	1,381,011	181	(714)	1,380,478	1,933,640	2,328	(18)	1,935,950
Bonds guaranteed by the Peruvian Government	804,309	7,222	(16,533)	794,998	857,344	17,485	(7,028)	867,801
Sovereign and Global Bonds of foreign countries	498,101	-	(13,585)	484,516	402,976	1,648	(2,480)	402,144
Global Bonds of the Republic of Peru	332,311	1,439	(14,692)	319,058	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
Total	13,405,368	172,812	(434,655)	13,143,525	13,374,941	307,707	(96,748)	13,585,900
Listed shares								
Biopharma Credit PLC	237,314	24,171	-	261,485	199,303	7,718	-	207,021
InRetail Perú Corp. (d)	70,653	157,469	-	228,122	70,653	92,333	-	162,986
Energía del Sur	71,307	-	(19,923)	51,384	71,307	-	(7,165)	64,142
Other foreign and peruvian entities	330,946	4,278	(32,567)	302,657	130,177	4,399	(6,665)	127,911
Non-listed shares								
Others	974	697	-	1,671	936	670	-	1,606
	711,194	186,615	(52,490)	845,319	472,376	105,120	(13,830)	563,666
	14,116,562	359,427	(487,145)	13,988,844	13,847,317	412,827	(110,578)	14,149,566
Accrued interest				185,066				170,464
Total				14,173,910				14,320,030

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

	2017 (*)			
		Unrealized gross amount		
	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	Estimated fair value S/(000)
Debt instruments				
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
Sovereign and Global Bonds of foreign countries	402,976	1,648	(2,480)	402,144
Total	14,270,245	369,354	(97,382)	14,542,217
Listed shares				
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
Non-listed shares and participations				
Royalty Pharma	60,766	7,774	-	68,540
Others	936	670	-	1,606
	641,913	118,708	(13,642)	746,979
	14,912,158	488,062	(111,024)	15,289,196
Accrued interest				170,464
Total				15,459,660

(*) 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.

(c) As of December 31, 2018, Interbank holds repurchase agreements with BCRP for approximately S/250,906,000, including accrued interests, which are guaranteed with Negotiable Certificates of Deposit issued by BCRP, classified and restricted, for approximately S/256,777,000, see Note 12(b).

(d) As of December 31, 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).

(e) The table below presents the fair value of debt instruments through other comprehensive income as of December 31, 2018:

	Total S/(000)
Instruments issued and rated in Peru:	
AAA	874,261
AA- / AA+	2,308,698
A- / A+	319,028
BB- / BB+	4,884
	3,506,871
Instruments issued in Peru and rated abroad:	
A- / A+	2,754,039
BBB- / BBB+	2,179,210
BB- / BB+	139,290
	5,072,539
Instruments issued and rated abroad:	
AAA	82,849
AA- / AA+	129,972
A- / A+	334,708
BBB- / BBB+	2,244,340
BB- / BB+	97,238
B- a B+	3,333
	2,892,440
Unrated	
Certificates of Deposit issued by the BCRP	1,380,478
Others	291,197
	1,671,675
Total debt instruments	**13,143,525**

(f) As of December 31, 2018 and January 1, 2018, debt instruments at amortized cost are entirely comprised of Peruvian Sovereign Bonds amounting to S/1,884,067,000 and S/1,266,491,000, respectively, including accrued interests. The balances as of January 1, 2018 and December 31, 2017 correspond to the same debt instruments.

As of December 31, 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/1,856,325,000, as of December 31, 2018 and January 1, 2018 (December 31, 2017) their fair value amounts to S/1,303,196,000.

As of December 31, 2018 and January 1, 2018 (December 31, 2017), Interbank holds repurchase agreements with BCRP for approximately S/689,458,000 and S/332,850,000, including accrued interests, which are guaranteed with Peruvian Sovereign Bonds, classified and restricted, for approximately S/738,635,000 and S/362,644,000, see Note 12(b).

8. Loans, net

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

	31.12.2018	01.01.2018	31.12.2017
	S/(000)	S/(000)	S/(000)
Direct loans			
Loans	25,569,152	21,833,083	21,833,083
Credit cards	4,881,404	3,798,746	3,798,746
Leasing	1,682,629	1,706,745	1,706,745
Discounted notes	494,953	547,857	547,857
Factoring	309,558	162,598	162,598
Advances and overdrafts	50,219	57,774	57,774
Refinanced loans	210,384	273,448	273,448
Past due and under legal collection loans	856,909	794,450	794,450
	34,055,208	29,174,701	29,174,701
Plus (minus)			
Accrued interest from performing loans	318,250	286,543	286,543
Unearned interest and interest collected in advance	(47,737)	(54,958)	(54,958)
Allowance for loan losses (c)	(1,305,471)	(1,201,002)	(1,202,118)
Total direct loans, net	33,020,250	28,205,284	28,204,168
Indirect loans	4,071,469	4,266,504	4,266,504

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

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Loans		
Commercial (*)	16,032,068	13,545,195
Consumer	10,891,278	9,187,000
Mortgage (**)	6,407,479	5,756,403
Small and micro-business	724,383	686,103
Total	34,055,208	29,174,701

(*) Includes commercial loans acquired from Bancolombia Panama S.A. and Bancolombia Puerto Rico Internacional, Inc.; in September and November 2018, respectively, the net value of the loan portfolio amounted to approximately S/385,208,000. Likewise, includes a commercial loan acquired from Itaú CorpBanca New York Branch, in September 2018, the net value of the loan amounted to approximately S/197,948,000.

(**) During October 2017, Interbank acquired a portfolio of mortgage loans from Seguros Sura and Hipotecaria Sura for approximately S/217,776,000 and S/3,757,000, respectively.

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

	31.12.2018 (IFRS 9)					
	Commercial	**Mortgage**	**Consumer**	**Small and micro-business**	**Total**	
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	
Balance at 31.12.2017	**243,115**	**66,543**	**881,874**	**63,431**	**1,254,963**	
First adoption of IFRS 9	48,284	38,554	64,768	(7,044)	144,562	(*)
Balance at 01.01.2018	**291,399**	**105,097**	**946,642**	**56,387**	**1,399,525**	
Provision	(6,442)	10,556	604,347	51,611	660,072	
Recovery of written–off loans	1,163	-	140,049	4,374	145,586	
Written-off portfolio	(28,178)	29	(693,316)	(42,981)	(764,446)	
Sale of loan portfolio	(5,913)	-	(1,245)	-	(7,158)	
Translation result	4,128	1,643	6,895	183	12,849	
Others	(334)	(2,718)	(16,419)	(102)	(19,573)	
End of period balances (**)	**255,823**	**114,607**	**986,953**	**69,472**	**1,426,855**	

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

	31.12.2017 (IAS 39)				
	Commercial	**Mortgage**	**Consumer**	**Small and micro-business**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Balance at 01.01.2017	221,134	60,497	851,927	57,200	1,190,758
Provision	47,325	9,135	743,494	27,981	827,935
Recovery of written–off loans	187	-	123,226	4,723	128,136
Written-off portfolio	(10,116)	(955)	(806,834)	(26,174)	(844,079)
Sale of loan portfolio	(9,656)	-	(3,969)	-	(13,625)
Translation result	(5,714)	(2,134)	(1,367)	(299)	(9,514)
Others	(45)	-	(24,603)	-	(24,648)
End of period balances	**243,115**	**66,543**	**881,874**	**63,431**	**1,254,963**

(**) As of December 31, 2018, the allowance for loan losses includes the allowance for direct and indirect loans amounting to S/1,305,471,000 and S/121,384,000, 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 December 31, 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.

9. Investment property

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

	31.12.2018	01.01.2018 and 31.12.2017	Acquisition or construction year	Hierarchy level (i)	Valuation methodology 31.12.2018	Valuation methodology 01.01.2018 and 31.12.2017
	S/(000)	S/(000)				
Land -						
San Isidro – Lima	249,377	240,715	2009	Level 3	Appraisal	Appraisal
Miraflores – Lima	70,800	72,421	2017	Level 3	Appraisal	Appraisal
San Martín de Porres – Lima	64,501	63,299	2015	Level 3	Appraisal	Appraisal
Piura	50,708	40,142	2008	Level 3	Appraisal	Appraisal
Sullana	16,491	25,419	2012	Level 3	Appraisal	Appraisal
Santa Clara - Lima	10,342	9,937	2017	Level 3	Appraisal	Appraisal
Chimbote	7,421	9,399	2015	Level 3	Appraisal	Appraisal
Others	15,704	15,464	-	Level 3	Appraisal	Appraisal
Yanahuara - Arequipa	-	26,323	2017	Level 3	Appraisal	Appraisal
	485,344	503,119				
Completed investment property						
Shopping Malls "Real Plaza" -						
Talara	41,337	37,932	2015	Level 3	DCF	DCF
Pucallpa (c)	-	190,676	2014	Level 3	-	Appraisal + DCF
	41,337	228,608				
Buildings -						
Orquideas - San Isidro - Lima	144,645	133,230	2017	Level 3	DCF	DCF
Ate Vitarte - Lima	67,894	57,781	2006	Level 3	DCF	DCF
Chorrillos - Lima	51,552	24,798	2017	Level 3	DCF	DCF
Maestro - Huancayo	32,901	30,510	2017	Level 3	DCF	DCF
Cusco	28,472	23,794	2017	Level 3	DCF	DCF
Panorama - Lima	20,437	20,653	2016	Level 3	DCF	DCF
Trujillo	16,270	15,369	2016	Level 3	DCF	DCF
Cercado de Lima	12,929	11,577	2017	Level 3	DCF	DCF
Pardo y Aliaga - Lima	19,164	3,310	2008	Level 3	Appraisal + DCF	Appraisal + DCF
Others	24,100	26,971	-	Level 3	Appraisal + DCF	Appraisal + DCF
	418,364	347,993				
Built on leased land -						
San Juan de Lurigancho - Lima	41,493	37,726	2017	Level 3	DCF	DCF
Others	-	1,162	-	Level 3	-	DCF
	41,493	38,888				
Total	986,538	1,118,608				

DCF: Discounted cash flow

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

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

(b) The movement of this caption for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
	S/(000)	S/(000)
Beginning balance	1,118,608	745,185
Acquisition of Seguros Sura, Note 2	-	251,212
Purchase	131,227	124,089
Sales (c)	(218,843)	-
Transfers	(92,219)	-
Valuation gain (loss)	47,765	(1,878)
End of period balance	986,538	1,118,608

(c) In January 2018, Interseguro sold, in cash and at fair value, the Real Plaza Pucallpa Shopping Mall, a lot located in Lurín and the building of Estación Central, to related entities. In December 2018, Interseguro sold, in cash at fair value, the land of Metropolitana Arequipa, to a related entity. The profit generated by these sales amounted to S/4,655,000 and is presented as "Gain on sale of investment property" in the consolidated income statements.

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

(a) These captions are comprised of the following:

	31.12.2018	01.01.2018	31.12.2017
	S/(000)	S/(000)	S/(000)
Accounts receivable and other assets			
Financial instruments			
Other accounts receivable, net	440,530	239,671	239,671
Accounts receivable from sale of investments	385,624	60,892	60,892
Accounts receivable related to derivative financial instruments (d)	185,376	92,820	92,820
Assets for technical reserves for claims and premiums by reinsurers	147,891	124,441	124,441
Operations in process (c)	54,428	67,783	67,783
Insurance operations receivables, net	42,795	27,200	27,200
Accounts receivable from reinsurers and coinsurers	39,875	36,427	36,427
Credit card commissions receivable	13,237	14,551	14,551
Total	1,309,756	663,785	663,785
Non-financial instruments			
Intangible assets, net	521,666	488,715	488,715
Goodwill, acquisition of Subsidiaries, Note 2	438,821	438,821	438,821
Deferred charges	80,113	78,114	78,114
Investments in associates	63,233	55,993	55,993
Prepaid Income Tax	19,860	44,429	44,429
Prepaid rights to related entity, Note 25(f)	8,856	10,876	10,876
Value Added Tax credit (b)	5,517	50,571	50,571
Others	27,000	6,215	6,215
	1,165,066	1,173,734	1,173,734
Total	2,474,822	1,837,519	1,837,519
Accounts payable, provisions and other liabilities			
Financial instruments			
Other accounts payable	471,412	425,093	425,093
Obligations for insurance contract, Note 3(b)	298,382	129,592	129,592
Accounts payable for acquisitions of investments	246,409	96,804	96,804
Accounts payable related to derivative financial instruments (d)	154,116	133,921	133,921
Workers' profit sharing and salaries payable	127,516	114,084	114,084
Allowance for indirect loan losses, Note 8(c)	121,384	198,523	52,845
Operations in process (c)	116,717	148,483	148,483
Accounts payable to reinsurers and coinsurers	62,879	58,561	58,561
	1,598,815	1,305,061	1,159,383
Non-financial instruments			
Taxes payable	101,086	65,261	65,261
Deferred income	59,483	54,161	54,161
Provision for other contingencies	52,739	57,514	57,514
Others	15,295	17,367	17,367
	228,603	194,303	194,303
Total	1,827,418	1,499,364	1,353,686

(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, 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:

	31.12.2018				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) -								
Forward exchange contracts	20,009	21,529	5,177,209	Between January 2019 and February 2020	22,221	17,138	5,473,643	Between January 2018 and October 2018
Interest rate swaps	19,249	19,854	2,018,220	Between November 2020 and December 2029	16,463	11,937	2,220,102	Between February 2018 and December 2029
Currency swaps	48,452	48,915	909,114	Between January 2019 and January 2025	51,697	47,405	989,181	Between January 2018 and January 2025
Options	628	1,956	234,779	Between January 2019 and June 2020	6	1,587	227,647	Between January 2018 and April 2018
Cross currency swaps	-	59,683	198,528	January 2023	-	51,669	190,759	January 2023
	88,338	151,937	8,537,850		90,387	129,736	9,101,332	
Derivatives held as hedges -								
Cash flow hedges:								
Cross currency swaps (CCS), Note 13(e)	74,144	-	1,349,200	January 2023	-	-	-	-
Cross currency swaps (CCS), Note 13(f)	22,675	-	505,950	October 2027	505	-	486,150	October 2027
Cross currency swaps (CCS), Note 13(g)	219	-	67,460	October 2020	-	4,185	64,820	October 2020
Interest rate swaps (IRS), Note 12d(i)	-	1,002	134,920	November 2020	-	-	-	-
Interest rate swaps (IRS), Note 12d(ii)	-	589	84,325	December 2018	-	-	-	-
Interest rate swaps (IRS), Note 12d(iii)	-	588	84,325	December 2018	-	-	-	-
Interest rate swaps (IRS), Note 12d(ii)	-	-	-	-	1,036	-	162,050	October 2018
Cross currency swaps (CCS), Note 12d(iv)	-	-	-	-	675	-	129,640	August 2018
Cross currency swaps (CCS), Note 12d(v)	-	-	-	-	217	-	162,050	January 2018
	97,038	2,179	2,226,180		2,433	4,185	1,004,710	
	185,376	154,116	10,764,030		92,820	133,921	10,106,042	

As of December 31, 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.

11. Deposits and obligations

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

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Saving deposits	10,728,257	9,092,846
Time deposits	11,074,316	11,562,024
Demand deposits	10,109,492	10,364,653
Compensation for service time	1,763,826	1,582,278
Other obligations	6,059	5,836
Total	33,681,950	32,607,637

(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 December 31, 2018 and January 1, 2018 (December 31, 2017), of the total of deposits and obligations, approximately S/9,734,215,000 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 this caption as of December 31, 2018, January 1, 2018 and December 31, 2017 is made up as follows:

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
By type -		
Central Reserve Bank of Peru (b)	2,073,919	2,205,423
Promotional credit lines (c)	1,386,603	1,441,931
Loans received from foreign entities (d)	796,028	712,777
Loans received from Peruvian entities	763	20,668
	4,257,313	4,380,799
Interest and commissions payable	36,048	26,593
	4,293,361	4,407,392
By term -		
Short term	2,507,623	2,447,091
Long term	1,785,738	1,960,301
Total	4,293,361	4,407,392

(b) As of December 31, 2018 and January 1, 2018 (December 31, 2017), corresponds to currency repurchase operations according to which Interbank receives Soles for approximately S/1,154,500,000 and S/1,880,200,000, respectively, and delivers US Dollars to the BCRP (for an amount equivalent to the one received). The US Dollars delivered are recorded as restricted funds; see Note 5(d). As of December 31, 2018, these obligations have maturities between February and June 2019 and bear an effective interest market rate (minimum of 3.06 percent and maximum of 4.21 percent); these operations accrued interest payable for approximately S/2,325,000 (with maturities between April 2018 and June 2019 and bear an effective interest market rate (minimum of 3.00 percent and maximum of 6.38 percent); these operations accrued interest payable for approximately S/10,762,000, as of January 1, 2018 (December 31, 2017)).

Additionaly, as of December 31, 2018 and January 1, 2018 (December 31, 2017), it includes repurchase agreements, according to which Interbank receive due in Soles for approximately S/919,419,000 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(f). As of December 31, 2018, these operations have maturities between January 2019 and July 2020, and accrue interests at annual effective rates between 3.22 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) and the Fondo Mivivienda (FMV) 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 December 31, 2018, the COFIDE loans accrued an effective annual interest rate in Soles (minimum of 7.55 percent and maximum of 10.00 percent) and in foreign currency (minimum of 6.67 percent and maximum of 8.84 percent) and have maturities between January 2027 and November 2031 (minimum of 7.55 and maximum of 10.00 percent in Soles and minimum of 4.62 percent and maximum of 8.55 percent in foreign currency and maturities between December 2018 and November 2031, as of January 1, 2018 and December 31, 2017).

As of December 31, 2018, the FMV loans accrued an effective annual interest rate that fluctuated between 5.00 and 8.30 percent in Soles and 7.75 percent in foreign currency and have maturities between January 2019 and December 2038 (6.00 and 8.30 percent in Soles and 7.75 percent in foreign currency and maturities between January 2018 and December 2037, as of January 1, 2018 and December 31, 2017).

(d) As of December 31, 2018, January 1, 2018 and December 31, 2017, includes the following:

Bank	Country	Final maturity	31.12.2018	01.01.2018 and 31.12.2017
			S/(000)	S/(000)
Credit Suisse First Boston (*)	Luxemburgo	January 2019	229,364	-
Sumitomo Bank (vii)	United States of America	January 2019	168,650	-
Development Bank of Latin America (i) (vi)	Supranational	November 2020	134,920	243,075
Bank J. Safra Sarasin (*)	Switzerland	January 2019	94,444	-
Wells Fargo Bank & Co. (ii)	United States of America	December 2020	84,325	162,050
Citibank N.A. (iii)	United States of America	December 2020	84,325	-
JP Morgan Chase & Co. (iv)	United States of America	-	-	129,640
HSBC Bank PLC (v)	United Kingdom	-	-	162,050
Foreign Trade Bank of Latin America, Inc.	Supranational	-	-	15,962
			796,028	712,777

(*) Revolving lines.

Transactions with foreign entities bore an effective annual average interest rate of 3.23 percent during 2018 (2.23 percent during 2017).

(i) As of December 31, 2018, corresponds to a loan received by Interbank in October 2018 for US$40,000,000 which bear interest at a 6-month Libor rate plus 0.85 percent. In November 2018, Interbank signed an interest rate swaps contracts, which were designated as cash flow hedges; see Note 10(d). Through this operation, the loans were economically converted into fixed rate obligations.

(ii) As of December 31, 2018, corresponds to a loan received by Interbank in November 2018 for US$25,000,000 (equivalent to approximately S/84,325,000) which bear interest at a 3-month Libor rate plus 0.90 percent. In November 2018, Interbank signed an interest rate swaps contracts, which were designated as cash flow hedges; see Note 10(d). Through this operation, the loans were economically converted into fixed rate obligations.

As of December 31, 2017, 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/162,050,000) 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.

(iii) As of December 31, 2018, corresponds to a loan received by Interbank in November 2018 for US$25,000,000 (equivalent to approximately S/84,325,000) which bear interest at a 3-month Libor rate plus 0.90 percent. In November 2018, Interbank signed an interest rate swaps contracts, which were designated as cash flow hedges; see Note 10(d). Through this operation, the loans were economically converted into fixed rate obligations.

(iv) 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.

(v) 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.

(vi) As of December 31, 2017, corresponds to a loan received by Interbank in September 2017 for US$75,000,000 which bear interest at a 4-month Libor rate plus 0.30 percent and due in January 2018.

(vii) This loan was payed in January 2019.

13. Bonds, notes and other obligations

(a) This caption is comprised of the following:

Issuance	Issuer	Annual interest rate	Interest payment	Maturity	Amount issued	31.12.2018	01.01.2018 and 31.12.2017
					(000)	S/(000)	S/(000)
Local issuances							
Subordinated bonds – first program (b)							
Second (B series)	Interbank	9.50%	Semi-annually	2023	US$30,000	94,086	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	July 2019	S/3,300	3,300	3,300
Sixth (A series)	Interbank	8.16%	Semi-annually	July 2019	US$15,110	50,966	48,972
Eighth (A series)	Interbank	6.91%	Semi-annually	2022	S/137,900	137,130	137,125
Second, first tranch	Interseguro	6.97%	Semi-annually	2024	US$35,000	118,055	113,435
Second, second tranch	Interseguro	6.00%	Semi-annually	2024	US$15,000	50,594	48,615
First	Interseguro	6.67%	Quartely	December 2018	US$3,000	-	9,723
						524,131	521,147
Subordinated bonds – second program (b)							
Second (A series)	Interbank	5.81%	Semi-annually	2023	S/150,000	149,776	149,729
Third (A series)	Interbank	7.50%	Semi-annually	2023	US$50,000	168,312	155,192
						318,088	304,921
Total local issuances						842,219	826,068
International issuances							
Subordinated bonds (c)	Interbank	6.625%	Semi-annually	2029	US$300,000	1,006,875	966,729
Junior subordinated notes (d)	Interbank	8.50%	Semi-annually	2070	US$200,000	671,546	643,314
Senior bonds – First and second issuance (e)	Interbank	5.75%	Semi-annually	2020	US$386,678	1,309,248	2,109,565
Senior bonds (f)	IFS	4.125%	Semi-annually	2027	US$300,000	993,241	957,476
Senior bonds (g)	Interbank	3.375%	Semi-annually	2023	US$484,895	1,558,979	-
Total international issuances						5,539,889	4,677,084
Total local and international issuances						6,382,108	5,503,152
Interest payable						114,670	99,206
Total						6,496,778	5,602,358

(*) The Spanish term "VAC - Valor de Actualización Constante" is refereed to an amount subject to adjustments.

(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 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, 2018, 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 December 31, 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.

As of December 31, 2018, Management does not intend to redeem these bonds before their maturity date. However, 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 to 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.

As of December 31, 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 seven cross currency swap contracts for US$400,000,000, 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.

14. Insurance contract liabilities

(a) This caption is comprised of the following:

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
	(Note 1.2.3)	
Technical reserves (b)	10,006,960	10,279,863
Claims reserves (c)	293,508	240,615
	10,300,468	10,520,478
By term		
Short term	935,182	583,692
Long term	9,365,286	9,936,786
Total	10,300,468	10,520,478

(b) The movement of technical reserves disclosed by type of insurance for the years ended December 31, 2018 and 2017, is as follows:

	31.12.2018 (see Note 1.2.3.1)					31.12.2017 (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)
Beginning balances	9,041,070	676,928	525,384	36,481	10,279,863	4,526,171	121,592	152,957	37,540	4,838,260
Insurance subscriptions	287,869	-	6,383	30,301	324,553	294,267	-	3,064	27,941	325,272
Acquisition of Seguros Sura, Note 2	-	-	-	-	-	4,170,359	579,235	340,242	-	5,089,836
Acquisition of Mapfre	-	-	-	-	-	181,849	855	-	-	182,704
Interest rate effect	(750,722)	(99)	-	-	(750,821)	195,619	-	-	-	195,619
Time passage adjustments (*)	(58,773)	42,603	69,978	(26,269)	27,539	(254,233)	(24,754)	43,803	(29,402)	(264,586)
Maturities and recoveries	-	-	(35,289)	-	(35,289)	-	-	(9,596)	-	(9,596)
Exchange differences	142,165	69	19,710	(829)	161,115	(67,976)	-	(5,086)	402	(72,660)
Others	-	-	-	-	-	(4,986)	-	-	-	(4,986)
Ending balances	8,661,609	719,501	586,166	39,684	10,006,960	9,041,070	676,928	525,384	36,481	10,279,863

(*) The table below presents the composition of the adjustments due to time passage as of December 31, 2018 and 2017:

	31.12.2018 (see Note 1.2.3.2)				31.12.2017 (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	(232,828)	69,978	(26,269)	(189,119)	(286,625)	43,803	(29,402)	(272,224)
Inflation and other effects	216,658	-	-	216,658	7,638	-	-	7,638
Time passage adjustments	(16,170)	69,978	(26,269)	27,539	(278,987)	43,803	(29,402)	(264,586)

(**) 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 December 31, 2018, January 1, 2018 and December 31, 2017:

	31.12.2018					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	1,813	157,065	36,886	11,338	207,102	1,320	128,991	39,315	10,047	179,673
IBNR	-	56,996	29,133	277	86,406	-	42,583	18,085	274	60,942
	1,813	214,061	66,019	11,615	293,508	1,320	171,574	57,400	10,321	240,615

The movement of technical reserves for claims for the years ended December 31, 2018 and 2017, is as follows:

	31.12.2018				
	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life insurance S/(000)	General insurance S/(000)	Total S/(000)
Beginning balances	1,320	171,574	57,400	10,321	240,615
Claims	573,883	(25,568)	34,106	12,981	595,402
Adjustments to prior years claims	-	240,784	23,355	3,848	267,987
Payments	(573,785)	(172,728)	(45,794)	(15,564)	(807,871)
Exchange difference	395	(1)	(3,048)	29	(2,625)
Ending balances	1,813	214,061	66,019	11,615	293,508

	31.12.2017				
	Annuities S/(000)	Retirement, disability and survival annuities S/(000)	Life insurance S/(000)	General insurance S/(000)	Total S/(000)
Beginning balances	991	124,062	38,122	9,078	172,253
Claims	331,888	24,316	33,191	26,834	416,229
Acquisition of Seguros Sura, Note 2	27	105,923	13,720	981	120,651
Adjustments to prior years claims	625	8,804	13,867	(8,351)	14,945
Payments	(332,201)	(91,762)	(41,312)	(18,164)	(483,439)
Exchange difference	(10)	231	(188)	(57)	(24)
Ending balances	1,320	171,574	57,400	10,321	240,615

(d) In Management’s opinion, these balances reflect the exposure of life and general insurance contracts as of December 31, 2018 and 2017, in accordance with IFRS 4.

15. Net equity

(a) Capital stock -

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

	31.12.2018		**01.01.2018 and 31.12.2017**	
Entity	**Number of shares** (000)	**Cost** S/(000)	**Number of shares** (000)	**Cost** S/(000)
Interbank	1,986	164,295	4,995	423,317
IFS	433	43,883	433	43,883
Total	2,419	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 and approved to delegate to Management of IFS the termination of this program, when it deems appropriate.

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). During 2017, IFS and its

Subsidiaries bought for 500,000 shares for an amount of approximately S/52,774,000 (1,889,000 shares for an amount of approximately S/199,892,000, during 2016).

On August 9, 2017, the Management of the company informed the Board of Directors of IFS the termination of the program.

(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 December 31, 2018 and 2017:

	31.12.2018 S/(000)	Restated 31.12.2017 S/(000) (Note 4.1)
Net gain on financial instruments through other comprehensive income	321,920	258,210
Cash flow hedge reserves	27,947	(1,337)
Exchange differences on translation of foreign operations	26,589	(22,480)
Total	**376,456**	**234,393**

(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 December 31, 2018 and 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 December 31, 2018 and 2017, Interbank maintains the following amounts related to its assets and contingent credits weighted by risk and regulatory capital (basic and supplementary):

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Total risk weighted assets and credits	44,372,921	37,745,504
Total regulatory capital	7,007,381	6,066,349
Basic regulatory capital (Tier 1)	5,042,037	4,250,426
Supplementary regulatory capital (Tier 2)	1,965,344	1,815,923
Global capital to regulatory capital ratio	15.79%	16.07%

As of December 31, 2018 and 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 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 December 31, 2018 and 2017, the additional regulatory capital estimated by Interbank amounts to approximately S/735,483,000 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 December 31, 2018 and 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 December 31, 2018 and 2017, is as follows:

	Interseguro		Seguros Sura (*)
	31.12.2018	**31.12.2017**	**31.12.2017**
	S/(000)	S/(000)	S/(000)
Regulatory capital	1,042,699	549,281	488,262
Less:			
Solvency equity (solvency margin)	559,930	301,671	231,720
Guarantee fund	195,975	105,584	81,102
Surplus	286,794	142,026	175,440

(*) As of Decemebr 31, 2018, the balances of Seguros Sura are presented as part of the balances of Interseguro, as the merger was completed.

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 Decemebr 31, 2018 and 2017 is the following:

	31.12.2018	**31.12.2017**
	US$(000)	US$(000)
Total elegible capital	216,977	212,459
Total risk weighted assets	850,069	652,229
Capital adequacy ratio (in percentage)	**25.52**	**32.57**

In the Group Management's opinion, its Subsidiaries have complied with the requirements set forth by regulatory entities.

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 (c). The Subsidiaries incorporated and domiciled in Peru (see Note 3) are subject to the Peruvian Tax legislation, see paragraph (b).

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

The rate applicable to the third category Income Tax of domiciled taxpayers is 29.5 percent starting on January 1, 2017.

c) Legal and individuals entities not domiciled 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 provision for the additional Income Tax as expense of the financial year of the dividends. In this sense, as of December 31, 2018 and 2017, the Group has recorded expenses for S/37,880,000 and S/23,677,000, respectively, included in the caption "Income Tax" of the consolidated income statements.

Dividends distributed by Peruvian Subsidiaries are subject to a withholding of 5.0 percent of the profits generated from the year 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 2013 to 2018 are pending to be audited by SUNAT.

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, and subsequently filed contentious-administrative actions, with the exception of the Income Tax from 2006, which is still pending of resolving by the Tax Court.

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 considered that the interests in suspense did 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, 2018 and 2017, amounts to approximately S/393 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 December 31, 2018 and 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.

In January 2019, SUNAT notified Interbank with Tax Assessments and Fine Imposing Resolutions regarding the assessment of the Income Tax year 2013. The purported tax liability amounts to approximately S/ 50 million. To date, Interbank is assessing the possibility to challenge the aforementioned resolutions related to the tax inspection of the year 2013 through the filing of administrative challenges.

As of the date of this report, the Bank is under inspection process by the Tax Authority for the year 2012. 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 December 31, 2018 and 2017.

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 December 31, 2018 and 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.

(f) Legislative Decree N° 1262, which amends Act N° 30341, and fosters liquidity and integration of the stock market, extended until December 31, 2019, the tax exemption on income from the sale of certain assets. Included in said exemption are income from the sale of: i) Debt securities; ii) Certificates of participation in mutual funds: iii) certificates of participation in Real Estate Investment Funds (FIRBI) and certificates of participation in Real Estate Investment Trusts (FIBRA); and iv) Negotiable invoices.

For the exemption to be applicable in the case of income from the sale of shares, investment shares, ADR, GDR and bonds convertible into shares, the following criteria must be met:

- The sale must be performed through a centralized trading mechanism located in the country and supervised by the SMV.

- Must not transfer, within a 12-month period, ownership of 10 percent or more of the shares issued by the Company. In the case of ADR and GDR, taken into account are the underlying shares. Included are the personal transfers and those of the related parties.

- Must have presence in the stock market.

For the rest of securities added to the exemption, it is mandatory that the sale must be performed through the centralized trading mechanism supervised by the SMV and that they must have presence in the stock market. In the case of negotiable invoices, it is only required that the sale be performed through the centralized trading mechanism supervised by the SMV.

Lastly, it is added as grounds for the loss of the exemption that the issuer delists, entirely or partially, the securities from the Public Registry of the Stock Market, in a sole act or progressively, within the 12 months following the sale. The exceptions shall be established through a Regulation.

(g) In July 2018, it was published Act N° 30823, through which Congress delegates the Executive Branch the power to legislate on several areas such as taxing and finance. In this sense, the main tax laws issued were the following:

(i) Starting on January 1, 2019, have entered into effect the amendments to the treatment applicable to royalties and remunerations paid for services rendered by non-domiciled.

(ii) There were established the regulations to the requirements for legal persons and/or legal entities to disclose the identification of their ultimate beneficiary owner (Legislative Decree N° 1372).

(iii) The Tax Code was amended in order to provide taxpayers with more safeguards in the application of the Anti-avoidance Clause (Clause XVI of the Tax Code's Preliminary Title), as well as to provide the Tax Authority with tools for its effective implementation (Legislative Decree N° 1422).

As part of said amendment, it was included a new case of joint liability when the tax debtor is subject to the application of measures provided by Clause XVI when supposed avoidance of tax rules is detected. In such case, the joint liability shall be attributed to the legal guardians provided that they have collaborated either in the designing, approval, execution of acts or situations or economic relationships deemed as avoiding by Clause XVI. In the case of corporations governed by a Board, it corresponds to this corporate body the definition of the entity's tax strategy, and must decide on whether to approve acts, situations or economic relationships performed within the framework of the tax planning. This power is not delegable. The acts, situations and economic relationships performed within the framework of tax planning and implemented as of the effective date of Legislative Decree N° 1422 (September 14, 2018) and that keep on having effects, must be assessed by the Board of the legal person, with the purpose of ratifying or amending them, until March 29, 2019; without prejudice to the fact that the corporation would have approved the referred acts, situations and economic relationships in due course.

Likewise, it was established that the application of Clause XVI, with regard to the recharacterization of the tax avoidance assumptions, shall be performed within the definitive tax inspection procedures that include the revision of acts, situations and economic relationships performed since July 19, 2012.

(iv) Some complementary amendments to the Income Tax Act were included, in effect starting on January 1, 2019 (Legislative Decree N° 1424).

(v) Rules to the accrual of revenues and expenses with tax purposes were established, in effect starting on January 1, 2019 (Legislative Decree N° 1425).

17. Interest and similar income and expenses

This caption is comprised of the following:

	2018	2017
	S/(000)	S/(000)
Interest and similar income		
Interest and fees on loan portfolio	3,356,718	3,201,545
Interest on investments	847,626	557,997
Dividends on investments	61,728	16,664
Interest on due from banks and inter-bank funds	51,592	30,057
Other interest and similar income	3,618	2,757
Total	4,321,282	3,809,020
Interest and similar expenses		
Interest and fees on deposits and obligations	562,495	534,211
Interest on bonds, notes and other obligations	377,506	315,758
Interest and fees on obligations with financial institutions	173,740	222,406
Deposit insurance fund fees	40,697	37,304
Other interest and similar expenses	16,148	10,210
Total	1,170,586	1,119,889

18. Fee income from financial services, net

This caption is comprised of the following:

	2018	2017
	S/(000)	S/(000)
Income		
Maintenance and mailing of accounts, transfer fees and commissions on credit and debit card services	623,480	601,091
Commissions for banking services	186,783	167,805
Funds management fees	148,048	139,215
Fees for indirect loans	61,766	60,205
Collection services fees	37,068	32,792
Brokerage and custody services fees	11,035	11,638
Others	33,758	27,207
Total	1,101,938	1,039,953
Expenses		
Commissions to Brands by credit cards's use	84,719	66,333
Debtor's life insurance premiums	58,931	50,777
Fees paid to foreign banks	15,324	12,937
Brokerage and custody services fees	1,877	3,754
Others	47,735	41,784
Total	208,586	175,585
Net	893,352	864,368

19. Other income and expenses

(a) This caption is comprised of the following:

	2018	2017
	S/(000)	S/(000)
Other income		
Income of investments in associates	17,454	18,475
Gain from sale of written-off-loans	13,615	16,956
Other technical income for insurance operations	10,908	9,273
ATM rental income	4,606	4,562
Services rendered to third parties	2,779	5,160
Other income	19,681	33,013
Total other income	69,043	87,439
Other expenses		
Sundry technical insurance expenses	40,593	16,753
Commissions from insurance activities	38,650	50,971
Donations	5,068	6,696
Administrative and tax penalties	2,963	2,185
Provision for accounts receivable	2,134	8,699
Other expenses	48,306	34,363
Total other expenses	137,714	119,667

20. Net premiums earned

This caption is comprised of the following for the years ended December 31, 2018 and 2017:

	2018					2017				
	Premiums assumed	Adjustment of technical reserves	Gross premium earned (*)	Premiums ceded to reinsurers	Net premiums earned	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)	(1)	(2)	(3) = (1) - (2)	(4)	(5) = (3) - (4)
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Life insurance										
Annuities (**)	264,305	(229,097)	35,208	-	35,208	226,564	(191,612)	34,952	-	34,952
Group life	110,049	1,351	111,400	(4,232)	107,168	128,259	5	128,264	(3,437)	124,827
Individual life	130,419	(40,861)	89,558	(3,678)	85,880	64,467	(35,010)	29,457	(2,778)	26,679
Retirement, disability and survival (***)	160,388	(42,603)	117,785	(107,296)	10,489	36,436	(12,753)	23,683	(26,189)	(2,506)
Others	3	(1,562)	(1,559)	-	(1,559)	10	(2,266)	(2,256)	(1)	(2,257)
Total life insurance	665,164	(312,772)	352,392	(115,206)	237,186	455,736	(241,636)	214,100	(32,405)	181,695
Total general insurance	96,921	(4,032)	92,889	(1,509)	91,380	77,894	1,461	79,355	(1,701)	77,654
Total	762,085	(316,804)	445,281	(116,715)	328,566	533,630	(240,175)	293,455	(34,106)	259,349

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

(**) The variation of the adjustment of technical reserves is due to the effect of new sales and the time passage, as well as to the change in mortality tables, which went from being calculated out of the Chilean table to the Peruvian table published by the regulator.

(***) 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 years ended December 31, 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)
Life insurance						
Annuities	(573,884)	(332,513)	-	-	(573,884)	(332,513)
Group life	(48,213)	(41,110)	2,864	2,582	(45,349)	(38,528)
Individual life	(7,539)	(2,666)	1,410	518	(6,129)	(2,148)
Retirement, disability and survival	(215,217)	(33,120)	122,976	12,262	(92,241)	(20,858)
Others	(1,710)	(3,282)	85	3,386	(1,625)	104
General Insurance	(16,829)	(18,483)	25	150	(16,804)	(18,333)
	(863,392)	(431,174)	127,360	18,898	(736,032)	(412,276)

22. Salaries and employee benefits

This caption is comprised of the following:

	2018	2017
	S/(000)	S/(000)
Salaries	538,190	515,333
Workers' profit sharing	81,837	70,267
Social security	50,244	47,116
Vacations, health insurance and others	45,781	44,211
Severance indemnities	39,862	37,655
Total	**755,914**	**714,582**

23. Administrative expenses

This caption is comprised of the following:

	2018	2017
	S/(000)	S/(000)
Services received from third parties	759,187	714,747
Taxes and contributions	34,993	30,943
Total	**794,180**	**745,690**

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

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:

	Outstanding shares	Shares considered	Effective days in the year	Weighted average
	(in thousands)	(in thousands)		(in thousands)
Period 2017				
Balance as of January 1, 2017	106,931	106,931	365	106,931
Purchase of treasury stock, Note 15(b)	(500)	(500)	213	(292)
Sale of treasury stock	1,251	1,251	28	97
Balance as of December 31, 2017	107,682	107,682		106,736
Net profit for the year S/(000) - restated				1,027,379
Basic and diluted earnings per share (Soles)				9.63
Period 2018				
Balance as of January 1, 2018	107,682	107,682	365	107,682
Sale of treasury stock, Note 15(b)	3,009	3,009	334	2,754
Balance as of December 31, 2018	110,691	110,691		110,436
Net profit for the year S/(000)				1,084,280
Basic and diluted earnings per share (Soles)				9.82

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 December 31, 2018, January 1, 2018 and December 31, 2017:

	31.12.2018	01.01.2018	31.12.2017
	S/(000)	S/(000)	S/(000)
Assets		(Note 4.2)	
Fair value through profit or loss			
Participations - Royalty Pharma	78,808	68,540	-
Negotiable Certificates of Deposit - Financiera Oh! S.A.	20,809	3,817	3,817
Shares - InRetail Perú Corp	7,322	5,220	-
Participation in investment funds - NGCP	2,890	2,342	2,342
Corporate bonds - InRetail Pharma S.A. (former Eckerd Perú S.A.)	139	-	-
Corporate bonds - InRetail Shopping Malls S.A.	67	-	-
Corporate bonds - San Miguel Industrias PET	-	1,649	1,649
Fair value through other comprehensive income			
Shares - InRetail Perú Corp, Note 7(d)	228,122	162,986	-
Corporate bonds - InRetail Shopping Malls S.A.	59,131	65,334	-
Corporate bonds - Colegios Peruanos S.A.C.	58,913	64,985	-
Corporate bonds - Intercorp Perú Ltd.	15,766	16,051	-
Corporate bonds - Cineplex S.A.	7,317	13,399	-
Corporate bonds - Financiera Oh! S.A.	-	27,843	-
Corporate bonds - Inretail Consumer	-	10,194	-
Corporate bonds - Intercorp Retail Inc.	-	6,874	-
Available-for-sale investments			
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
	479,284	449,234	449,234
Loan portfolio, net (b)	1,157,159	828,597	828,597
Accounts receivable from UTP (g)	58,968	32,713	32,713
Accounts receivable from Homecenters Peruanos S.A. (h)	20,877	23,009	23,009
Accounts receivable from Supermercados Peruanos S.A. (i)	18,264	-	-
Accounts receivable related to derivative financial instruments	3,908	5,832	5,832
Other assets (f)	10,183	15,089	15,089
Liabilities			
Deposits and obligations	571,032	311,092	311,092
Other liabilities	214	2,251	2,251
Accounts payable related to derivative financial instruments	-	723	723
Off-balance sheet accounts			
Indirect loans (b)	139,701	133,571	133,571

	2018	2017
	S/(000)	S/(000)
Income (expenses)		
Interest and similar income	90,703	67,703
Interest and similar expenses	(17,747)	(9,397)
Valuation of financial derivative instruments	(201)	520
Rental income	19,412	3,318
Gain on sale of investment properties	4,655	-
Administrative expenses	(40,279)	(42,743)
Others, net	17,114	37,383

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

	31.12.2018	01.01.2018 and 31.12.2017
	S/(000)	S/(000)
Supermercados Peruanos S.A.	237,527	205,596
InRetail Pharma S.A (former Eckerd Perú S.A.)	168,656	24,788
Nessus Hoteles Perú S.A.	103,020	67,767
GTP Inversionistas S.A.C.	102,027	105,527
Colegios Peruanos S.A.	82,222	50,816
Universidad Tecnologica del Perú	80,000	-
Financiera Oh! S.A.	65,300	349
Intercorp Perú Ltd.	65,046	45,004
Homecenters Peruanos S.A.	62,322	61,561
San Miguel Industrias PET S.A.	46,239	40,923
Cineplex S.A.	42,840	56,911
San Miguel Industrias Ecuador	32,910	32,500
Bembos S.A.C.	32,877	27,657
Procesos de Medios de Pago S.A.	28,279	30,127
PF Interproperties Perú	21,126	21,291
Centros de Salud Peruanos	20,701	-
Other minor than 20 million	105,768	133,418
Agrícola Don Ricardo S.A.C.	-	57,933
	1,296,860	962,168

(c) As of December 31, 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 December 31, 2018, January 1, 2018 (December 31, 2017), direct loans to employees, directors and officers amounted to S/223,381,000 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 December 31, 2018 and 2017, are presented below:

	2018	**2017**
	S/(000)	S/(000)
Salaries	22,295	18,880
Board of Directors' compensation	1,925	1,940
Total	24,220	20,820

(e) As of December 31, 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/9,934,000 and S/324,000, respectively.

(f) It corresponds mainly to the payment made in previous periods 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/8,856,000 and S/10,876,000 as of December 31, 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) As of December 31, 2018 and 2017 corresponds to a leasing operation for the construction of an educational campus in San Juan de Lurigancho and Ate Vitarte district.

(h) It corresponds to a loan with maturity in 2046 and bears interest at market value.

(i) As of December 31, 2018 corresponds to a leasing.

(j) In Management's opinion, transactions with related companies have been performed under standard market conditions and within the limits permitted by the current regulation. 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.

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 Decemebr 31, 2018 and 2017.

The following table presents the Group's financial information by business segments for the years ended December 31, 2018 and 2017:

	2018					2017 (Restated)				
	Banking	Insurance	Wealth management	Holding and eliminations	Total	Banking	Insurance	Wealth management	Holding and eliminations	Total
	S/(000)	S/(000) (**)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total income (*)										
Third party	4,677,815	990,678	307,157	(42,702)	5,932,948	4,500,322	703,260	340,263	(93,148)	5,450,697
Inter-segment	(55,824)	-	12,226	43,598	-	(93,242)	(46)	2,196	91,092	-
Total income	4,621,991	990,678	319,383	896	5,932,948	4,407,080	703,214	342,459	(2,056)	5,450,697
Extracts of results										
Interest and similar income	3,560,976	610,990	151,915	(2,599)	4,321,282	3,347,981	334,753	149,935	(23,649)	3,809,020
Interest and similar expenses	(1,067,399)	(54,343)	(44,096)	(4,748)	(1,170,586)	(1,046,995)	(19,713)	(53,852)	671	(1,119,889)
Net interest and similar income	2,493,577	556,647	107,819	(7,347)	3,150,696	2,300,986	315,040	96,083	(22,978)	2,689,131
Provision for loan losses, net of recoveries	(660,858)	-	786	-	(660,072)	(830,474)	-	2,539	-	(827,935)
Net interests and similar income after provision for loan losses	1,832,719	556,647	108,605	(7,347)	2,490,624	1,470,512	315,040	98,622	(22,978)	1,861,196
Fee income from financial services, net	817,861	(4,593)	123,626	(43,542)	893,352	789,747	(3,692)	116,927	(38,614)	864,368
Net gain on sale of securities	(106,468)	(30,684)	27,687	123,705	14,240	40,912	65,009	72,850	6,076	184,847
Gain on sale of IFS shares	123,705	-	-	(123,705)	-	25,220	-	9,764	(34,984)	-
Other income	285,668	98,328	3,926	3,437	391,359	296,462	47,843	(9,211)	(1,977)	333,117
Total net premiums earned minus claims and benefits	-	(407,466)	-	-	(407,466)	-	(152,927)	-	-	(152,927)
Depreciation and amortization	(138,712)	(16,982)	(8,978)	(26)	(164,698)	(127,629)	(9,656)	(7,870)	(7)	(145,162)
Impairment loss on financial instruments	(72)	11,349	1,800	-	13,077	-	(5,496)	(15,263)	-	(20,759)
Other expenses	(1,397,217)	(256,670)	(73,635)	35,815	(1,691,707)	(1,300,442)	(217,164)	(80,123)	17,131	(1,580,598)
Income before translation result and Income Tax	1,417,484	(50,071)	183,031	(11,663)	1,538,781	1,194,782	38,957	185,696	(75,353)	1,344,082
Translation result	(9,778)	(11,405)	(657)	(10,032)	(31,872)	13,618	873	1,523	(116)	15,898
Income Tax	(382,564)	-	928	(33,879)	(415,515)	(303,484)	41	547	(23,630)	(326,526)
Net profit for the year	1,025,142	(61,476)	183,302	(55,574)	1,091,394	904,916	39,871	187,766	(99,099)	1,033,454
Attributable to:										
IFS's shareholders	1,025,142	(61,476)	183,302	(62,688)	1,084,280	904,916	39,960	187,766	(105,263)	1,027,379
Non-controlling interest	-	-	-	7,114	7,114	-	(89)	-	6,164	6,075
	1,025,142	(61,476)	183,302	(55,574)	1,091,394	904,916	39,871	187,766	(99,099)	1,033,454

(*) 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/42,360,238, amortization S/11,281,783, among other expenses of the period 2018).

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 December 31, 2018 and January 1, 2018:

	As of December 31, 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)
Financial Assets												
Cash and due from banks	-	8,380,411	-	-	-	8,380,411	-	11,204,843	-	-	-	11,204,843
Inter-bank funds	-	495,037	-	-	-	495,037	-	403,526	-	-	-	403,526
Investments at fair value through profit or loss	1,571,468	-	-	-	-	1,571,468	1,355,638	-	-	-	-	1,355,638
Investments at fair value through other comprehensive income	-	-	14,173,910	-	-	14,173,910	-	-	14,320,030	-	-	14,320,030
Investments at amortized cost	-	-	-	1,884,067	-	1,884,067	-	-	-	1,266,491	-	1,266,491
Loan portfolio, net	-	33,020,250	-	-	-	33,020,250	-	28,205,284	-	-	-	28,205,284
Due from customers on acceptances	-	132,961	-	-	-	132,961	-	41,715	-	-	-	41,715
Accounts receivable and other assets, net	185,376	1,124,380	-	-	-	1,309,756	92,820	570,965	-	-	-	663,785
	1,756,844	43,153,039	14,173,910	1,884,067	-	60,967,860	1,448,458	40,426,333	14,320,030	1,266,491	-	57,461,312
Financial liabilities												
Deposits and obligations	-	-	-	-	33,681,950	33,681,950	-	-	-	-	32,607,637	32,607,637
Inter-bank funds	-	-	-	-	-	-	-	-	-	-	30,008	30,008
Due to banks and correspondents	-	-	-	-	4,293,361	4,293,361	-	-	-	-	4,407,392	4,407,392
Bonds, notes and other obligations	-	-	-	-	6,496,778	6,496,778	-	-	-	-	5,602,358	5,602,358
Due from customers on acceptances	-	-	-	-	132,961	132,961	-	-	-	-	41,715	41,715
Insurance contract liabilities	-	-	-	-	10,300,468	10,300,468	-	-	-	-	10,520,478	10,520,478
Accounts payable, provision and other liabilities	154,116	-	-	-	1,444,699	1,598,815	133,921	-	-	-	1,171,140	1,305,061
	154,116	-	-	-	56,350,217	56,504,333	133,921	-	-	-	54,380,728	54,514,649

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.

(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 December 31, 2018, the weighted average exchange rate of free market published by the SBS for transactions in US Dollars was S/3.369 per US$1 bid and S/3.379 per US$1 ask (S/3.238 and S/3.245 as of December 31, 2017, respectively). As of December 31, 2018, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.373 per US$1 (S/3.241 as of December 31, 2017).

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

	As of Decmeber 31, 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)
Assets								
Cash and due from banks	6,802,750	1,224,791	352,870	8,380,411	9,497,021	1,385,533	322,289	11,204,843
Inter-bank funds	-	495,037	-	495,037	113,449	290,077	-	403,526
Investments at fair value through profit or loss	1,498,933	54,631	17,904	1,571,468	1,144,416	121,687	89,535	1,355,638
Investments at fair value through other comprehensive income (*)	5,504,913	7,823,678	-	13,328,591	5,594,846	8,161,518	-	13,756,364
Investments at amortized cost	-	1,884,067	-	1,884,067	-	1,266,491	-	1,266,491
Loan portfolio, net	10,048,169	22,972,081	-	33,020,250	8,442,858	19,762,426	-	28,205,284
Due from customers on acceptances	112,653	-	20,308	132,961	21,138	-	20,577	41,715
Accounts receivable and other assets	172,365	1,102,800	34,591	1,309,756	167,848	495,196	741	663,785
	24,139,783	35,557,085	425,673	60,122,541	24,981,576	31,482,928	433,142	56,897,646
Liabilities								
Deposits and obligations	13,584,984	19,807,643	289,323	33,681,950	14,469,686	17,877,317	260,634	32,607,637
Inter-bank funds	-	-	-	-	-	30,008	-	30,008
Due to banks and correspondents	1,046,545	3,246,816	-	4,293,361	1,031,657	3,375,735	-	4,407,392
Bonds, notes and other obligations	6,110,076	386,702	-	6,496,778	5,215,011	387,347	-	5,602,358
Due from customers on acceptances	112,653	-	20,308	132,961	21,138	-	20,577	41,715
Insurance contract liabilities	4,072,811	6,227,657	-	10,300,468	4,142,822	6,377,656	-	10,520,478
Accounts payable, provisions and other liabilities	215,094	1,374,128	9,593	1,598,815	260,338	963,096	81,627	1,305,061
	25,142,163	31,042,946	319,224	56,504,333	25,140,652	29,011,159	362,838	54,514,649
Assets (Liabilities) net								
Forwards position, net	(629,147)	685,813	(56,666)	-	(406,225)	458,390	(52,165)	-
Currency swaps position, net	(59,991)	59,991	-	-	54,369	(54,369)	-	-
Cross currency swaps position, net	1,724,081	(1,724,081)	-	-	295,391	(295,391)	-	-
Options position, net	81	(81)	-	-	(388)	388	-	-
Monetary position, net	**32,644**	**3,535,781**	**49,783**	**3,618,208**	**(215,929)**	**2,580,787**	**18,139**	**2,382,997**

(*) As of December 31, 2018 and January 1, 2018, the shares for approximately S/845,319,000 and S/563,666,000 recorded as investments at fair value through other comprehensive income, are not part of the Group's monetary position.

As of December 31, 2018, the Group granted indirect loans (contingent operations) in foreign currency for approximately US$696,510,000, equivalent to S/2,349,328,000 (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 December 31, 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**	**31.12.2018**	**01.01.2018 and 31.12.2017**
Income (expense)	%	S/(000)	S/(000)
Devaluation			
US Dollar	5	(1,632)	10,796
US Dollar	10	(3,264)	21,593
US Dollar	15	(4,897)	32,389
Revaluation			
US Dollar	5	1,632	(10,796)
US Dollar	10	3,264	(21,593)
US Dollar	15	4,897	(32,389)

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 December 31, 2018				As of January 1, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Financial Assets								
Fair value through profit or loss								
Debt instruments	53,382	14,684	-	68,066	17,925	8,744	-	26,669
Shares and mutual funds and investment funds participations	757,856	337,589	407,957	1,503,402	482,888	584,344	261,737	1,328,969
Investments at fair value through other comprehensive income								
Debt instruments	9,822,969	3,320,556	-	13,143,525	9,271,323	4,314,577	-	13,585,900
Shares of the private sector, foreign entities and others	615,526	1,671	-	617,197	399,074	1,606	-	400,680
InRetail Peru Corp.	228,122	-	-	228,122	162,986	-	-	162,986
Derivatives receivable	-	185,376	-	185,376	-	92,820	-	92,820
	11,477,855	3,859,876	407,957	15,745,688	10,334,196	5,002,091	261,737	15,598,024
Accrued interest				185,066				170,464
Total financial assets				15,930,754				15,768,488
Financial liabilities								
Derivatives payable	-	154,116	-	154,116	-	133,921	-	133,921

	As of December 31, 2017 (IAS 39)			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Financial assets				
Trading securities	200,962	12,704	2,342	216,008
Available-for-sale investments				
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
Derivatives receivable	-	92,820	-	92,820
	10,334,196	5,002,091	261,737	15,598,024
Accrued interest				170,464
Total financial assets				15,768,488
Financial liabilities				
Derivatives payable	-	133,921	-	133,921

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 December 31, 2018 and January 1, 2018, the unrealized gain on Level 3 financial instruments amounts to S/61,911,000 and S/26,562,000, respectively, and the unrealized loss amounts to S/14,691,000 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.

(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 Decmeber 31, 2018					As of January 1, 2018				
	Level 1	Level 2	Level 3	Fair Value	Book Value	Level 1	Level 2	Level 3	Fair Value	Book Value
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets										
Cash and due from banks	-	8,380,411	-	8,380,411	8,380,411	-	11,204,843	-	11,204,843	11,204,843
Inter-bank funds	-	495,037	-	495,037	495,037	-	403,526	-	403,526	403,526
Investments at amortized cost	700,177	1,156,148	-	1,856,325	1,884,067	879,559	423,637	-	1,303,196	1,266,491
Loan portfolio, net	-	33,395,596	-	33,395,596	33,020,250	-	29,020,533	-	29,020,533	28,205,284
Due from customers on acceptances	-	132,961	-	132,961	132,961	-	41,715	-	41,715	41,715
Other accounts receivable and other assets, net	-	1,124,380	-	1,124,380	1,124,380	-	570,965	-	570,965	570,965
Total	700,177	44,684,533	-	45,384,710	45,037,106	879,559	41,665,219	-	42,544,778	41,692,824
Liabilities										
Deposits and obligations	-	33,699,626	-	33,699,626	33,681,950	-	32,629,914	-	32,629,914	32,607,637
Inter-bank funds	-	-	-	-	-	-	30,008	-	30,008	30,008
Due to banks and correspondents	-	4,291,346	-	4,291,346	4,293,361	-	4,434,484	-	4,434,484	4,407,392
Bonds, notes and notes issued	5,569,970	895,427	-	6,465,397	6,496,778	5,244,757	735,429	-	5,980,186	5,602,358
Due from customers on acceptances	-	132,961	-	132,961	132,961	-	41,715	-	41,715	41,715
Insurance contract liabilities	-	10,300,468	-	10,300,468	10,300,468	-	10,520,478	-	10,520,478	10,520,478
Accounts payable and other liabilities	-	1,444,699	-	1,444,699	1,444,699	-	1,171,140	-	1,171,140	1,171,140
Total	5,569,970	50,764,527	-	56,334,497	56,350,217	5,244,757	49,563,168	-	54,807,925	54,380,728

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 December 31, 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.

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

	31.12.2018	**01.01.2018 and 31.12.2017**
	S/(000)	S/(000)
Assets under managment	12,924,575	11,982,512
Mutual funds	4,668,076	4,247,369
Total	17,592,651	16,229,881

31. Subsequent event

In January 2019 Interbank sold 100 percent of the shares of Interfondos S.A. Sociedad Administradora de Fondos, which it held, in favor of Inteligo Perú Holding S.A.C., a subsidiary of Inteligo Group Corp. - which in turn is Subsidiary of Intercorp Financial Services Inc. The transaction amounted to S/148,000,000.

32. 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.